

**APPENDIX C: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT BALANCES
2024/25**

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 and the current cost of living crisis, 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	-£166,560	10.00%	-£16,656
Leaseholder charges not realised (excluding insurance)	-£926,600	5.00%	-£46,330
Rental income (increase in voids rates)	-£49,630,160	0.75%	-£372,226
Service Charges (increase in voids rates)	-£2,208,290	0.75%	-£16,562
Heating charges	-£505,920	5.00%	-£25,296
Total			-£477,070

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, including due to regulatory requirements. 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 as a result of inflationary pressures or unforeseen repairs	£12,287,850	5.00%	£614,393
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£53,361,020	2.00%	£1,067,220
Inflation pressures on capital works requiring additional revenue resources to fund the shortfall	£53,361,020	0.75%	£400,208
NEW Insufficient budget identified for Void Repairs	£500,000	10.00%	£50,000
Insufficient budget identified for damp and mould works	£250,000	10.00%	£25,000
Total			£2,181,821

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
Transitional Vacancy Rate 4.5% not achieved	£326,340	10.00%	£32,634
Increase in bad debt provision	£423,440	10.00%	£42,344
Utility inflation (Electricity increase in April 2018, Gas increase from Oct 2018)	£1,904,310	5.00%	£95,216
Pay award is higher than budgeted for	£11,351,620	2.00%	£227,032
Total			£397,226

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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 20 RTB's increasing the number to 55 in 2023/24	£115,211	50.00%	£57,606
Higher rent arrears as a result of cost of living crisis	£1,600,831	10.00%	£160,083
Total			£217,689

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 (excluding fixed interest costs and depreciation and RCCO and cost covered above)	£6,918,310.00	5.00%	£345,916
Total			£345,916

Potential Risk Area	Comments including any mitigation factors		
Greater exposure to interest rate changes	The latest Business Plan revision includes re-financing of existing debt and a higher level of borrowing in the first 10 years of the plan. To mitigate this reserve values have been increased related to future debt		
		Calculated Risk	
Specific Areas	Estimated Exposure	Risk assessed at	Balances Required
10 Year Assumed new borrowing	£168,793,000	4.50%	£7,595,685
Total			£7,595,685

Level of Balances Assumed in Housing Revenue Account Based on risk

£10,261,522

Balances held for other HRA spend.

£1,862,619

Total Required balances

£12,124,141