

**APPENDIX E: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT
BALANCES 2017/18**

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.		
		Calculated Risk	
Specific Areas	Estimated Income	Risk assessed at	Balances Required
Rechargeable works not raised or recovered	£20,480	10.00%	£2,048
Leaseholder charges not realised (excluding insurance)	£758,840	5.00%	£37,942
Rental income (increase in voids rates)	£40,215,840	0.50%	£201,079
Service Charges (increase in voids rates)	£1,362,410	0.50%	£6,812
Heating charges	£210,720	5.00%	£10,536
Total			£258,417

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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 as a result of inflationary pressures or unforeseen repairs	£6,808,450	5.00%	£340,423
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£16,334,540	1.50%	£245,018
Inflation pressures on capital works requiring additional revenue resources to fund the shortfall	£16,334,540	0.25%	£40,836
Total			£651,277

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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		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Increase in borrowing costs for internal borrowing	£2,090,922	5.00%	£104,546
Transitional Vacancy Rate 4.5% not achieved	£243,990	10.00%	£24,399
Increase in bad debt provision	£234,790	10.00%	£23,479
Utility inflation (Electricity increase in April 2016, Gas increase from Oct 2016)	£476,960	7.50%	£35,772
Total			£188,196

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Income from areas within the base budget where the Council raises "Fees and Charges"	Potential risk that changes in government policy and legislation mean income from activities where the Council is charging for services will not be achieved.		
		Calculated Risk	
Specific Areas	Estimated Income	Risk assessed at	Balances Required
Sale of high value properties- not required 2017/18	£0	0.00%	£0
Increased Right to buys as a result of Government initiatives (government campaigns and changes to RTB discounts) reducing the amount of collectable rent. Assume an additional 50 RTB's.	£125,515	100.00%	£125,515
NEW higher rent arrears as a result of the introduction of the benefit cap.	£234,790	20.00%	£46,958
Total			£172,473

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Other Risks	Potential risk that savings options will not be realised as a result of delay or unforeseen circumstances.		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Savings Options delayed or not realised	£671,280	10.00%	£67,128
Total			£67,128

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		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
Gross Expenditure	£40,683,280	1.50%	£610,249
Total			£610,249

Level of Balances Assumed in Housing Revenue Account Based on risk **£1,947,740**

Balances assumed in the Business Plan at 31 March 2018 excluding minimum balances	£19,297,249
Cost of 2017/18 new capital bids less voids levy (paragraph 4.9.2 refers)	£120,930
Total Required balances	£21,365,919

HRA balances	£21,369,464
Balances above/(below) the minimum	£3,545

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Reason for variation to HRA Business Plan:

Minimum balances in Business Plan		£2,040,000
Minimum balances for HRA Final Budget		£1,947,740
		-£92,260
HRA quarter two underspends (2016/17) not in HRA BP		-£158,970
Budget setting additional rent in 2016/17		-£32,850
2017/18 variance to Business Plan budget		£59,690
Stores set up costs in 2016/17		£100,000
Cost of 2017/18 new capital bids less voids levy (paragraph 4.9.2 refers)		£120,930
other		-£86
		-£3,545