ANNEX 5

ROBUSTNESS OF THE BUDGET

CONTENTS

APPENDICES

Robustness of the Budget and Adequacy of Reserves

1. Introduction

The Local Government Act (Part II) 2003 requires a council's Chief Finance Officer (CFO) to report to councillors on the robustness of budget estimates and the adequacy of that council's financial reserves. The City Council's CFO (also known as the Section 151 officer) holds the post of Strategic Director of Finance. A summary of this evaluation is set out below.

2. Overall Robustness of the Budget

The City Council's annual budget is constructed in order to deliver the Council Plan. The Medium Term Financial Strategy (MTFS) is the overarching framework within which the Council's financial planning and management activity takes place. The annual budget is an integral part of the rolling multi-year Medium Term Financial Plan (MTFP). This approach enables it to support delivery of the Council's priorities and services. It provides the means by which planned spending may be controlled within available resources. Therefore, this assessment of the robustness of the budget focuses on the likelihood that actual spending will vary from the budget and the subsequent impact on the financial health of the organisation.

The Council is a going concern and the budget process is part of a continuous service planning and financial cycle. Therefore, a wealth of knowledge and understanding of the previous and current local and national financial and economic environments is used to make informed assumptions and judgements about the future. This activity seeks to establish a robust budget which is appropriate, realistic and constructed having taken a practical and appropriate assessment of risk.

Many of the details used to inform this assessment are set out in the other Annexes of this report and are therefore not replicated here.

2a. Financial environment and framework

The external framework in which the Council operates continues to be significantly challenging. There have been well documented and growing examples of Public Sector bodies experiencing financial difficulties and this is expected to continue into 2019/20 and beyond until there is a sustainable long term solution to fund public bodies to an appropriate level. The full consequences of Brexit are unknown and likely to influence the imminent and longer term funding for Local Government. The following section details key elements that have influenced and been noted in the construction of the MTFP.

Previous Financial Performance

Over previous financial years during the period of austerity the Council has been able to deliver outturns under budget for the years 2012/13 to 2015/16, however as with many other Councils in the previous two years (2016/17 and 2017/18) the Council has been over budget. The impact of this has been to reduce to the general fund balance which has been noted in the CIPFA Financial Resilience Index assessment.

There continues to be pressures on the 2018/19 budget however the MTFP assumes an on budget 2018/19 outturn position which is recognised to be a challenge. Any overspend from the final 2018/19 outturn position will need to be managed during 2019/20 in order to restore the reduced General Fund balance.

Use of one off measures

The monitoring reports throughout 2017/18 referenced the use of one off measures in order to manage the projected overspend. The range of management actions required included reducing contingency balances, a review of earmarked reserves and a reduced revenue contribution to the capital programme along with a range of spending controls. It is anticipated that further one off measures will be required again as part of the 2018/19 monitoring process however it needs to be recognised there are diminishing options on the use of one off measures. This is due to actions previously taken as part of the 2017/18 process and as highlighted in the CIPFA Financial Resilience Index Nottingham has a high ratio of total spending on Adults Social Care, Children's Social Care and debt interest to net revenue expenditure which results in reduced budget flexibility.

2017/18 External Audit – key issues and recommendations

The external Audit report for 2017/18 from KPMG details key issues and recommendations, issue one within Appendix 1 states:

"Sustainable Financial Budget

The Authority has highlighted a number of risks regarding its ability to deliver a self-sufficient and sustainable financial budget in the medium term. Many of these risks are not specific to the Authority but to the sector as a whole, underpinned by reduced central funding and increasing demand for social care services.

The Authority's outturn for 2017/18 and 2016/17 has been overspend against budget. For 2017/18 the Authority has relied on a number of non-recurrent measures to help reduce the in-year overspend. Despite setting a balanced budget for 2018/19, it is likely that there will be emerging financial pressures that will require co-ordinated action by CLT."

