



# Cabinet Meeting

22 January 2014

<b>Report title</b>	Housing Revenue Account Business Plan (Including 2014/15 Budget Rents and Service Charges)	
<b>Decision designation</b>	RED	
<b>Cabinet member with lead responsibility</b>	Councillor Peter Bilson Economic Regeneration and Prosperity	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	All	
<b>Accountable director</b>	Tim Johnson, Education and Enterprise	
<b>Originating service</b>	Delivery	
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**Report to be/has been considered by**

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## Recommendation(s) for action or decision:

The Cabinet is recommended to recommend that Council:

1. Adopt the business plan set out at appendix A as the approved Housing Revenue Account (HRA) business plan, including:
  - (a) The revenue budget for 2014/15 set out in the plan;
  - (b) The capital programme for 2013/2014 to 2017/18 set out in the plan.
2. Approve an increase in rents for HRA dwellings of an average of 6.23%, and in accordance with the Government's rent restructuring formula (including its constraints on individual rent increases), with effect from 7 April 2014.

3. Increase rents for HRA garages by 6.23%, with effect from 1 April 2014.
4. Approve that HRA service charges and district heating charges are set at the levels detailed in appendix B3, with effect from 1 April 2014.
5. Approve that Hostel and Carelink rents and charges are set at the levels detailed in appendix B4, with effect from 1 April 2014.
6. Note the charges to be levied on tenants and leaseholders by Wolverhampton Homes set out in appendix B5 are noted.
7. Note that the council places on record its sincere thanks to all those tenants' representatives and all other stakeholders and partners who put forward views and comments during the consultation process.

## 1.0 Purpose

- 1.1 This report presents an updated Housing Revenue Account (HRA) Business Plan for recommendation to full council.
- 1.2 The report also provides, as an integral part of that business plan, a proposed HRA budget for 2014/15, including proposed rents and service charges to take effect from 7 April 2014, and a proposed HRA capital programme for the period 2013/14 to 2017/18, for recommendation to full council.

## 2.0 Executive summary

- 2.1 The HRA is expected to have sufficient resources to fund the £1.8bn of capital works that will be required to its houses over the next 30 years, as well as meeting its management and maintenance obligations over the same period. Further details of the business plan can be found at Appendices A1-A5.
- 2.2 Appendix A2 graphically presents the forecast debt curve alongside forecast capital expenditure. Where the debt curve rises steeply, for example in 2032/33, this reflects a step up in capital expenditure for the year compared to the previous year, reflecting a number of components coming to the end of their intended lives and needing to be replaced.
- 2.3 The recommended average rent increase to take effect from 7 April 2014 is **6.23%**. This would yield an estimated total rent income of £91.4 million in the 2014/15 financial year, and lead to an average actual rent of £81.41 per week. Further detail on the recommended rent increase can be found at Appendix B1. At the time of writing limit rent was not confirmed, but is based on our own calculations using last year's formula and data.
- 2.4 The table below summarises recommended changes to other HRA income streams to take effect from 7 April 2014. Further details on these can be found at Appendices B2-B4.

**Table 1 – Summary of income recommendations 2014/15**

Item	Increase £ per week	Increase %
Garage Rents <sup>1</sup>	£0.26 - £0.37	6.23%
Service Charge increases:		
Sheltered Schemes and Communal Facilities	Nil	Nil
24-hour on-site concierge support <sup>4</sup>	Nil	Nil
8-hour on-site concierge support without remote CCTV and door entry <sup>4</sup>	Nil	Nil
Concierge: mandatory only – essential caretaking duties <sup>4</sup>	Nil	Nil
Concierge: mandatory plus remote	Nil	Nil

CCTV and door entry <sup>4</sup>		
Central Heating	Nil	Nil
Digital TV	Nil	Nil
Communal Cleaning	£0.43	18.3%
Fencing	Nil	Nil
District Heating Maintenance	Nil	Nil
District Heating Usage (excluding Ellerton Walk)	£0.82 - £3.74	23%
District Heating Usage (Ellerton Walk)	£2.17 - £2.39	15%
Hostel Charges (max) <sup>2</sup>		
Gross Rent <sup>3</sup>	£11.76	6.23%
Support / Care	£3.30	6.23%
Heating Lighting & Water	£1.08	6.23%
Minimum Cash Payable	£1.08	6.23%
Maximum Cash Payable	£4.38	6.23%
Carelink Charges	Nil	Nil

Note 1 – these figures exclude VAT, which is payable on some garage rents.

Note 2 – rental charges are levied on the Whitehouse and other properties: the Whitehouse attracts a higher charge and the figures given are therefore the maximum increases.

