

APPENDIX E: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT BALANCES 2020/21

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	£158,790	10.00%	£15,879
Leaseholder charges not realised (excluding insurance)	£788,960	5.00%	£39,448
Rental income (increase in voids rates)	£40,234,020	0.50%	£201,170
Service Charges (increase in voids rates)	£1,656,510	0.50%	£8,283
Heating charges	£226,730	5.00%	£11,337
Total			£276,116

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

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Response and Emergency repairs increase as a result of inflationary pressures or unforeseen repairs	£7,508,120	5.00%	£375,406
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£47,496,760	1.50%	£712,451
Inflation pressures on capital works requiring additional revenue resources to fund the shortfall	£47,496,760	0.25%	£118,742
Insufficient budget identified for damp and mould works	£250,000	10.00%	£25,000
Cost of decanting tenants from redevelopment sites is higher than budgeted for	£282,380	5.00%	£14,119
Total			£1,270,718

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	£4,148,980	0.25%	£10,372
Transitional Vacancy Rate 4.5% not achieved	£171,260	10.00%	£17,126
Increase in bad debt provision	£217,620	10.00%	£21,762
Utility inflation (Electricity increase in April 2018, Gas increase from Oct 2018)	£586,480	5.00%	£29,324
NEW pay award is higher than budgeted for	£8,733,042	0.25%	£20,630
Total			£99,214

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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
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	£38,041	50.00%	£19,020
higher rent arrears as a result of the introduction of the benefit cap.	£217,620	2.50%	£5,441
Total			£24,461

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	£202,903	15.00%	£30,435
Total			£30,435

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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 (excluding fixed interest costs and depreciation and RCCO)	£18,946,034.91	1.50%	£284,191
Total			£284,191

Potential Risk Area	Comments including any mitigation factors		
Greater exposure to interest rate changes	Moving from RCCOs to new borrowing to support capital increases the risk of higher borrowing costs due to increased interest rates.		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
General allowance in the balances to meet any potential increased cost of borrowing	£1,000,000	100.00%	£1,000,000
Total			£1,000,000

Level of Balances Assumed in Housing Revenue Account Based on risk	£2,985,136
Balances held for future debt and capital programme.	£19,284,663
Total Required balances	£22,269,799