

Report title	Housing Revenue Account Business Plan 2024 - 2025 including Rent and Service Charges	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Steve Evans, Deputy Leader: City Housing Councillor Louise Miles, Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	John Roseblade, Director of Resident Services James Howse, interim Director of Finance	
Originating service	Housing, Finance	
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Report to be/has been considered by	Strategic Executive Board Cabinet Member Briefing Scrutiny Board	28 November 2023 5 December 2023 12 December 2023

Recommendations for decision:

The Cabinet recommends that Council:

1. Adopts the Business Plan set out at Appendix 1 to this report as the approved Housing Revenue Account Business Plan including:
 - a. The revenue budget for 2024-2025 at Appendix 1 to this report.
 - b. The Capital Programme for 2024-2025 to 2028-2029 at Appendix 2 to this report that includes the following among the proposed investment plans:
 - £100 million for new homes
 - £67 million provision for estate remodelling

- £41 million to complete the refurbishment of the Heath Town estate
 - £46 million remediation works to non-traditional properties including energy efficiency improvements
 - £141 million for programmes to high rise estates to include building safety improvements, infrastructure replacement, and external works to include energy efficiency
 - £34 million for low and medium rise infrastructure improvements
2. Approves the implementation of an increase of 7.7% to social housing rents in accordance with the Rent Standard and the Welfare Reform and Work Act 2016 and to give 28 days notice to all secure and introductory tenants of the rent increase from 1 April 2024.
 3. Approves the rates for garage rents and service charges set out in Appendix 3 to this report and formally notifies tenants.
 4. Approves an increase to Shared Ownership rents of 7.7%.
 5. Approves allowances to Managing Agents as follows:
 - Wolverhampton Homes £47,700,000
 - Bushbury Hill Estate Management Board £2,070,000
 - Dovecotes TMO £1,280,000
 6. Delegates authority to the Deputy Leader: City Housing in consultation with the Director of Resident Services to approve managing allowances to New Park Village Tenant Management Cooperative to allow for further work on costs relating to the redevelopment of the estate and management responsibilities.
 7. Delegates authority to the Deputy Leader: City Housing in consultation with the Director of Resident Services to approve the equity sale of Shared Ownership properties.

Recommendations for noting:

The Cabinet is asked to note:

1. From 1 April 2020 the Regulator of Social Housing has regulated social rents charged by Local Authorities as set out in the Rent Standard 2020. Local authorities are able to apply a rent increase below the maximum set out in the standard but the decision would be taken in the context of the affordability in terms of a balanced HRA business plan that ensures service delivery and investment can be maintained over the lifetime of the business plan.
2. That, in the opinion of the Director of Finance (Section 151 Officer) the current levels of reserves and provisions is appropriate and adequate for the forthcoming financial year.

3. The increasing cost pressures from policy and legislative changes; Building Safety Act (2022), Fire Safety (England) Regulations 2023, the Regulator and the Social Housing Ombudsman, and a shift from reactive to a proactive regulatory regime.
4. The HRA revenue budget includes provision of £300,000 for those tenants who may experience financial hardship due to the rent increase.

1.0 Purpose

- 1.1 This report presents an updated Housing Revenue Account (HRA) Business Plan 2024-2025 for recommendation to Full Council which is intended to balance the continuing maintenance of and investment in the existing Council housing stock, improving, and redeveloping housing estates and the provision of new homes for rent.
- 1.2 The report also provides, as an integral part of that Business Plan, a proposed HRA budget for 2024-2025, including proposed rents and service charges to take effect from 1 April 2024, and a proposed HRA Capital Programme for the period 2024-2025 to 2028-2029 for recommendation to Full Council.