Recommendation

CLT needs to monitor the financial position within 2018/19 and work together to deliver solutions to any issues that arise. Wherever non-recurrent measures are used to address recurrent issues there should be a clear plan as to the proposed solution for the future.

Demand led pressures and reduced flexibility within the budget

The CIPFA Financial Resilience Index together with other benchmarking data shows the Council has a higher financial risk from the high local demands for the Council's Childrens and Adult Services. These demand led services account for an increasing percentage of the overall net budget requirement and therefore it reduces the Council's net budget for other areas. This in turn impacts on the Council's ability and flexibility to make future savings, at a time when there are significant gaps in the budget for 2020/21 onwards.

Symptoms of financial stress

In addition to the financial resilience index CIPFA has also provided guidance to public bodies regarding the signs that an organisation is suffering from financial stress indicators. This is summarised below:

- **Running down reserves or a rapid decline in reserves**
  - using up reserves to avoid cuts can only provide temporary relief

- **Failure to plan and deliver savings** to ensure the council lives within its resources
- **Shortening medium-term financial planning horizons**
    - could indicate a lack of strategic thinking and an unwillingness to confront tough decisions
- **Greater "still to be found" gaps in saving plans**
- Growing tendency for **unplanned overspends and/or carrying forward undelivered savings** into the following year
    - sign an authority is struggling to translate its policy decisions into actions

As can be seen from the results of the resilience index Nottingham is beginning to experience some of the above such as depletion of reserves and unplanned overspends.

CIPFA Financial Resilience Index

In response to the unprecedented financial challenges faced by local Government, CIPFA released an initial Financial Resilience Index in December 2018. This Index is an initial version, further development of the model is underway and as such the model has been released on a confidential basis. The model shows that Nottingham is carrying risks in the following areas:

- **Council Budget Flexibility** – ratio of total spending on Adults Social Care, Children's Social Care and debt interest to net revenue expenditure. Nottingham has reduced budget flexibility
- **Change in unallocated Reserves** – the % change in unallocated reserves over the past three years. Nottingham has used it's unallocated reserves more quickly than comparator groups
- **Unallocated Reserves** – the ratio of unallocated reserves to net revenue expenditure. Nottingham has a low level of reserves in relation to comparators
- **Grants to Expenditure ratio** – the proportion of net revenue expenditure funded by central Government grants. Nottingham faces risks if grants are not maintained
- **Council Tax Requirement / Net Revenue Expenditure** – a low Council Tax ratio and therefore a higher dependency on grants may suggest future financial difficulties as grants diminish further. Nottingham has a limited ability to raise revenue from Council Tax when compared to others
- **Children's Social Care ratio** – ratio of spending on Childrens Social Care to net revenue expenditure. Nottingham has a higher proportionate spend on Childrens services than others in the comparator groups

The following areas are where the Council has been assessed at a lower degree of Financial Stress risk:

- **Earmarked reserves** - the ratio of earmarked reserves excluding Public Health and Schools to net revenue expenditure. Nottingham carries significant earmarked reserves in relation to others (including PFI)
- **Level of reserves** – the ratio of useable reserves excluding Public Health and Schools to net revenue expenditure. Nottingham holds a number of earmarked reserves
- **Retained Income from Rate Retention / Net Expenditure** – as locally raised business rates becomes an increasing percentage of income a higher ratio is seen has having less financial stress for the Council

Four indicators where the Council was neither at the higher or lower end of financial stress risk are:

- reserve depletion time
- changes in reserves
- changes in earmarked reserves
- Adults Social Care Ratio

Medium Term Financial Outlook - Fair Funding Review
2019/20 represents the final year of the four year settlement and consequently there is uncertainty on the longer term Government funding. Indications are that the results of the Fair Funding Review may not be published until later in 2019 which will impact on the 2020/21 budget process adding further uncertainty to longer term financial process.
Consultation is ongoing however the notable point for Nottingham is that deprivation is expected to be excluded from the main foundation formula which would negatively impact on Nottingham's funding.