Note 3 – This charge is fully recovered through housing benefit which is expected to rise in line with guideline rents.

Note 4 – Due to the protection given to tenants in 2013/14 limiting the price increase to a maximum of £2 some tenants will see an increase in charges this year

- 2.5 The recommended service charges are set out at appendix B3, and reflect the phasing-in of the new concierge charges since the abolition of the old single charge and the limit on the maximum increase in the amount payable by any individual charge payer to £2 per week.
- 2.6 The recommended total management and maintenance budget for 2014/15 is £45.3 million, £300,000 higher than the 2013/14 budget. This incorporates:
- a freeze in managing agents' allowances;
  - an increase of £520,000 in the net cost of Housing Support Services due to a review of the apportionment of the costs of the services between the HRA and the General Fund;
  - A reduction in miscellaneous item costs of £163,000.

Detailed management and maintenance budgets are provided at Appendix A4.

- 2.7 Detailed capital budgets are provided at Appendix A5. There have been no significant changes since the last update to Cabinet Resources (Panel) in November 2013.
- 2.8 It should be noted that these capital budgets fund the requirements to bring the existing stock to Decent Homes standard and maintain it thereafter, and do not include anything for major developments such as estate re-modelling. Provision for such schemes will be made once the outcome of master planning is known, and subject to the availability of funding within the business plan.
- 2.9 Consultation with tenants on the 2014/15 budget has been carried out by Wolverhampton Homes on behalf of the council. A summary of their findings is attached at Appendix C.

2.10 Further background about the HRA is provided at Appendix D.

2.11 Appendix E provides a detailed analysis of the risks associated with the HRA Budget and Capital Programme, along with details of the risk control measures that are in place in order to manage and mitigate the risks as far as possible. The overall risk associated with the budget has been quantified as amber.

### **3.0 Financial implications**

3.1 The financial implications are discussed in the body of the report.  
[CF/15012014/B]

### **4.0 Legal implications**

4.1 Part VI of the Local Government and Housing Act 1989 (as amended by the Leasehold Reform Housing and Urban Development Act 1993, the Housing Act 1996 and the Local Government Act 2003) set up the financial regime for local authority housing.

4.2 The system requires the ring-fencing of the HRA and introduced a government subsidy scheme (subsequently abolished in 2012) and controls on local authority borrowing to meet capital expenditure.

4.3 This report embodies those requirements.  
[JH/14012014/H]

### **5.0 Equalities implications**

5.1 In making decisions on the options set out in the report, the Cabinet should be aware of the impact on the public, particularly tenants. There is a difficult balance to be struck in deciding the levels at which to increase income, and thereby seeking to protect services.

5.2 The council has always operated a very open and consultative approach to service and rent reviews. This is based upon a thirty-year forecast which sets out indicative levels of future average rent rises and forecast changes to expenditure levels. Consultation has been carried out on the council's behalf by Wolverhampton Homes (attached at Appendix C). It should also be noted that the Government's limits on individual rent increases (of RPI + ½% + £2 per week) protect tenants from excessive increases.

### **6.0 Environmental implications**

6.1 This report has no environmental implications.

### **7.0 Schedule of background papers**

- HRA Manual (DCLG)
- Guide to Social Rent Reforms in the Local Authority Sector (DCLG)

## 8.0 Schedule of appendices

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## Appendix A1

This report is PUBLIC –  
[NOT PROTECTED]

### 30 year business plan 2013/14 to 2042/43

REVENUE ACCOUNT	Years 1 - 5 £000	Years 6 - 10 £000	Years 11 - 15 £000	Years 16 - 20 £000	Years 21 - 25 £000	Years 26 - 30 £000
<b>Income</b>						
Dwelling Rents	(469,178)	(533,375)	(603,958)	(682,309)	(768,714)	(863,598)
Other Rents	(8,344)	(9,163)	(10,091)	(11,192)	(12,500)	(14,055)
Service Charges	(26,342)	(27,628)	(28,491)	(29,567)	(30,881)	(32,472)
	<b>(503,864)</b>	<b>(570,166)</b>	<b>(642,540)</b>	<b>(723,068)</b>	<b>(812,095)</b>	<b>(910,125)</b>
<b>Expenditure</b>						
Management and Maintenance (net of retained surpluses)	238,452	258,414	299,652	347,510	403,076	467,571
Depreciation and Provision for Redemption of Debt	182,336	234,811	278,182	331,298	356,354	375,495
Net Financing Costs	83,076	76,941	64,706	44,260	52,665	67,059
	<b>503,864</b>	<b>570,166</b>	<b>642,540</b>	<b>723,068</b>	<b>812,095</b>	<b>910,125</b>
<b>Balance</b>	-	-	-	-	-	-

