

APPENDIX B: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT BALANCES 2013/14

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
Right to Buy Income (if income assumed to support capital is not available this would need to be funded from revenue or the capital programme reduced.)	£295,000	10.00%	£29,500
Rechargeable works not raised or recovered	£171,790	15.00%	£25,769
Leaseholder charges not realised	£681,020	5.00%	£34,051
Rental income (increase in voids rates)	£39,441,060	1.00%	£394,411
Loss of rental income due Universal Credit and increase in arrears	£39,441,060	0.50%	£197,205
Loss of rental income arising from other welfare reforms (bedroom tax) and changes to Council	£39,441,060	0.75%	£295,808
Heating charges	£238,900	5.00%	£11,945
Total			£988,688

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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)	£75,000	100.00%	£75,000
Response and Emergency repairs increase	£4,826,940	5.00%	£241,347
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£22,217,580	5.00%	£1,110,879
Total			£1,427,226

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. HCC are currently trying to determine how they are going to commission housing related support services in the future.		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required

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Single Status *	£7,031,099	2.00%	£140,622
Reduction in Supporting People Grant (notification funding for 2013/14 secure)	£525,950	0.00%	£0
Reduction in Decent Homes Grant (notification funding for 2013/14 secure)	£6,953,000	0.00%	£0
Increase in borrowing costs for internal borrowing	£770,000	2.93%	£22,561
Transitional Vacancy Rate 4.5%	£254,620	10.00%	£25,462
Increase in bad debt provision (increased for 2013/14 by £50,000)	£200,200	20.00%	£40,040
Increase in utility inflation (above 15% 1 October 2013)	£255,680	10.00%	£25,568
Total			£254,253

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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 (excluding vacancy control)	£92,330	5.00%	£4,617
Total			£4,617

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	£40,810,680	1.50%	£612,160
Total			£612,160

Level of Balances Assumed in Housing Revenue Account Based on risk **£3,286,944**