2b. Internal Measures to monitor the financial performance
Monitoring the financial results and forecasts of the Council in the short and medium term remains a priority and a number of improvements to the process have been implemented within 2018/19 as a direct result of the on-going external framework in which the Council operates, these include:

- Enhanced monthly monitoring to CLT
- Annual and monthly Budget Manager budget packs
- State of the nation paper – a periodic briefing looking at the authority's overall financial position, including reserve, capital, borrowing levels and financial risk analysis

Enhanced monthly monitoring to CLT and Leadership
The Council's financial controls are set out within financial regulations, allowing significant assurance of the strength of financial management and control throughout the Council. Given the current climate this process has been reviewed with improvements made to give CLT a comprehensive monthly pack. This details the forecasted outturn, variance commentary together with more detailed information by department. Regular updates are also provided to Leadership and Executive with a quarterly report presented to Executive Board.
The 'Intensive Care' process has continued into 2018/19, whereby services that are forecasting an overspend position meet with the Council's Leadership on a monthly basis to discuss the financial position and actions required to mitigate the overspend.

Annual and monthly Budget Manager budget packs
Budget Managers are accountable for delivering their services within budget and are required to forecast the outturn position at regular intervals within the financial year, typically monthly. To support Budget Managers with this requirement an annual budget pack is issued prior to the start of the new financial year including the detailed pay budgets, together with non pay budgets and a statement of the new year budget savings or funded pressures. A monthly budget pack of information showing the latest budget and year to date actuals is issued directly to Budget Managers each month, this is a new process that commenced in 2018/19.

State of the nation paper
At the start of the 2018/19 financial year a report was presented to CLT outlining the 2017/18 outturn, financial outlook and risks and issues for 2018-2022. The purpose of this report was to bring together the current financial outlook for the Council and describe the associated financial risks and the resulting impact on the financial sustainability of service delivery. This paper has been updated and refreshed then subsequently been used as part of the 2019/20 budget strategy.

Constructing the MTFP
The environment and framework described above has significantly influenced the construction and governance around of the latest MTFP. Throughout the process there

has been good and extensive engagement by Senior Colleagues, Finance Colleagues and Executive Councillors.

Assumptions

Underlying assumptions have been examined and found to be satisfactory as follows:

- The funding for inflation is considered to be appropriate, being consistent with known trends and reasonable forecasts.
- The income aspects of the overall budget are calculated based on previous and current trends, known influences and identified risks.
- There are appropriate bad debt provisions in place.
- Other known trends and potential overspends (e.g. demographic changes, new legislation, etc.) have been evaluated, subjected to various peer reviews and professional challenge and adequately provided for.
- The organisational and financial frameworks and processes required in order to operate within the proposed budget are practical and adequately planned.
- Capital receipts used in the funding of the capital programme have been based on professional estimates both of timing and value with a specific risk assessment applied to determine likelihood of receipt.

Current Financial Position

General Fund Revenue

Current monitoring indicates that the forecast General Fund outturn for 2018/19 will show an overspend of **£3.277m** prior to management action, the overspends are largely within Childrens Integrated Services. Management action is in place to address the overspend as outlined in Annex 1 and the Council is committed to delivering an on budget outturn for 2018/19 and the 2019/20 MTFP is predicated on this assumption.

HRA Revenue

The City Council is required to periodically review the HRA to ensure that it does not move into deficit. In order to allow for unforeseen expenditure or loss of income, a working balance is needed. The 2018/19 budget increased the working balance from **£4.000m** in 2017/18 to **£7.727m** due to the potential financial impact of Universal Credit on the HRA. Current monitoring indicates that the HRA is projecting a balanced position for 2018/19.

3. Capital Programme Risk Management & Governance

Capital programme schemes often span a number of years, so it is essential that a longer term view is taken on programming and resourcing.