## Appendix A1

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CAPITAL ACCOUNT	Years	Years	Years	Years	Years	Years
	1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Capital Expenditure	232,542	213,673	184,027	304,370	398,415	482,849
	<b>232,542</b>	<b>213,673</b>	<b>184,027</b>	<b>304,370</b>	<b>398,415</b>	<b>482,849</b>
<b>Financing</b>						
Decent Homes Funding	(22,718)	-	-	-	-	-
Major Repairs	(110,850)	(114,603)	(106,123)	(104,556)	(102,910)	(101,178)
Grants, Contributions and Receipts	(6,880)	-	-	-	-	-
Borrowing	(92,094)	(99,070)	(77,904)	(199,814)	(295,505)	(381,671)
	<b>(232,542)</b>	<b>(213,673)</b>	<b>(184,027)</b>	<b>(304,370)</b>	<b>(398,415)</b>	<b>(482,849)</b>
<b>Balance</b>	-	-	-	-	-	-

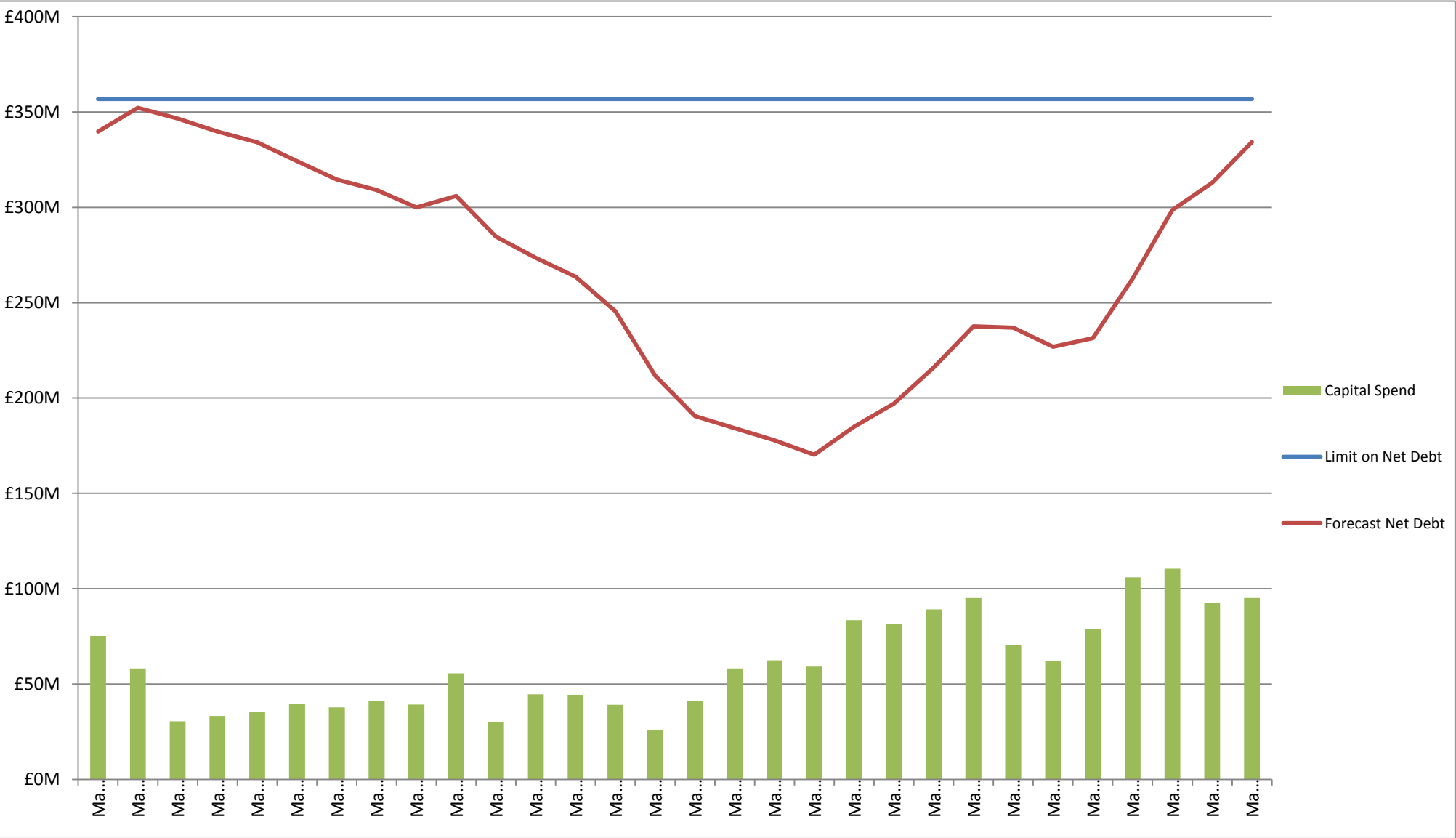
CAPITAL FINANCING REQUIREMENT	Years	Years	Years	Years	Years	Years
	1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30
	£000	£000	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>315,294</b>	<b>334,075</b>	<b>305,949</b>	<b>211,794</b>	<b>184,866</b>	<b>226,927</b>
Capital Expenditure Financed by Borrowing	92,094	99,070	77,904	199,814	295,505	381,671
Provision for Redemption of Debt	(73,313)	(127,196)	(172,059)	(226,742)	(253,444)	(274,317)
Net Movement in Capital Financing Requirement	<b>18,781</b>	<b>(28,126)</b>	<b>(94,155)</b>	<b>(26,928)</b>	<b>42,061</b>	<b>107,354</b>
Closing Capital Financing Requirement	<b>334,075</b>	<b>305,949</b>	<b>211,794</b>	<b>184,866</b>	<b>226,927</b>	<b>334,281</b>
Borrowing Cap	356,770	356,770	356,770	356,770	356,770	356,770
<b>Borrowing Headroom</b>	<b>22,695</b>	<b>50,821</b>	<b>144,976</b>	<b>171,904</b>	<b>129,843</b>	<b>22,489</b>