2.0 Background

- 2.1 Since the implementation of Housing Revenue Account self-financing in 2012, the Council has been required to set out its Housing Revenue Account (HRA) Business Plan. The Business Plan is monitored quarterly and reviewed annually to ensure that assumptions remain robust and resources within the plan are sufficient to meet expenditure requirements. Appendix 4 to the Business Plan provides more detail on HRA self-financing.
- 2.2 In February 2019, the Secretary of State for Housing, Communities and Local Government gave a direction which set out the government's rent policy for social housing for the next five years and the requirement for the Regulator of Social Housing to undertake the regulation of Local Authority Social Housing Rents, aligning the regulation with that of private-registered providers. The resulting Rent Standard came into force on 1 April 2020.
- 2.3 Key elements of the direction are to restrict rent increases on social and affordable rent properties by up to Consumer Price Index (CPI) plus 1% annually from 2020 for a period of at least five years. CPI is based on the published figure for September of the previous year. The direction also allows discretion over the rent set for individual properties with a 5% flexibility for general needs stock.
- 2.4 However, CPI in September 2022 was 10.1% which under the government's policy could have resulted in rent increases of up to 11.1%. Therefore, as part of the Autumn Financial Statement issued by the government in November 2022 the rent increase from 1 April 2023 was capped at 7%.
- 2.5 CPI in September 2023 was 6.7% so the rent increased proposed is 7.7% in line with the Rent Standard. The rent standard exists to allow housing providers to increase rents annually in line with inflation to maintain service delivery, meet the investment needs of their homes and replace properties sold to right to buy.
- 2.6 Shared Ownership rents are not covered by the rent standard, as set out in the terms of most lease agreements, rents are permitted to increase by a maximum of the Retail

Prices Index (RPI) for a given month plus 0.5%. However, it is proposed that Shared Ownership rents also increase by 7.7%.

- 2.7 The HRA borrowing cap was abolished completely in October 2018 enabling local authorities to borrow for housebuilding and other HRA capital investment in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.

3.0 The HRA Business Plan 2024-2025

- 3.1 The Business Plan has been reviewed in 2023 and updated to revise planning assumptions on rent increases, interest rates, right to buy sales, rent collection rates and inflationary increases to management and maintenance costs including pay awards.

3.2 Table of Assumptions

Assumptions	2023- 2024	2024- 2025	2025- 2026	2026- 2027	2027- 2028	2028- 2029
General Assumptions						
CPI inflation	11%	5%	2%	2%	2%	2%
Inflation of capital expenditure	10%	5%	2%	2%	2%	2%
Increase in Rent	7%	7.7%	3%	3%	2%	2%
Interest Rates	3.8%	3.73%	3.73%	3.5%	3.5%	3.5%
Rent collection rates	98.7%	98.8%	98.9%	99.0%	99.0%	99.0%
Right to Buy sales	(153)	(100)	(100)	(100)	(100)	(100)
Property Numbers						
Average Number of social homes	20,940	20,890	20,750	20,630	20,530	20,430
Average Number of affordable homes	477	557	687	858	895	1,035
Average number of shared ownership	42	50	60	60	60	60
Average number of Total Homes	21,459	21,497	21,497	21,548	21,485	21,525

- 3.3 The number of HRA dwellings is currently around 21,600; of which around 11,800 are houses and bungalows, 5,000 are in medium and high-rise blocks and 4,800 are low rise flats. This includes around 100 that are held for demolition as part of regeneration schemes.
- 3.4 The focus of the business plan is on balancing the revenue pressures and the pressures on tenants whilst also maximising resources available to finance capital expenditure to meet the needs of the existing stock, improve and redevelop estates and provide much needed additional social and affordable housing units. There are currently 6,334 people on the waiting list for a council home in Wolverhampton.

- 3.5 The Business Plan is based on applying a rent increase of 7.7 % to social and affordable rents, commencing 1 April 2024, followed by increases based on inflation forecasts. The government have not indicated whether it will continue with a CPI plus 1% rent increase for future years in line with the policy set out in the Rent Standard 2020. The same increases assumed for dwelling rents are applied to garage rents.
- 3.6 Inflationary increases to budgets have been applied where appropriate and a prudent provision for increases to the bad debt provision, taking into account the challenge Universal Credit has brought to rent collection and the additional impact that the cost-of-living crisis may bring.
- 3.7 Data indicates that around 77% of tenants have full or partial housing costs covered by Housing Benefit or Universal Credit and therefore will receive government support to pay all or part of the rent increase. For those tenants who may experience financial hardship due to the rent increase the HRA revenue budget includes a provision for support of £300,000. This will be kept under review during 2024-2025, with usage and adequacy reported to councillors through quarterly budget monitoring reports.
- 3.8 In terms of service charges, pay and price inflation has necessitated that most charges need to increase to recover full costs. These increases have been limited to 6.7% in line with the September 2023 CPI figure.

