

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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|---|------------------|------------------|-------------------|
| 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 | 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 |