Appendix A2

This report is PUBLIC –  
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Forecast capital expenditure and debt curve 2013/14 to 2042/43



## Appendix A3

This report is PUBLIC –  
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### Medium term business plan

REVENUE ACCOUNT	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	Forecast	Approved Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
<b>Income</b>					
Dwelling Rents	(88,963)	(91,440)	(93,867)	(96,318)	(98,590)
Other Rents	(1,594)	(1,641)	(1,672)	(1,703)	(1,734)
Service Charges	(5,008)	(5,217)	(5,320)	(5,377)	(5,420)
	<b>(95,565)</b>	<b>(98,298)</b>	<b>(100,859)</b>	<b>(103,398)</b>	<b>(105,744)</b>
<b>Expenditure</b>					
Management and Maintenance (net of retained surpluses)	46,817	47,583	47,797	48,016	48,239
Depreciation and Provision for Redemption of Debt	32,628	33,781	36,135	38,761	41,031
Net Financing Costs	16,120	16,934	16,927	16,621	16,474
	<b>95,565</b>	<b>98,298</b>	<b>100,859</b>	<b>103,398</b>	<b>105,744</b>
<b>Balance</b>	-	-	-	-	-

## Appendix A3

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CAPITAL ACCOUNT	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
<b>Expenditure</b>					
Capital Expenditure	75,255	58,149	30,477	33,228	35,433
	<b>75,255</b>	<b>58,149</b>	<b>30,477</b>	<b>33,228</b>	<b>35,433</b>
<b>Financing</b>					
Decent Homes Funding	(11,962)	(10,756)	-	-	-
Major Repairs	(25,857)	(21,861)	(20,575)	(21,994)	(20,563)
Grants, Contributions and Receipts	(2,272)	(1,121)	(1,173)	(1,154)	(1,160)
Borrowing	(35,164)	(24,411)	(8,729)	(10,080)	(13,710)
	<b>(75,255)</b>	<b>(58,149)</b>	<b>(30,477)</b>	<b>(33,228)</b>	<b>(35,433)</b>
<b>Balance</b>	-	-	-	-	-

CAPITAL FINANCING REQUIREMENT	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
	Forecast	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>315,294</b>	<b>339,738</b>	<b>352,229</b>	<b>346,630</b>	<b>339,701</b>
Capital Expenditure Financed by Borrowing	35,164	24,411	8,729	10,080	13,710
Provision for Redemption of Debt	(10,720)	(11,920)	(14,328)	(17,009)	(19,336)
Net Movement in Capital Financing Requirement	<b>24,444</b>	<b>12,491</b>	<b>(5,599)</b>	<b>(6,929)</b>	<b>(5,626)</b>
Closing Capital Financing Requirement	<b>339,738</b>	<b>352,229</b>	<b>346,630</b>	<b>339,701</b>	<b>334,075</b>
Borrowing Cap	356,770	356,770	356,770	356,770	356,770
<b>Borrowing Headroom</b>	<b>17,032</b>	<b>4,541</b>	<b>10,140</b>	<b>17,069</b>	<b>22,695</b>