4.0 HRA Revenue Budget

- 4.1 The number of right-to-buy properties since discounts were increased in 2012 has had an impact on stock numbers, with around 800 sales over the last five years however, the rate of decrease has slowed due to the success of the new build and acquisitions programme in providing around 445 additional homes. Table 1 below illustrates the decrease in stock numbers over the last five years, an overall decrease of 2.5%.
- 4.2 Table 1 – Stock numbers over five years

Stock Numbers	2019-2020 Outturn	2020-2021 Outturn	2021-2022 Outturn	2022-2023 Outturn	2023-2024 Forecast
Opening	21,995	21,926	21,808	21,680	21,511
Right to Buy Sales	(228)	(155)	(198)	(169)	(153)
Other disposals	-	(9)	(12)	(31)	(37)
Additions	159	46	82	31	127
Closing	21,926	21,808	21,680	21,511	21,448
Cumulative reduction	(69)	(187)	(315)	(484)	(547)

- 4.3 Managing Agents allowances amount to 71% of the supervision and management budgets and 99% of and repairs and maintenance budgets. These allowances are linked to property numbers going forward to ensure that costs remain affordable over the life of the business plan. Inflationary increases to cover cost increases and pay awards are applied as appropriate.

- 4.4 High levels of inflation, particularly impacting on repairs and maintenance costs and fuel costs have been experienced since 2022 and the local government pay awards settlements have equated to around 6% in each of the previous two years. The true level of inflation affecting the housing sector is 9.4% for repairs and 16.4% for housing management according to sector wide research (Savills). The HRA revenue forecast for 2023-2024 that was reported to Cabinet as part of the Quarter 2 Performance and Revenue Monitoring Report in November 2023 approved an included additional allowance of £1.5 million to Wolverhampton Homes to support repairs and maintenance costs. Base budgets have therefore been uplifted by £1.5 million before consideration of inflationary increases to budgets for 2024-2025.
- 4.5 Further pay awards are expected in 2024-2025 further increasing costs to managing agents, who also continue to experience pressures from contractors and increased costs in materials. Therefore, revenue budgets include provision for management allowances per property to be increased by up to 5% to cover a blend of the increase in pay and general inflation.
- 4.6 Further consideration needs to be given to managing allowances for the New Park Village estate, managed by New Park Village Tenant Management Committee, to reflect the number of void properties awaiting demolition which are being managed as part of the regeneration project and it is proposed that this decision is delegated for further work to be done around the costs.
- 4.7 The revenue budget also provides for provision for financial support and a contingency for inflation.
- 4.8 The Council is incurring increased costs from the regulatory role of around £300,000 including additional staff resources which have been reflected in the revenue budget. The retained element of the budgets includes an annual budget of £70,000 for Tenants Scrutiny, and a budget for payment to the Housing Ombudsman of £120,000. The Regulator of Social Housing is also proposing a charge based on the number of properties managed by local authorities which is expected to be over £100,000.
- 4.9 The Council continue to work with the managing agents to identify efficiencies where possible. Quarterly meetings with the Director of Finance scrutinise budget performance, efficiencies and pressures. The Council is assured through external validation that the largest managing agent, Wolverhampton Homes, is relatively lean in terms of staffing. Identifying efficiencies has proved challenging, however additional expenditure on auxiliary services has been restricted.

5.0 The HRA Capital Programme

Capital Investment Context

- 5.1 The Council plans to use capital resources to maximise the provision of additional homes as far as possible but also needs to consider and prioritise the needs of the existing stock

with particular emphasis on enhancing building safety, maintaining decency and improving energy efficiency.

- 5.2 There is a need for proactive capital maintenance programmes which provide better value for money than ad hoc replacements. By ensuring components do not fail this takes the pressure off response repair budgets and causes less disruption to tenants.
- 5.3 As part of a long term, estate-based approach to asset management the remaining life of stock will be taken into account when making investment decisions and alternatives to refurbishment considered where appropriate.
- 5.4 Because construction activity, particularly in high risk buildings is now so highly regulated and must meet all current and future standards there is significant time and resource allocated to the design process and also in appointing specialist contractors and material suppliers with knowledge and experience to meet the required competency standards. This is pushing up programme costs along with general inflationary cost pressures. Despite recent falls in CPI, market conditions for the construction are still challenging with regional pressures affecting the supply chain and shortages of technical and professional staff.
- 5.5 An increase in demand is being experienced for internal improvements such as kitchens, bathrooms, heating and electrical systems. The Decent Homes programme invested £314 million of improvements from 2007 until 2015 and due to the passage of time further demand is anticipated. There has been an increased number of void properties requiring significant investment, with average costs around £25,000. This is due to age related deterioration of the properties which often require replacements of major components. There has also been a significant increase in demand for disabled adaptations, reflecting the needs of tenants.
- 5.6 Based on a 7.7% rent increase, the HRA will have sufficient resources for work programmes currently in progress and meet expected standards but indications are that it will be challenging to meet all the required stock investment needs and fund stock decarbonisation works in the long term. Work is therefore continuing in terms of the longer term capital programme and asset management planning.
- 5.7 Making provision in the longer term capital programme to reduce the carbon impact of the housing stock in line with the Council's strategic priority and to meet Government targets to bring all greenhouse gas emissions to net zero by 2050, it is likely to add in the region of £476 million to future investment costs. External funding contributions will need to be sought in order to achieve this and all the other priorities. The government will expect councils to have maximised their own rental income streams before seeking external funding contributions.

