

**Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection**

Report to:	<b>Overview and Scrutiny Management Board</b>
Date:	<b>26 October 2017</b>
Subject:	<b>Review of Financial Risk Assessment</b>

**Summary:**

The Council last reviewed its financial risks in November 2016. This report updates that review. It considers the outcomes from the financial risk assessment for 2016/17 and updates the risk assessment to help determine an appropriate target level for the Council's general reserves for 2018/19.

**Actions Required:**

The Board is asked to consider the risk assessment and any implications for the Council's general reserves and pass comments onto the Executive Councillor with responsibility for finance.

## **1. Background**

1.1 The Council's Financial Risk Register is appended to this report (**Appendix A**). It itemises each of the risks which could have a direct financial consequence for the Council. It also quantifies these risks in terms of potential financial cost to the Council. The intention is to help understanding of the potential issues and their scale. Members will appreciate that there remains a substantial element of judgement in assessing these risks.

1.2 The net total of the risks is some £15.210m. This can be interpreted as the total cost to the Council if all the items listed occurred in 2018/19. Ideally the Council should maintain its general reserve at a sum at least equivalent to the net total risk (i.e. £15.210m).

1.3 The net total of identified risks has increased from the previous assessment in November 2016 (net total risks were £12.265m). This is due to a reduction in the value of provisions against financial risk available in 2018/19. This includes a reduction in the estimated amount available in the Financial Volatility Reserve to address emerging issues and the proposal to budget for income from budget rates pooling.

1.4 The requirement of the Council's Financial Strategy in relation to general reserves is based on its financial risk assessment. The current requirement is that

the Council will maintain its general reserves within a range of 2.5% to 3.5% of its annual budget requirement. For information, the Council's general reserves at 31 March 2017 stood at £15.300m equivalent to 3.5% of its budget requirement at this date.

1.5 Maintaining the current 2.5% to 3.5% policy would require general reserves to be within the range of £11.200m to £15.700m for 2018/19.

1.6 This exercise implies a need for a general reserve of £15.210m from the updated assessment and is equivalent to 3.40% of the budget requirement. This is within the current range of the Council's financial strategy. It is therefore proposed that the general reserve balance should be maintained at the top end of the existing financial strategy range (e.g. at 3.5% of the budget requirement or £15.700m). Close monitoring of the risks during the financial year will be undertaken and remedial action taken if risks begin to materialise.

1.7 For additional information **Appendix B** to this report sets out the financial risk register for 2016/17 and comments on the actual outcomes for each of the risks in last year's financial risk assessment.

## 2. Conclusion

2.1 The Board is asked to consider the updated Financial Risk Register and other relevant factors with a view to making recommendations on the target level of general reserves to the Executive Councillor with responsibility for finance.

## 3. Consultation

### a) Have Risks and Impact Analysis been carried out?

No

### b) Risks and Impact Analysis

N/A

## 4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Financial Risk Register 2018/19
Appendix B	Financial Risk Register for 2016/17 Outcomes

## 5. Background Papers

Document title	Where the document can be viewed
The Council's Financial Strategy - 17 February 2017	Executive Director of Finance and Public Protection

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