## Appendix A4

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### Management and maintenance budgets and forecasts

	2013/2014 Forecast £000	2014/2015 Forecast £000	2015/2016 Forecast £000	2016/2017 Forecast £000	2017/2018 Forecast £000
Wolverhampton Homes – Basic	37,920	37,920	37,920	37,920	37,920
Wolverhampton Homes - Fencing	122	120	120	120	120
Bushbury Hill EMB	1,261	1,261	1,261	1,261	1,261
New Park Village TMO	375	375	375	375	375
Springfield Horseshoe TMO	353	353	353	353	353
Dovecotes TMO	1,091	1,091	1,091	1,091	1,091
Housing Support	364	884	910	937	966
SLA Charges	1,155	1,159	1,193	1,229	1,266
Pension Contributions	2,270	2,284	2,353	2,424	2,497
Retained Repairs and Maintenance	(97)	1	1	1	2
Miscellaneous Items	47	(116)	(117)	(120)	(122)
<b>Total Management and Maintenance</b>	<b>44,862</b>	<b>45,332</b>	<b>45,460</b>	<b>45,591</b>	<b>45,729</b>

## Appendix A5

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### Capital programme forecast

	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL FORECAST
	2013/14	2014/15	2015/16	2016/17	2017/18	
	£000	£000	£000	£000	£000	£000
<b><u>Decent Homes Stock Condition</u></b>						
Scotlands Estate Phase 7	-	-	-	-	-	-
Scotlands Estate Phase 8	-	-	-	-	-	-
Bushbury Roof Replacement	87	-	-	-	-	87
New Park Village	-	-	-	-	-	-
All Saints Voids	619	-	-	-	-	619
Heating and Insulation Programme	-	-	-	-	-	-
Lincoln and Tremont	33	-	-	-	-	33
Sunset Place	58	-	-	-	-	58
Merridale Court	109	2,731	-	-	-	2,840
Graiseley Repairs	250	267	-	-	-	517
Refurbishment of Voids	4,905	4,191	4,050	3,814	3,597	20,557
Non Residential Conversion to Residential	74	1,282	-	-	-	1,356
External Improvement Programme	1,800	1,800	2,800	1,800	1,800	10,000
Boiler Replacement Programme	900	900	900	900	900	4,500
Capitalised Insurance costs	-	-	-	-	-	-
Decent Homes Pilot	-	-	-	-	-	-
Decent Homes - Stock Improvements	34,752	27,125	7,853	9,212	10,933	89,875
Decent Homes - Capitalised Salaries	1,000	1,000	1,000	1,000	1,000	5,000
<b>Decent Homes Stock Condition</b>	<b>44,587</b>	<b>39,296</b>	<b>16,603</b>	<b>16,726</b>	<b>18,230</b>	<b>135,442</b>
<b><u>Decent Homes Public Realm</u></b>						
Communal Areas Improvement	239	655	2,395	3,034	3,022	9,345
Street-scaping	-	328	780	1,103	1,099	3,310
<b>Decent Homes Public Realm</b>	<b>239</b>	<b>983</b>	<b>3,175</b>	<b>4,137</b>	<b>4,121</b>	<b>12,655</b>

## Appendix A5

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	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL
	2013/14	2014/15	2015/16	2016/17	2017/18	FORECAST
	£000	£000	£000	£000	£000	£000
<b>Major Stock Condition Improvements</b>						
Low Hill Residential Repairs	10,750	8,840	-	-	-	19,590
<b>Major Stock Condition Improvements</b>	<b>10,750</b>	<b>8,840</b>	-	-	-	<b>19,590</b>
<b>Estate Remodelling</b>						
Blakenhall Gardens	122	-	-	-	-	122
East Park Tarran Bungalows	264	-	-	-	-	264
Heath Town	-	-	-	-	-	-
New Build Programme	4,538	-	-	-	-	4,538
Thompson Avenue	3,825	-	-	-	-	3,825
Tap Works site	850	-	-	-	-	850
Right To Buy Buy Back	500	-	-	-	-	500
Commercial Conversions	370	-	-	-	-	370
<b>Sustainable Communities Estate Remodelling</b>	<b>10,469</b>	-	-	-	-	<b>10,469</b>
<b>Adaptations for People with Disabilities</b>						
<b>Disabled Adaptations</b>	<b>1,088</b>	<b>1,111</b>	<b>1,163</b>	<b>1,144</b>	<b>1,150</b>	<b>5,656</b>
<b>Other Stock Condition Improvements</b>						
Structural Works	864	874	891	883	879	4,391
Purchase of former RTB	997	-	-	-	-	997
Lift and Disability Discrimination Act Improvements - High Rise	1,701	565	574	568	670	4,078
Fire Safety Improvements - High Rise	891	382	501	496	494	2,764
Roofing Refurbishment Programme	1,888	3,521	4,328	5,661	5,980	21,288
Energy Efficiency Works	780	1,184	1,610	1,993	2,382	7,949