New Homes Programme

- 5.8 The government has demonstrated that it expects councils to play a major part towards the delivery of new social and affordable homes through allowing the retention of right to

buy receipts, and lower HRA borrowing rates through the Public Works Loan Board. However new homes can only be delivered if rental income is maximised to fund the borrowing required.

- 5.9 The programme includes new homes provision of £100 million for the next five years from 2024-2025 for around 500 new homes, including £44 million set aside for future new build schemes. £26.5 million is to fund the next phase of the new homes at Heath Town which will deliver 160 homes on top of the 40 homes that were completed in 2023.
- 5.10 The Council's development programme seeks to prioritise the type of housing stock developed in order to increase homes available for those with priority need under the allocations policy, alleviate homelessness and help people to live independently in their own homes. It is likely that the future development programme will need to focus on building accessible homes and larger family homes where there is a particular shortage of these types of properties, whilst also reflecting the need to develop at an appropriate density to increase stock numbers.
- 5.11 Alongside the application of HRA capital borrowing and capital receipts, homes will be delivered utilising grant opportunities where appropriate, as well as applying Section 106 commuted sums for affordable housing arising from private developments in the city. Grant funding for new homes will fund a proportion of the cost with the balance funded from HRA borrowing.

Improvements to Existing Homes

- 5.12 The Heath Town estate refurbishment managed by Wolverhampton Homes is expected to be completed in 2027 with a budget of £41.5 million. Works now being undertaken include window replacement and external wall insulation works and structural repairs. Work on the new energy centre has commenced.
- 5.13 The work programmes being carried out on the high-rise estates to install external wall insulation, upgrade balconies and windows, renew the mechanical and electrical infrastructure and improve fire safety and retrofit sprinklers have combined budgets of £141 million. This work will deliver improvements to over 1,300 homes and significantly reduce the cost of heating for the residents, helping to reduce the incidences of fuel poverty. Delivery has been accelerated in response to increased customer need and the costs of living crisis.
- 5.14 A medium-rise and low-rise block improvement programme of £34 million is being introduced to deliver external wall insulation, cladding, cavity wall insulation and improved ventilation. Windows, doors and roofs will be replaced and upgraded heating solutions installed. Funding of £2.1 million has been secured via from the Social Housing Decarbonisation Fund (SHDF) towards energy efficiency works.
- 5.15 The budget includes £46 million for Remedial Works to non-traditional properties which will also include decarbonisation measures. A bid to the next round of SHDF will, if successful result in further grant funding. These enhancements that prioritise the homes

needing them most bring forward investment planned in future years and will help reduce fuel costs to tenants. Decarbonisation measures improve the energy efficiency of properties and reduce the energy costs for tenants.

- 5.16 The budget also includes £65 million for major works to void properties and £55.5 million for internal decency improvements. It is expected that the scale of this capital investment will result in a reduction in response repairs costs in future years.

Estate remodelling

- 5.17 The programme includes a budget of £67 million for estate remodelling which will fund the redevelopment at New Park Village and the City Wide Non-Traditional replacement programme, the first phase of which will replace the Tarran bungalows at Bushbury, Wednesfield and Portobello.
- 5.18 The redevelopment at New Park Village will replace around 200 poor energy performing properties and replace with modern, energy efficient homes to meet the needs of the local community and there may be opportunity to increase the number of homes once fully designed, in consultation with the community.
- 5.19 The replacement of the Tarran Bungalows is currently at the procurement stage with delivery of the new homes to commence during the next 12-18 months. The 127 prefabricated bungalows built in the 1940s, have reached the end of their life and will be replaced with similarly designed modern, energy efficient bungalows on the same plots. After consultation with existing residents the phased redevelopment of each estate will be managed sensitively to meet the needs of vulnerable residents.
- 5.20 These projects above are all reflected in the five-year HRA Capital Programme in Appendix 2 of the Business Plan. The programme will be monitored quarterly and reviewed annually to ensure a balanced budget.
- 5.21 Further phases of the City Wide Non-Traditional property replacement programme are being developed and subsequent reports will be presented to future Cabinet meetings once each programme cost has been evaluated together with a resident communication plan.