Capital Programme – Current Position

- General Fund
  The forecast spend over the capital programme, including schemes in development, is **£454.314m** and is balanced. The resources to fund the capital programme includes **£39.020m** of capital receipts, of which **£30.101m** are unsecured.

- Public Sector Housing
  The forecast spend to 2023/24 is **£237.264m** which represents a shortfall in funding of **£8.086m**.

Capital Programme Risk

The proposed five-year programme is ambitious and will require the Council to use a high proportion of available resources. Substantial investment of this nature will result in the Council being exposed to additional risks as follows:

- a significant increase in the authority's borrowing over the next five years;
- the impact of Brexit on construction costs;
- the ability to generate capital receipts to fund the programme;
- major schemes have a long pay-back period, which will require the use of reserves in the early years to fund short term deficits in business plans;
- the cost of feasibility studies are all undertaken at risk;
- schemes may not cover their costs or make the desired return.

In order to manage these risks the following key principles will be adopted in managing the capital programme:

- Where new projects are added to the programme that will not cover their costs, an existing project will be removed or amended;
- all projects must have a robust and viable business case, which considers and includes whole life costing and revenue implications (including rate of return);
- all schemes will be subject to robust and deliverable business plans and models which demonstrate the necessary return on investment required;
- all future schemes will need to address the consequences of cash flow shortfalls in the early years, and available funding must be identified and approved prior to the commencement of projects;
- the decision to progress schemes will be dependent on securing the stated level of external funding or grant as appropriate;
- new projects will be considered where the Council can make a return on investment;
- where new sources of external funding/grants become available, the programme will be revisited;
- all schemes will be subject to an independent internal 'Gateway Review Process'.

The Medium Term Financial Strategy includes the following requirements for consideration of the funding of the capital programme:

- The Council will endeavour to maximise grant funding for schemes which will assist in the delivery of the corporate priorities, part/full grant funded bids will be subject to the same prioritisation process
- Prudential or Unsupported Borrowing can be used where it can be demonstrated that it is affordable and sustainable in the medium term. Borrowing must be within approved limits and in accordance with the prevailing guidance in the Treasury Management Strategy and compliant with the Prudential Code
- Capital Receipts generated from the sale of land, buildings and other assets will be a non-earmarked, council–wide resource, to be allocated according to Council priorities only after a thorough and objective options appraisal and consideration of opportunity costs, and not earmarked to a particular project, scheme, service, directorate and/or geographical area.

The City Council recognises the importance of individual and collective accountability and requires managers to formally acknowledge their responsibilities. Financial management is an integral aspect of effective leadership and good management, relevant councillors and managers are required to participate fully in all aspects of capital investment plans.

Corporate Directors will be accountable for the success and deliverability of all capital projects within their remit; including:

- Ownership of business cases and any subsequent changes to them.
- Ensuring that capital projects are delivered in line with agreed targets and resources.
- The successful outcome and benefits realisation of capital projects.

4. Adequacy of Reserves and Risk Assessment

National decisions regarding public funding and expenditure have been taken by Central Government to support their stated intention to reduce the national deficit. The four year settlement confirmed continued reduction in funding in the medium term. This has again resulted in a significant reduction in the level of funding available to the City Council. Although this has been met with a robust and detailed approach to the identification and delivery of the savings required as a consequence, this level of cost reduction attracts a heightened degree of risk associated with its delivery. Whilst the current proposed budget fairly represents sufficient resourcing for current planned activity, this risk cannot be ignored and the levels of contingency included within the budget reflect these risks.

The assessment of reserves is even more important in the context of the sustained cuts in funding. It is important to acknowledge that reserves are ‘one off’ funds and are therefore more suitable for funding ‘one off’ or unexpected costs. The use of reserves to fund ongoing expenditure is generally not advised, except in emergencies and/or to enable transition to new ways of working.