## Appendix A5

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	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	TOTAL
	2013/14	2014/15	2015/16	2016/17	2017/18	FORECAST
	£000	£000	£000	£000	£000	£000
Door Entry Security Programme	428	378	382	379	378	1,945
Communal Rewiring Programme	109	111	116	114	115	565
<b>Other Stock Condition Improvements</b>	<b>7,658</b>	<b>7,015</b>	<b>8,402</b>	<b>10,094</b>	<b>10,808</b>	<b>43,977</b>
<b><u>Other Improvements to the Public Realm</u></b>						
Pathway Improvement and Safety Programme	54	273	724	717	714	2,482
<b>Other Improvements to the Public Realm</b>	<b>54</b>	<b>273</b>	<b>724</b>	<b>717</b>	<b>714</b>	<b>2,482</b>
<b><u>Service Enhancements and Miscellaneous</u></b>						
Information Technology Developments	-	-	-	-	-	-
WH Other Technology Requirements	-	-	-	-	-	-
WH Document Management Costs	-	-	-	-	-	-
Digital TV Cabling etc	-	-	-	-	-	-
Sale of Council House Administration	10	10	10	10	10	50
Capitalised Salaries - W'ton Homes	400	400	400	400	400	2,000
Heath Town Biomass Contingency	-	-	-	-	-	-
<b>Service Enhancements &amp; Miscellaneous</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>2,050</b>
<b>GRAND TOTAL</b>	<b>75,255</b>	<b>57,928</b>	<b>30,477</b>	<b>33,228</b>	<b>35,433</b>	<b>232,321</b>

## Appendix B1

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### Dwelling rents

1. The table below compares the recommended rent for 2014/15 to the formula and limit rents for the year. In recent years the council has followed a policy of setting rents below the limit rent, in order to avoid benefit subsidy penalties. As can be seen below the recommended rent is below the limit rent level.

	<b>Rent 2014/15 £ p.d.p.w.</b>	<b>Increase over 2013/14</b>
Formula rent	83.73	+ 3.00%
Limit rent	82.60	+ 4.25%
Recommended rent	81.41	+ 6.23%

2. At the time of writing, limit rent was not confirmed, but is based on our own calculations using last year's formula and data



**Non dwelling rents**

Garage rents

1. The table below sets out recommended garage rents to take effect from 1 April 2014. It is recommended that the increase in the basic rent (before VAT) mirror the increase in guideline dwelling rents. These rent levels would generate total income of £797,000 (a 6.23% increase over 2013/14).

Recommended garage rents

	£ pdpw (exc VAT)	%age Increase over 2013/14 (exc VAT)	£ pdpw (inc VAT @ 20%)	%age Increase over 2013/14 (inc VAT)
Dwelling Tenants and Leaseholders (no VAT)	4.40	6.23%	4.40	6.23%
Dwelling Tenants and Leaseholders – three or more garages (VAT)	4.40	6.23%	5.28	6.23%
Other (VAT)	6.31	6.23%	7.57	6.23%

2. Under VAT rules, garages that are let along with a dwelling do not attract VAT, whereas those that are let separately do. Furthermore, exemption from VAT only extends as far as two garages per tenant/leaseholder. There are therefore three different levels of garage rents.

Shop rents

3. Shop rents are negotiated on an individual basis by the council's property services department, and do not require approval by the full council. For 2014/15, total rental income from shops is estimated to equal £839,000 (equal to 2013/14).