6.0 Legislative and Policy Changes

- 6.1 On 14 June 2017, a tragic loss of life occurred when 72 people died as a result of a fire at Grenfell Tower, a high-rise block of flats in North Kensington, London. An extensive inquiry into the tragedy, examined the cause and spread of the fire, the external cladding on the building, inadequate fire safety control and procedures, the regulation of the construction industry and response of the emergency services, but also focused upon the experiences of the residents of the building and their relationship with their landlord.
- 6.2 Grenfell residents, both prior to and following the incident reported a one-way leadership culture from the landlord that did not welcome, listen to, or fully understand their views and concerns.

- 6.3 The tragedy and public inquiry has a continuing impact upon the housing sector, the Social Housing Green Paper (2018) followed by The Charter for Social Housing Residents: Social Housing White Paper (2020) sought to set out the issues facing social housing tenants and the actions that could be taken so they are safe, protected, listened to and able to influence how their homes are managed.
- 6.4 The White Paper detailed new requirements for social housing landlords, in addition to the strengthening of the Regulator of Social Housing, moving them from a reactive to a proactive consumer regulatory regime.
- 6.5 This culminated on 20 July 2023 when the Social Housing (Regulation) Bill received Royal Assent becoming the Social Housing (Regulation) Act 2023 and giving new powers to the Regulator and the Housing Ombudsman.
- 6.6 The powers conferred on the Regulator in moving from a reactive to a proactive regulatory regime, include a new inspection framework for all social housing providers in place from April 2024.
- 6.7 The Housing Ombudsman's Spotlight Report on Damp and Mould in October 2021 and Coroner's Report in November 2022 into the tragic death of two-year old Awaab Ishak, who died following prolonged exposure to mould in his home has resulted in a significant focus and urgency within the sector to respond to reports of damp, mould, and condensation (DMC).
- 6.8 A clause in the Social Housing (Regulation) Act, 'Awaab's Law' will require social landlords to respond to and investigate reports of DMC within specific timescales. In Wolverhampton, DMC is to be included within the 'BIG 7' risks.
- 6.9 The introduction of the Act means that from 1 April 2024, CWC will be subject to four yearly inspections as well as an annual review of newly introduced key performance indicators (KPIs). The Act makes clear that the Regulator will be seeking assurance that where a Council contracts out its housing management service to an Arms-Length Management Organisation (ALMO) or Managing Agent (MA), compliance with the standards remains with the Council.
- 6.10 The TSM standard, a recent addition to the consumer standards from 01 April 2023, requires social housing providers to collect data on Tenant Satisfaction Measures (TSMs) from 1 April 2023, with annual publication starting in Summer 2024.
- 6.11 On 25 July 2023, the Regulator issued four new draft consumer standards for consultation which set out the specific expectations and outcomes that all registered providers will be expected to achieve. A final set of revised standards, in addition to the TSMs will apply from April 2024.
- 6.12 The Housing Ombudsman introduced the Complaint Handling Code for Landlords in 2020. The Code was introduced as part of the Ombudsman's new powers in the revised

Housing Ombudsman Scheme. An updated Code took effect from 1 April 2022 and landlords had until 1 October 2022 to become compliant.