Taken together, reserves, contingencies and the processes within the financial framework provide capacity to deal with the changes arising form external forces. This will include, for example: increased demand for services from citizens, changes in legislation and guidance from central government, economic changes, interest rate changes and employee relations. This list is indicative rather than exhaustive. The localisation of both Business Rates and Council Tax Support increases the significance of Council reserve levels as these are significant variables on both income and expenditure.

In recommending an adequate level of reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of reserves. This opportunity cost may be the lost opportunity of investing those funds in service improvement and/or spending on alternative activities. There is a balance to be struck between setting prudent levels of contingencies and reserves considered to be an adequate ‘safety net’ to ensure the Council can operate successfully in a very challenging environment and ensuring sufficient funds are in place for service provision and other Council activities. The levels recommended here are considered to have achieved that balance.

Table 1 shows the estimated Net Revenue Expenditure (NRE) and Unallocated Reserves for Nottingham compared with core cities. The data is taken from 2018/19 RA returns demonstrating Nottingham's reserve position is lower relative to similar councils.

TABLE 1 : COMPARISION OF RESERVES WITH CORE CITIES			
Authority	**Net Revenue Expenditure £m**	**Estimated Unallocated Reserves as at 1 April 2018 £m**	**Estimated Unallocated Reserves as % of NRE**
Birmingham	923.2	167.0	18.1%
Newcastle	229.8	14.1	6.1%
Bristol	338.3	20.0	5.9%
Leeds	528.8	25.9	4.9%
Manchester	501.7	21.3	4.2%
Nottingham	**245.7**	**9.6**	**3.9%**
Liverpool	458.6	16.3	3.6%
Sheffield	390.8	11.1	2.8%

This decision is supported by a comprehensive risk assessment to ensure that the level of reserves represents an appropriately robust financial safety net for the organisation. In assessing these risks the CFO has consulted with relevant colleagues and stakeholders to ensure all risks have been identified. The importance of this work, its depth and accuracy, is further enhanced as a number of the proposals included within the budget plans involve significant changes to ways of working, systems and processes, they involve higher levels of risk than those which broadly maintain current arrangements. At the most practical level those risks begin with the possibility of slippage and disruption in the transition from old to new arrangements. The CFO has sought to ensure that issues of this type and their potential budgetary implications are appreciated by relevant colleagues and Portfolio Holders.

Given the level of savings included in this MTFP the CFO has undertaken an assessment of their deliverability and set out clearly the implications and contingency plans which apply where savings are not delivered as planned. Robust and timely monitoring of savings delivery plans with ongoing contingency planning will be critically important throughout the year.

<u>General Fund</u>
The MTFS requires the opening balance on the general fund to be between 2% and 4% of the total net general fund revenue budget.

The 2017/18 **£4.215m** overspend at outturn reduced the general fund from **£9.643m** to **£5.428m**, in order to restore the balance back to **£9.643m** a review of earmarked reserves has been carried out during 2018/19. The Corporate Leadership team are committed to delivering an on budget 2018/19 Outturn and therefore maintaining the current level of general fund balance. The general fund balance has been informed by the detailed risk assessment undertaken as part of the budget process. These are shown in **Appendix A.** This requirement will be reviewed during 2019/20 and adjusted accordingly based on any significant change to the risk profile. The proposed general fund balance for 2019/20 is **£9.643m** which is **4.0%** of the general fund budget. The MTFP assumes an increase of **£1.000m** in light of the additional risks as detailed in **Appendix 1**, this together with contingency balance is deemed appropriate.

Appendix A details individual risks and the level of un-earmarked reserves is expected to be sufficient in all but the most unusual and serious combination of possible events and provides an optimum balance between risk management and opportunity cost.

The MTFS provides for a central contingency value of between 0.4% and 0.9% of the previous years net revenue budget (NRB). The proposed level is **£1.800m** (i.e. **0.7%)** and takes account of the significant savings package and challenging future financial outlook. In light of the financial operating context the central contingency value will be reviewed during the next financial year and may be reduced, in order to increase the general fund balance.