## Appendix B3

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### Service charges and district heating charges 2014/15

Name	Service(s) Funded by this Charge	Rationale for Recommended Charge	Recommended Charge 2014/15 (£ pdpw)	Increase (£ pdpw)	Increase (%age)	Forecast Cost Recovery 2014/15	Sensitivity - 1% equates to £000:
Sheltered Schemes Communal Facilities	Communal facilities in sheltered schemes.	Charge forecast to achieve full cost recovery at current level: no change required.	3.00	-	-	98%	1
24 hour concierge support *	24 hour on site concierge support	Charge forecast to achieve full cost recovery at current level: no change required.	16.45	-	-	100%	6
8 hour concierge support *	8 hour on site concierge support without remote CCTV and door entry	Charge forecast to achieve full cost recovery at current level: no change required.	8.04	-	-	100%	1
Concierge: mandatory only *	Essential caretaking duties	Charge forecast to achieve full cost recovery at current level: no change required.	5.25	-	-	100%	1
Concierge: mandatory plus remote CCTV and door entry *	Essential caretaking duties plus remote CCTV and door entry	Charge forecast to achieve full cost recovery at current level: no change required.	9.25	-	-	100%	1
Central Heating	Maintenance of central heating systems.	No increase, consistent with policy applied in recent years.	2.00	-	-	51%	21
Digital TV	Installation and maintenance of the wiring required to convey digital TV signals to certain high-rise blocks.	Charge forecast to achieve full cost recovery at current level: no change required.	0.64	-	-	100%	2

## Appendix B3

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Name	Service(s) Funded by this Charge	Rationale for Recommended Charge	Recommended Charge 2014/15 (£ pdpw)	Increase (£ pdpw)	Increase (%age)	Forecast Cost Recovery 2014/15	Sensitivity - 1% equates to £000:
Communal Cleaning	Cleaning services in communal areas in certain properties.	Increase in order to pursue full cost recovery.	<b>2.79</b>	0.43	18.3%	76%	2
Fencing	Installation and maintenance of boundary fencing. All funds raised by this charge are passed on to Wolverhampton Homes, who maintain a ring-fenced account.	Sufficient resources forecast at current level: no change required.	<b>2.00</b>	-	-	N/A	1
District Heating Maintenance	Maintenance of district heating systems (except Ellerton Walk).	Charge forecast to achieve full cost recovery at current level: no change required.	<b>6.00</b>	-	-	100.0%	3
District Heating Usage (except Ellerton Walk) (See schedule 2 below)	Provision of heating (except Ellerton Walk)	Increase in order to pursue full cost recovery: reflects significant increases in fuel costs.	<b>4.47 – 20.30</b>	0.82 – 3.74	23.0%	84%	5
District Heating Usage (Ellerton Walk) (See schedule 2 below)	Provision of heating (Ellerton Walk)	Increase in order to pursue full cost recovery: reflects significant increases in fuel costs.	<b>16.61 – 18.32</b>	2.17 – 2.39	15.0%	93%	2

\* Due to the protection given to tenants in 2013/14 limiting the price increase to a maximum of £2 some tenants will see an increase in charges this year.

**Appendix B3**

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**Service charges and district heating charges 2014/15****Recommended district heating charges**

	<b>Maintenance Charge £pdpw</b>	<b>Consumption Charge £pdpw</b>	<b>Total £pdpw</b>
<b>Tremont Street</b>			
1 Bed Flat	6.00	6.77	12.77
2 Bed Flat	6.00	9.04	15.04
2 Bed Maisonette	6.00	9.04	15.04
<b>Ellerton Walk</b>			
2 Bed Maisonette	-	16.61	16.61
3 Bed Maisonette	-	18.32	18.32
<b>Heath Town</b>			
1 Bed Low Rise Flat	6.00	6.77	12.77
2 Bed Low Rise Flat	6.00	9.04	15.04
1 Bed High Rise Flat	6.00	6.77	12.77
2 Bed High Rise Flat	6.00	9.04	15.04
2 Bed Low Rise Maisonette	6.00	11.32	17.32
3 Bed Low Rise Maisonette	6.00	13.63	19.63
3 Bed House	6.00	15.83	21.83
4 Bed House	6.00	18.18	24.18
5 Bed House	6.00	20.30	26.30
Bedsit	6.00	4.47	10.47

**Hostel and carelink rents and charges**

Hostel rent and charges

1. It is recommended that rent be increased by the same level as dwelling rents (6.23%), and other charges set as detailed in the table below.