- 6.13 The Code is now statutory under the Housing Ombudsman's powers in the Housing Act 1996, as amended by the Social Housing (Regulation) Act 2023.
- 6.14 By issuing a statutory Code, landlords have a duty to comply with it and the Housing Ombudsman has a duty to monitor compliance against it. This will be delivered through individual investigation findings, submissions of the Code self-assessment and monitoring relevant data, including complaint handling performance. Non-compliance can result in the Ombudsman issuing a Complaint Handling Failure Order.
- 6.15 The Fire Safety (England) Regulations came into force in January 2023, they place an enhanced regulatory regime for all buildings, including a more stringent regime for the design, construction, day-to-day management, and maintenance of higher-risk buildings including high rise.
- 6.16 The Building Safety Act (2022) places significant duties on those who procure, plan, and manage building works, with safety considered at every stage of a building's lifetime. Landlords must ensure that tenants and residents are safe and feel safe, with regulatory powers against those landlords found to be underperforming.
- 6.17 From 1 April 2024, CWC will incur additional annual fees to the Regulator, alongside the existing annual fee to the Housing Ombudsman.
- 6.18 To improve and strengthen the Council's understanding of our compliance with the Consumer Standards and readiness to meet the requirements of inspection by the Regulator, City Housing engaged two external organisations.
- 6.19 In 2021, Savills completed a review of compliance of Wolverhampton Homes (CWC's ALMO) against the Consumer Standards. In 2022 – 23, Campbell Tickell (CT) completed an Independent Strategic Review of Housing services delivered by Wolverhampton Homes.
- 6.20 In October 2023, The Social Housing (Regulation) Act 2023 – Landlord Services Review was reported to Cabinet.
- 6.21 A City Housing Improvement Programme (CHIP) has been established to deliver on the Cabinet endorsed mandate to achieve compliance with the Act, by reviewing the relationship with the ALMO, Wolverhampton Homes. Measures include:
 - An overarching Shareholder Board as a focus for housing governance.
 - Amend the Management Agreement and Partnership Pledge to reflect the Regulatory landscape and strengthen CWC's ability to lead on improvements where necessary.
 - Strengthen the clienting arrangements with defined roles and responsibilities, accountabilities for demonstrating assurance and re-assurance, and clear reporting structures.

- Develop a shared evidence base to demonstrate Regulatory Compliance, to support re-assurance testing, a clear line of sight and single view of the truth. CWC lead on creating a Data Process Strategy that ensures data is being recorded consistently across all teams with associated automated Data Quality and reporting.
- Align WH business planning cycles with those of CWC, including the objectives of the refreshed Housing Strategy.
- Review all SLAs and functions delivered by Wolverhampton Homes on behalf of CWC, to ensure services are fit for purpose, that adequate monitoring and oversight is in place which provides assurance to the Council and value for money for residents.
- Following the implementation of the recommended governance changes, review the effectiveness of the new Management Agreement in strengthening CWC expectations, providing sufficient oversight and whether this has provided the direct line of sight required for Regulatory compliance.

6.22 As the expectations of the Social Housing (Regulation) Act and the Regulator of Social Housing become clearer, CWC need to continue to consider whether the ALMO remains the best operational model for our housing services to gain full assurance against Consumer Standards and the regulatory regime and to deliver the best services to the tenants of City of Wolverhampton Council.

6.23 A report on progress of the City Housing Improvement Programme (CHIP) will be presented to Scrutiny and Cabinet in October 2024.

7.0 Rent Increase 2024 - 2025

7.1 The proposed rent increase of 7.7% is chargeable in line with Government policy set out in the Rent Standard 2020 and the rent cap imposed by the government. Careful consideration has been given to the most appropriate level of rent increase, particularly in light of the cost-of-living increases. There is a difficult balance to be struck in deciding the levels at which rents and services charges are set and the income required to maintain and to improve services and properties.

7.2 Not applying the increase, or applying a lower increase, would reduce the resources available to fund core services and the capital programme. The Council would have to reduce the number of new homes and programmes to remediate non-traditional homes and low and medium rise estates would need to be postponed for several years, allowing the condition of the properties to deteriorate. Reducing revenue costs would impact on service standards.

7.3 It is proposed to increase service charges by 6.7% in line with CPI to recover increases in inflationary costs. An alternative option could be not to increase, or to reduce the charges, in which case the cost would not be recovered, and a subsidy required from general rents.

- 7.4 The Council understand that any increase in rent and service charges will place an additional burden on many families who are already struggling financially. The Council's Financial Well Being Strategy aims to develop a co-ordinated and coherent strategic response to the increased risk of hardship faced by Wolverhampton citizens due to the far-reaching economic and social implications that were already being experienced and in addition, the increased cost of living.
- 7.5 The strategy maximises support with essential living costs, to gain optimal physical and emotional wellbeing and ensure supportive and connected communities for the people of Wolverhampton. It provides a robust framework that enables a shared understanding of the situation, consolidates, and develops a range of initiatives to mitigate risk and implement early and preventative action, with a single document to ensure that Council Leaders, our partners, and the public are regularly updated on progress.
- 7.6 Tenants who are experiencing financial difficulties and struggling to pay their rent will receive support. We will work collectively across City Housing, our Managing Agents, the Financial Well Being Team, Revenue & Benefits and Welfare Rights to ensure that resources are available and appropriately targeted.
- 7.7 Rent collection performance is within target, at 97.7% in Q2 2023-24, just outside the upper quartile of a sector wide comparison. High levels of rent collection reflect the effectiveness of the income management service, the support provided through Money Smart and supporting services, and the resilience of tenants.
- 7.8 In 2023 – 2024 the Council offered further targeted support funded through the Housing Revenue Account, Financial Assistance Scheme. Provision has been made in the budget for £300,000 to continue to the scheme for 2024 – 2025.
- 7.9 This will be kept under review with usage and adequacy reported to councillors through quarterly budget monitoring reports.

