

**APPENDIX D: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT
BALANCES 2019/20**

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	£158,670	10.00%	£15,867
Leaseholder charges not realised (excluding insurance)	£750,000	5.00%	£37,500
Rental income (increase in voids rates)	£39,207,820	0.50%	£196,039
Service Charges (increase in voids rates)	£1,552,260	0.50%	£7,761
Heating charges	£195,950	5.00%	£9,798
Total			£266,965

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

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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	£6,227,330	5.00%	£311,367
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£47,794,580	1.50%	£716,919
Inflation pressures on capital works requiring additional revenue resources to fund the shortfall	£47,794,580	0.25%	£119,486
NEW Insufficient budget identified for damp and mould works	£150,000	20.00%	£30,000
NEW Cost of decanting tenants from redevelopment sites is higher than budgeted for	£290,102	5.00%	£14,505
Total			£1,217,277

Potential Risk Area	Comments including any mitigation factors
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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	£2,338,422	0.25%	£5,846
Transitional Vacancy Rate 4.5% not achieved	£182,920	10.00%	£18,292
Increase in bad debt provision	£217,620	10.00%	£21,762
Utility inflation (Electricity increase in April 2018, Gas increase from Oct 2018)	£578,280	5.00%	£28,914
Business Unit Reviews (BUR)implementation costs/restructure costs increases the pay bill (% of pay bill for the General Fund)	£7,363,100	0.50%	£36,816
Total			£111,630

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

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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 15 RTB's increasing the number to 50 in 2019/20	£36,933	50.00%	£18,467
higher rent arrears as a result of the introduction of the benefit cap.	£217,620	2.50%	£5,441
Total			£23,907

Potential Risk Area	Comments including any mitigation factors		
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	£354,630	10.00%	£35,463
Total			£35,463

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

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Specific Areas	Estimated Exposure	Calculated Risk	
		Risk assessed at	Balances Required
Gross Expenditure (excluding fixed interest costs and depreciation and RCCO)	£19,382,080	1.50%	£290,731
Total			£290,731
Level of Balances Assumed in Housing Revenue Account Based on risk			£1,945,972
Balances held for future debt and capital programme.			£9,031,455
Total Required balances			£10,977,427