<u>Housing Revenue Account (HRA)</u>
The MTFS requires the City Council to establish opening HRA reserves of between 2% and 3% of the gross HRA spend (capital and revenue) the precise level within this range being informed by the risk assessment with no opening working balance ever being set below the 2% threshold in an individual year. The working balance for 2019/20 will remain at the same level as 2018/19 at **£7.727m**. The 2018/19 budget increased the working balance from **£4.000m** in 2017/18 to **£7.727m** due to risks associated with the introduction of Universal Credit and the potential risk of increased bad debt. The full risk assessment is detailed in **Appendix B**.

<u>Earmarked Reserves</u>
Earmarked Reserves are funds set aside to provide for specific future expenditure plans. The Council held balances of **£154.584m** in earmarked reserves at 31 March 2018 which includes schools budget balances of **£16.456m**. A review of these earmarked balances has been performed to establish the purpose of the reserves and the likely timescale that these reserves will be utilised.

The main categories of earmarked reserves that the Council holds:

- Sums set aside for major schemes, including Private Finance Initiatives, capital developments, or to fund transition and transformation
- Potential Liabilities
- School Balances
- Insurance and risk management
- Traded surpluses

The draft MTFP assumes a net use of earmarked reserves totalling **£4.293m** in 2019/20. A further review of reserves will be undertaken as part of the 2018/19 closedown process.

<u>Conclusions</u>
In conclusion the environment in which the Council operates in continues to see unprecedented financial challenges both in terms of the reductions in funding together with increased demand and uncertainty in the funding beyond 2019/20. There is a growing pattern of Public Sector organisations experiencing financial stress and the latest CIPFA Financial Resilience Index highlights areas of risk for Nottingham. The challenge in setting a balanced budget increases each year, however through extensive

consultation with Senior Colleagues, Finance Colleagues and Executive Councillors the Council is presenting a balanced budget for 2019/20. The budget for 2019/20 contains risks as detailed in Appendix A however with contingencies and reserves at the level set out here and in the overall budget report, the CFO considers that the proposed budget for 2019/20 is robust and that the level of reserves is adequate.

It should be noted that there remains significant budget gaps for years 2020/21 and 2021/22 which will require a thorough transformation plan and strategy in order to balance the medium term financial position and this will include a full review of the 2019/20 budget after the first quarter.

This statement has been prepared in good faith and having made best endeavours to take into account all known prevailing relevant issues.

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February 2019

GENERAL FUND- RISK ASSESSMENT APPENDIX A			
DEPARTMENT/ POTENTIAL RISK	**WORST CASE £m**	**ASSESSEMENT OF RISK £m**	**ESTIMATED EXPOSURE £m**
CORPORATE RISK			
Companies - Risk that companies do not meet the planned trading position and require one-off investments	4.300	High	3.870
Cost overrun on Capital Schemes - The Council has an ambitious investment strategy, 5% cost overrun on Capital Programme in 2019/20 - £167m	8.350	Low	2.088
Customer bad debts - Increased customer bad debts also impacted by the introduction of universal credit (bad debt provision has been increased therefore the risk is assessed as low)	1.000	Low	0.250
Treasury Management – additional borrowing due to accelerated use of reserves and changes in interest rates on variable loans	4.000	Medium	2.000
TOTAL CORPORATE RISK			**8.208**