8.0 Evaluation of alternative options

- 8.1 The Council could decide not to increase the rents, or to apply a lower rent increase. This would reduce the resources available to fund core services and the capital programme. The Council would have to reduce the number of new homes and programmes to remediate non-traditional homes and low and medium rise estates would need to be postponed for several years, allowing the condition of the properties to deteriorate. Reducing revenue costs would impact on service standards.

9.0 Reasons for decisions

- 9.1 The Council is asked to approve the 7.7% increase to dwellings rent and garage rents in order to be able to maintain services provided to tenants, meet consumer, building and fire safety standards and finance the capital investment as set out in Section 5 of this report.

9.2 The Council is required to approve a balanced HRA budget which is based on income forecasts, maintains supervision and management expenditure, provides for depreciation and finances borrowing.

10.0 Risk

10.1 The Council is no different to any other organisation and will always face risks in achieving its objectives and priorities. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.

10.2 In the opinion of the Director of Finance (Section 151 Officer), the proposed levels of reserves and provisions is appropriate and adequate in respect of the forthcoming financial year, having taken into account the risks and pressures facing the HRA.

10.3 The Council will continue to monitor the risks associated with the HRA budget and provide updates to Councillors as part of the quarterly performance and revenue budget monitoring reports.

10.4 A risk matrix is attached at Appendix 5 to the Business Plan. The risk register has been updated to reflect the economic and legislative setting in which it operates.

11.0 Financial implications

11.1 A full listing of non-dwelling rents and service charges is set out in Appendix 3 to the Business Plan.

11.2 The Business Plan model has been reviewed, assumptions updated and additional capital expenditure built in with the aim of providing sufficient resources to maintain existing stock and maximising new build. The assumptions in the model have been externally validated by Savills.

11.3 By increasing the rent the HRA is expected to have sufficient resources to fund over £2 billion of capital works required over the next 30 years, as well as meeting its management and maintenance obligations in the same period and adding to the housing stock. Inflation forecasts have been updated in line with the latest economic forecasts. Due to the possible forthcoming period of economic uncertainty, it will be necessary to closely monitor the data underpinning assumptions in the model and forecast the effect of any changes. The five-year revenue budget and 30-year forecasts are summarised at Appendix 1 to the Business Plan.

11.4 The five-year Capital Programme is reviewed quarterly and the latest version is shown in Appendix 2 to the Business Plan. As well as adding a further year to rolling replacement programmes the budget allows for the impact of inflation, increased demand, and bringing forward expenditure to take advantage of Social Housing Decarbonisation grant funding. The budget also includes increased scope to projects where components have deteriorated and to reflect the impact of enhanced regulation.

- 11.5 The Council now has the freedom to borrow to increase the provision of new build housing in line with prudential indicators. HRA borrowing is monitored to ensure that the revenue surplus will always be sufficient to fund forecast interest on debt with a margin built in to allow for interest rate fluctuations.
- 11.6 The Council could decide not to plan to increase capital expenditure and instead use the HRA operating surplus to pay off debt instead of financing the borrowing required to support the capital programme. However, it would not then be using available resources to improve and increase its housing stock as well as the requirement to respond to national building safety standards. Not investing as planned could result in higher investment costs in the long run as assets further deteriorate.
- 11.7 The HRA reserve is currently at £7.0 million, equating to around £324 per unit which in the opinion of the Section 151 Officer is appropriate and adequate in respect of the forthcoming financial year, having taken into account the risks and pressures facing the HRA. However, this benchmarks as relatively low when compared with peer authorities where the average was £1,432 in 2021-2022 (the national average was £2,273) and will therefore be kept under review.
- 11.8 The HRA net surplus available in the proposed budget for 2024-4025 to contribute to capital expenditure or debt repayment equates to around £13.9 million and therefore is at a level that provides additional assurance that the HRA has sufficient resources alongside reserves to provide sufficient contingency.
- 11.9 The HRA Financial Management and Investment Strategy, at Appendix 6 to the Business plan sets out how the HRA borrowing is monitored to ensure that it remains affordable.
[JM/04012024]

