

**APPENDIX E: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT
BALANCES 2016/17**

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	£150,000	10.00%	£15,000
Leaseholder charges not realised (excluding insurance)	£706,630	6.00%	£42,398
Rental income (increase in voids rates)	£40,219,010	0.50%	£201,095
Service Charges (increase in voids rates)	£1,130,800	0.50%	£5,654
Heating charges	£229,260	5.00%	£11,463
Total			£275,610

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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	£5,508,580	2.50%	£137,715
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£25,315,810	1.50%	£379,737
Total			£542,452

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

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Specific Areas	Estimated Exposure	Calculated Risk	
		Risk assessed at	Balances Required
Increase in borrowing costs for internal borrowing	£770,000	2.93%	£22,561
Transitional Vacancy Rate 4.5% not achieved	£200,030	10.00%	£20,003
Increase in bad debt provision	£247,180	10.00%	£24,718
Utility inflation (Electricity increase in April 2016, Gas increase from Oct 2016)	£410,095	5.00%	£20,505
Total			£87,787

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 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
NEW Service Charges impacted by Welfare reform Bill and subject to 1% reduction (assume 20% risk)	£245,750	20.00%	£49,150
NEW Sale of high value properties, based on 10% of general needs voids properties being affected or 84 properties and 35% of the receipt being payable to the government	£3,707,134	35.00%	£1,297,497

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NEW Increased Right to buys as a result of Government initiatives (Pay to Stay and government campaigns) reducing the amount of collectable rent. Assume an additional 30 RTB's.	£76,128	100.00%	£76,128
NEW higher rent arrears as a result of the introduction of the benefit cap in the Autumn of 2016	£247,180	20.00%	£49,436
Total			£1,472,211

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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	£158,380	10.00%	£15,838
Total			£15,838

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	£39,033,980	1.00%	£390,340
Total			£390,340

Level of Balances Assumed in Housing Revenue Account Based on risk **£2,784,237**