

**APPENDIX E: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT  
BALANCES 2015/16**

Potential Risk Area	Comments including any mitigation factors		
Income from areas within the base budget where the Council raises "Fees and Charges"	Potential risk that the budgeted level of income from activities where the Council is charging for services will not be achieved. This is anticipated largely to be as a result of the downturn in economy, but could also be as a result of increased void rates, lower collection rates, disputed bills, All "fees and charges" income is reviewed as part of the monthly/quarterly budget monitoring process. All budgets are profiled over the year based upon previous experience.		
		<b>Calculated Risk</b>	
Specific Areas	Estimated Income	Risk assessed at	Balances Required
Increased Right to buys as a result of Government initiatives reducing the amount of collectable rent. Assume an additional 25 RTB's. (government indicates leafleting from February postcode SG1 to encourage RTB).	£130,910	100.00%	£130,910
Rechargeable works not raised or recovered	£175,910	10.00%	£17,591
Leaseholder charges not realised (excluding insurance)	£682,520	6.00%	£40,951
Rental income (increase in voids rates)	£41,224,020	0.75%	£309,180
Loss of rental income arising from welfare reforms and increase in arrears (including Universal credit etc.)	£41,224,020	1.00%	£412,240
Heating charges	£276,680	5.00%	£13,834
<b>Total</b>			<b>£924,707</b>

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Potential Risk Area	Comments		
Demand Led Budgets	Potential risk that spending on parts of the budget where the Council has a legal duty to provide the service increases significantly. Individual budgets reviewed as part of the monthly budget monitoring process. All budgets are profiled over the year based upon previous experience and so any variances should show up during the year.		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Storm damage and fire damage uninsured costs (excess is £25,000 for fire damage)	£25,000	100.00%	£25,000
Response and Emergency repairs increase	£5,495,540	2.50%	£137,389
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£26,000,000	1.50%	£390,000
<b>Total</b>			<b>£552,389</b>

Potential Risk Area	Comments including any mitigation factors
Changes since budget was set	Potential risk that things change since the budget estimates were made and the estimates are then under budgeted for. (*Single status risk is expressed as a percentage increase in the pay bill). Supporting People grant a risk uncertainty around Supporting People funding for future years, however risk in 2014/15 assessed as zero. HCC are currently trying to determine how they are going to commission housing related support services in the future.

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<b>Specific Areas</b>	<b>Estimated Exposure</b>	<b>Calculated Risk</b>	
		<b>Risk assessed at</b>	<b>Balances Required</b>
Increase in borrowing costs for internal borrowing	£770,000	2.93%	£22,561
Transitional Vacancy Rate 4.5% not achieved	£194,080	10.00%	£19,408
Increase in bad debt provision	£271,180	10.00%	£27,118
Utility inflation (Electricity increase in April 2015, Gas increase from Oct 2015 )	£349,480	5.00%	£17,474
<b>Total</b>			<b>£86,561</b>

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Other Risks	Potential risk that savings options will not be realised as a result of delay or unforeseen circumstances.		
		<b>Calculated Risk</b>	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Savings Options delayed or not realised	£202,440	10.00%	£20,244
<b>Total</b>			<b>£20,244</b>

Potential Risk Area	Comments including any mitigation factors		
Estimated balances required for any over spend or under -recovery of expenditure	This calculation replaces the calculation based on Net Expenditure		
		<b>Calculated Risk</b>	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Gross Expenditure	£43,152,120	1.00%	£431,521
<b>Total</b>			<b>£431,521</b>

<b>Level of Balances Assumed in Housing Revenue Account Based on risk</b>	<b>£2,015,421</b>
Balances held for Future debt repayments and Capital Programme (from Business Plan)	<b>£13,982,866</b>
Contribution to Business Plan capital deficit (30 years) £15.45Million (balances above BP less higher balances held for risk)	<b>£199,412</b>
<b>Total Balances Required in 2015/16</b>	<b>£16,197,699</b>
<b>HRA Projected balance as at 30 March 2016</b>	<b>£16,197,699</b>