

RESERVE LEVELS 2019-20

RISK ASSESSMENT

GENERAL RESERVES						
Major Income risks: (Projected Total Income 226,540)	Sum	% of annual income	Type of risk	Mitigating action	Assessment of risk	Reserve Provision (rounded up/down to nearest £100)
1. Precept	130,938	58%	Payment delayed due to administrative problems within CDC. Payment delayed beyond due dates of 30 th April and 30 th September.	Allocate reserves equivalent to 10% of precept.	Very low	£13,100
2. Tenant income - GCC	19,150	8.5%	Lease is determined and PC is unable to secure a replacement tenant promptly. NB: There may be a limited market for local tenants wishing to take accommodation of this size and it may therefore be necessary to sub-divide the suite at that time.	Long lease (25 years) entered into in 2014 with 6 month break clause to minimise risk. PC will retain a letting agent to minimise any gap between tenancies. Allocate sum equivalent to 6 month's rent which will allow a total of 1 year to secure a new tenant before income is affected.	Low	£ 9,500
Tenant Income – The Cottage	8,000	3.5%	Lease is determined – Tenancy at Will provides for only 1 month's notice.	PC to allocate reserves equating to 6 months' rent to allow sufficient time to secure new tenant.	Medium	£4,000
Tenant Income – The Old Chapel	2,055	1%	New tenant entered into 3 year tenancy in 2017 with right to break at end of first year only.	Low level of uncertainty regarding security of tenure as tenant has not exercised break option at end of first year. PC to allocate reserves to allow for 6 month gap between tenancies in the event tenancy is determined unexpectedly .	Low	£1,000
Tenant income – other commercial	13,700	6%	One or more tenants determine leases, and PC is unable to secure replacement tenants promptly.	Risk is spread over 4 tenants, thereby reducing the collective risk. All leases were renewed in 2017 for a further fixed term of 3 years with 6 month break clauses. Confidence in current tenants can therefore be considered high. Allocate sum equivalent to 6 months' total rent which will allow 1 year to secure new	Low	£7,000

				tenant(s). Flat 1 tenant business is a new venture with a slightly higher risk of failure. However, the accommodation can easily revert to residential for which the local market is good, thereby reducing the risk of impact upon income if the commercial tenancy fails. Higher levels of income received in the interim will also help offset any shortfall in rental income whilst the accommodation is re-let as residential.		
Tenant income – residential	7,500	3.5%	The tenant leaves without notice and PC is unable to re-let accommodation; or tenant leaves and accommodation requires extensive repairs prior to re-letting.	Only 1 flat is now let as residential. The tenancy is renewable in Jan 2019 for a fixed 1 year term, which will minimise the risk. However, the tenant may leave without notice in which case PC only retains 1 month's deposit against unpaid rents. The rental market in Bourton is good and the likelihood of finding a new residential tenant promptly is also good. PC inspects accommodation every 6 months, minimising the risk of accommodation being damaged over a long period. Allocate sum equivalent to circa 6 months' rent to effect any repairs and secure a new tenant.	Medium	£ 4,000
3. Hire of Meeting rooms	13,600	6%	Room bookings drop below current levels.	Income forecast remains below the levels achieved in past 2 years – there is therefore minimal allowance for a drop in this income. A large % of bookings are still for weekly/regular slots, thereby reducing reliance on one-off bookings. Allocate reserves equal to 25% of annual income forecast.	Low	3,400
				General Reserves:		42,000
SINKING FUND RESERVES						
1. Community Centre – unforeseen maintenance costs			The building requires major unscheduled repairs	PC retains a Sinking Fund to fund works to maintain and repair the Community Centre building. Since 2014 the car park has been entirely re-	Medium	30,000

				<p>surfaced and a new heating system has been installed. New flooring has been laid extensively throughout the building since 2014. The Asset Register provides a rolling timescale for replacement of all building elements, fixtures & fittings on a rolling basis. The PC has instructed significant works during 2018-19 to repair and refurbish some of the high ticket maintenance elements, such as the roof, guttering, windows etc. A quote has been received to undertake further roof works to other elevations also in a poor condition, in the sum of £70k. The timescale for these works needs to be agreed. Further works are outstanding to address existing problems with the foul water drainage system, which will be funded in 2018-19. Once roof works have been completed it's reasonable to assume that the foul water system will represent the highest risk in respect of unforeseen repairs, both in terms of the age of the system and the likely cost of works. NB: It should be noted that the Council has access to a Public Works Board Loan in the event that works cannot be funded from available reserves. To reflect the impact of works completed in 2018 it is considered reasonable that the Sinking Fund is set at a lower figure than in 2018, and at a level which would allow funding for significant repairs to the foul water system and other minor repairs to be carried out.</p>		
				Sinking Fund Reserves	30,000	
				TOTAL RESERVES	£ 72,000	
Other Major Expenditure Risks:						
1. Committee budget overspend			Committee projects cost more than budgeted.	Works are not instructed until quotes have been approved within a pre-set budget, or the revised budget is proved affordable.	Low	Council prior approval of all expenditure

2. Increased staff costs			<p>Wage increases</p> <p>Clerk's retirement</p> <p>Additional staff costs - extra staff may be required to address Council's increasing responsibilities.</p>	<p>Office staff are subject to NALC contract T&C's; wage increases are set by the industry and notified in advance. Increases for 19-20 are not likely to exceed 1%, and this has been set into the budget.</p> <p>Clerk will retire in 2018-19 financial year and hand-over will occur prior to 1.4.19 – no need for further budget provision in this respect.</p> <p>A Finance Officer was recruited in 18-19 and provision for this member of staff has been incorporated into the draft budget. It's unlikely further extra staff will be taken on in 19-20.</p>	<p>Very low</p> <p>None</p> <p>Very low</p>	<p>Provision made in draft budget</p> <p>No provision required</p> <p>Provision made in draft budget</p>
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