12.0 Legal implications

- 12.1 Statutory requirements as to the keeping of a Housing Revenue Account are contained in the Local Government and Housing Act 1989 ('the 1989 Act'). The 1989 Act includes a duty, under Section 76 of the 1989 Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.
- 12.2 Under Section 24 of the Housing Act 1985, local housing authorities have the power to "make such reasonable charges as they may determine for the tenancy or occupation of their houses". Section 24 also requires local authorities, from time to time, to review rents and make such changes as circumstances may require. This provision conferring discretion as to rents and charges made to occupiers, is now subject to further restrictions arising from the provisions of the Welfare Reform and Work Act 2016.
- 12.3 Rent and other charges are excluded from the statutory definition of matters of housing management in respect of which local authorities are required to consult their tenants pursuant to Section 105 of the Housing Act 1985 and Sections 137 and 143A of the Housing Act 1996 in relation to secure, introductory and demoted tenants respectively.

- 12.4 It is further provided by Section 103 of the Housing Act 1985 in relation to secure tenancies, which also applies in respect of introductory tenancies, that its tenants are notified of variation of rent and other charges at least 28 days before the variation takes effect by service of a notice of variation.

[TC/0912024/A]

13.0 Equalities implications

- 13.1 As part of Council's commitment to involving tenants and other service users in the management of housing services, we have contracted TPAS, (Tenant Participation Advisory Service) to work with our Managing Agents, including Wolverhampton Homes, in developing tenant scrutiny models which encourage meaningful engagement and an opportunity to have oversight of housing management and influencing and shaping service delivery. The Housing Tenant Scrutiny and Engagement approach was rolled out across our Managing Agents from April 2023. The approach is independent of the Council and its managing agent and will deliver meaningful consultation and scrutiny of housing services and promote tenant led regulation. TPAS are required to ensure the tenant scrutiny service is representative of all tenants. Adjustments are made in service delivery to ensure the service is accessible to all.
- 13.2 The City Housing Department Equality Plan (DEP) considers and analyses housing services, with the aim to ensure provision is non-biased. During 2023-24, the DEP presented to the Council Equality Advisory Group assessed housing allocations, rent arrears and damp and mould calls/repairs. Ongoing work will be undertaken to continue and build on these assessments to ensure the provision of non-biased housing services.
- 13.3 The Council monitors and reports on the performance of its housing managing agents. The management agreements between the Council and these organisations (Bushbury Hill EMB, Dovecotes TMO, New Park Village TMC and Wolverhampton Homes). The managing agents are required to consider equality of access to their services and have policies in place, which reflect and complement statutory responsibilities and the effective delivery of housing services. Monitoring of the managing agents includes relevant key performance indicators.
- 13.4 The housing service actively engages with the Equality, Diversity and Inclusion team and has an up-to-date equality action plan to promote continuous improvements are made to services and access to those services. Key issues, such as the Councils Housing Allocations Policy and Local Lettings Plans are subject to Cabinet approval and Scrutiny. Areas where poor performance is identified are escalated, reported and action plans developed and monitored to ensure improvement.

14.0 All other implications

- 14.1 The investment and improvement of the city housing stock will have a significant positive impact on the overall city environment. The strategic planning that will take place to

ensure that all council homes are as energy efficient as they will make a major contribution to ensure that the council meets its carbon reduction targets.

- 14.2 The investment and improvement of the current city housing stock and the additional housing created by new build programmes will have a significant positive impact on the health and wellbeing of current and future tenants.

15.0 Schedule of background papers

- 15.1 Welfare Reform and Work Act 2016
15.2 Housing and Planning Act 2016
15.3 The Housing Revenue Account self-financing determinations 2012

16.0 Appendices

- 16.1 Schedule of Appendices

	Housing Revenue Account
1	30 year and medium term business plan
2	Capital Programme
	Recommendations concerning income
3	Non-dwelling rents, service charges and other rents and charges
4	Background to the Housing Revenue Account
5	Risk Analysis
6	HRA Financial Management and Investment Strategy