DEPARTMENT/ POTENTIAL RISK	WORST CASE £m	ASSESSMENT OF RISK	ESTIMATED EXPOSURE £m
CHILDREN AND ADULTS RISK			
Children's Demand - Assumptions for 2019/20 are predicated on mitigating action which at risk of achievement if delivery is not achieved due to changes in complexity.	2.843	Medium	1.422
Children's Integrated Service Achievement of 2019/20 MTFP assumptions - In addition to the above there are significant savings predicated in the 2019/20 MTFP. These savings are based on the further growth of the principles included in the above risk.	1.775	Medium	0.888
Children's Integrated Service Grant Funding - The priority families grant ceases in 2018/19, there is currently published replacement funding from Central Government. This funding supports the MTFP (£0.693m) and the delivery of services which can impact on the reduction of crime, Children in Care (CiC) and Education. The estimated impact on CiC is a possible increase in care costs of c£0.612m	0.653	Medium	0.327
Education Services Achievement of 2019/20 MTFP assumptions - The savings predicated in the 2019/20 MTFP are at risk of achievement if income levels continue to fall and if there is slippage in implementing the savings.	0.693	Medium	0.347
Adults Transforming Care - Increase spend on care placements for citizens with a learning disability or ASD through discharging citizens in specialised commissioning (NHSE) or CCG hospital placements.	0.262	Medium	0.131
Adults Provider Fees (NLW) - Delivery of the 2019/20 saving.	0.800	Medium	0.400
Adults Achievement of 2019/20 MTFP assumptions - Delivery of the 2019/20 savings which are predicated on a number of factors regarding citizens care packages	1.065	Medium	0.533
TOTAL CHILDREN AND ADULTS RISK			**4.048**

DEPARTMENT/ POTENTIAL RISK	WORST CASE £m	ASSESSMENT OF RISK £m	ESTIMATED EXPOSURE £m
COMMERCIAL AND OPERATIONS RISK			
Traded Services - A range of trading activities have trading surplus targets; a consequence of under achievement of the target could be an increase to the net charge to the general fund	2.100	Low	0.525
Energy Services Incinerator closedown - Diversion of waste disposal if the incinerator is closed for more than 4 weeks	0.950	Medium	0.475
Energy Services Contractual Increases - Contractual increases for waste and energy are being managed within budget for 2018/19 through other departmental underspends; this cost will continue into 2019/20 and it is assumed will be managed within the department. The increase for 2019/20 forms part of the MTFP.	1.100	Low	0.275
TOTAL COMMERCIAL AND OPERATIONS RISK			**1.275**

DEPARTMENT/ POTENTIAL RISK	WORST CASE £m	ASSESSMENT OF RISK £m	ESTIMATED EXPOSURE £m
DEVELOPMENT & GROWTH RISK			
Economic conditions on the property trading account - Impact on target income	1.000	Medium	0.500
Income to department from Capital schemes - Risk of reduced income to revenue budgets due to any delays / changes to the capital programme	0.500	Medium	0.250
Increase in volume & cost of homelessness - National-level policy changes have led to increases in homelessness around the country, including Nottingham; Additional grants have been given and internal actions taken however there is a risk that numbers continue to grow even with interventions in place.	0.400	Medium	0.200
TOTAL DEVELOPMENT AND GROWTH RISKS			**0.950**
STRATEGY AND RESOURCES RISK			
Achievement of 2019/20 MTFP assumptions	1.000	Low	0.250
Increased demand to support projects within the organisation	0.500	Medium	0.250
TOTAL STRATEGY AND RESOURCES RISK			**0.500**
TOTAL POTENTIAL RISK			**14.981**

HRA – RISK ASSESMENT			
POTENTIAL RISK	**WORST CASE £m**	**ASSESSMENT OF RISK £m**	**ESTIMATED EXPOSURE £m**
HRA Risk			
Universal Credit Increase in bad debt levels due to payment of rent direct to tenant	4.000	High	3.600
Uncertainty of Government Policy Rent policy after 31 March 2020 will be subject to new Regulator and legislation (instead of guidance) reducing flexibility in rent setting	3.000	Low	0.750
Capital programme funding Shortfall in external funding or capital receipts creating pressure for additional funding from the HRA	1.500	Medium	0.750
Capital programme costs increase Costs of new build projects exceed budgets	2.500	Medium	1.250
More Right to Buy sales Reduced rental income to cover fixed costs of managing and maintaining the council's housing stock	1.000	Medium	0.500
TOTAL - HRA			**6.850**