

**APPENDIX E: RISK BASED ASSESSMENT OF THE LEVEL OF HOUSING REVENUE ACCOUNT
BALANCES 2018/19**

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	£150,250	10.00%	£15,025
Leaseholder charges not realised (excluding insurance)	£829,540	5.00%	£41,477
Rental income (increase in voids rates)	£39,542,770	0.50%	£197,714
Service Charges (increase in voids rates)	£1,446,020	0.50%	£7,230
Heating charges	£190,240	5.00%	£9,512
Total			£270,958

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
	£6,325,840	5.00%	£316,292
Unforeseen Capital works not budgeted for requiring a contribution to capital (based on a proportion of the capital programme)	£36,967,750	1.50%	£554,516
Increased cost of borrowing on new loan of £3.5million due for replacement 2017/18	£3,500,000	0.25%	£8,750
Inflation pressures on capital works requiring additional revenue resources to fund the shortfall	£36,967,750	0.25%	£92,419
Increased cost of borrowing if retrofitting sprinklers requires the HRA to borrow	£2,000,000	2.50%	£50,000
Total			£1,046,978

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	£2,090,922	0.25%	£5,227
Transitional Vacancy Rate 4.5% not achieved	£218,760	10.00%	£21,876
Increase in bad debt provision	£255,270	10.00%	£25,527
Utility inflation (Electricity increase in April 2018, Gas increase from Oct 2018)	£524,710	7.50%	£39,353
NEW Business Unit Reviews (BUR) implementation costs/restructure costs increases the pay bill (% of pay bill for the General Fund)	£7,318,957	0.50%	£36,595
Total			£128,578

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
Sale of high value properties- IF the government introduces this during 2018/19, excluded based on government announcement December 2017.	£731,900	0.00%	£0
Increased Right to buys as a result of Government initiatives reducing the amount of collectable rent. Assume an additional 50 RTB's in line with previous years sales	£124,475	50.00%	£62,238
NEW higher rent arrears as a result of the introduction of the benefit cap.	£255,270	10.00%	£25,527
Total			£87,765

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	£225,959	10.00%	£22,596
Total			£22,596

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)	£39,205,050	1.50%	£588,076
Total			£588,076

Level of Balances Assumed in Housing Revenue Account Based on risk	£2,144,950
Balances assumed in the Business Plan at 31 March 2019 excluding minimum balances (September Update)	£17,490,906
Total Required balances	£19,635,856
HRA balances	£19,795,191
Balances above/(below) the minimum	£159,334