**Hostel Rents and Charges**

	2013/14 White House £ pw	2013/14 Other <sup>1</sup> £ pw	2014/15 White House £ pw	2014/15 Other <sup>1</sup> £ pw	Increase
Gross Rent	188.75	120.06	200.51	127.54	6.23%
Charges:					
- Support/Care	52.97	50.57	56.27	53.72	6.23%
- Heating, Lighting and Water	17.30	17.30	18.38	18.38	6.23%
Minimum Cash Payable	17.30	17.30	18.38	18.38	6.23%
Maximum Cash Payable	70.27	67.87	74.65	72.10	6.23%

Note 1 – 46 units of temporary accommodation

Carelink Charges

2. These charges contribute directly towards the cost of the Carelink (pendant/alarm) service. There are approximately 6,200 users of the service, the majority of which receive a free service (because they are in receipt of housing benefit or have a housing association connection), leaving about 600 who pay.
3. There are two levels of service provision, charged at differing rates:
  - (i) a full service, comprising rental and maintenance of equipment, and the response of both the 24 hour contact centre and the Mobile Carelink Officer;
  - (ii) a reduced service, comprising monitoring of the alarms only.
4. It is recommended that the charges be kept at their existing level, to reflect the fact that the costs of providing the service are unchanged. The recommended charges are set out in the table below.

**Carelink Charges**

	2013/14 £/month	2014/15 £/month	Increase £/month
Privately-owned Dwellings			
- Full Service	14.20	14.20	Nil
- Monitoring Only	8.10	8.10	Nil
Housing Associations			
- Monitoring Only	6.10	6.10	Nil

## Appendix B5

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### Charges levied by Wolverhampton Homes

1. The following table presents charges receivable by Wolverhampton Homes. These charges are set by Wolverhampton Homes, and are presented here for information only.

	<b>2013/14 Charge £pdpw</b>	<b>2014/15 Charge £pdpw</b>	<b>Year-on-Year Change £pdpw</b>	<b>Year-on-Year Change %age</b>
Laundry	2.75	2.75	-	-
Tidy Garden <sup>1</sup>	7.75	7.75	-	-

Note 1 – includes VAT at 20%

## Appendix C

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### Appendix C - Feedback from consultation on rent & service charge proposed increases for April 2014

Low Hill Community Centre 19/11/13  
Seven attended

District Heating – Some people at the meeting expressed concerns that the Heath Town district heating system is still being subsidised by other tenants. Their view was the full 100% cost of the service should be being re-charged back to service users. A view was expressed that people living in Council houses were not being treated equally because they have to meet all the cost of their own heating without subsidy.

The rent increase for 2014 was expected to be higher than the 6.25% figure. Some tenants had expected 9%-14%. That having been said, some tenants commented that the proposed rise was above inflation. A concern was also expressed that those in arrears would find it harder to get themselves out of arrears if rents go up because they will have more to pay, as well as catching up their arrears.

Wolverhampton Homes Merry Hill Office 20/11/13  
Twelve attended

Comments were made that Universal Credit will have a bad effect on ability to pay and arrears are likely to rise, with the result of numerous letters being sent out for small debts. Arrears letters should not be sent when direct debits are in place, even if there are technical arrears. There was concern that the wording on arrears letters where people are in arrears may be frightening to the elderly.

Rent Setting – there were concerns that the potential changes in new Government rules (universal credit) effective from 2015 should be made clear to tenants and Tenants & Residents Associations so people can be prepared for them.

Wolverhampton Homes Market St Office 20/11/13  
Five attended

The 6.25% increase proposed was lower than anticipated by some attending the meeting.

Concerns expressed about the effect on rent arrears caused by welfare reform. One tenant felt that the Council should cut the increase by half to enable people to get themselves out of debt. This tenant also said he knew a lot of people who would like to downsize over the bedroom tax but they cannot. He wanted to downsize to a bungalow but there were none available.

The feedback was that there were very few bungalows but we did have sufficient and available downsizing options for tenants who were flexible about the location and type of property they moved to.

## Appendix C

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St Chad's Community Centre, Bilston 25/11/13

Twenty Five attended

Tenants felt that Housing Associations charged higher rents more but the increase has not been as much as for Wolverhampton Homes properties. (Note that in practice, most housing associations had achieved the convergence target rents and so did not need to increase their rents by as much as the council).

Some tenants felt that this year they had been told what the increase had been and this had not been genuine consultation. In effect they felt that their rights have been taken away.

People at the meeting thought it was important that WCC understand people are struggling, especially those on minimum wage. Wages are not going up and there are more people going to food banks, people are being pushed to the brink. One tenant detailed precisely how much money she received every week and how it was spent (food, electricity, gas etc.) she said there was no scope to pay a higher rent without cutting back on essentials.

Pickering Road Community Centre, Wednesfield 28/11/13

10 attended

There were concerns that if people are responsible for paying their own rent and are in debt already this rent increase will not help to get them out of debt and enable them to still pay their rent.

Some tenants attending were pensioners not receiving housing benefit. They need to pay for rent from their pensions and will struggle to manage the increase. Two are in 3 bedroom houses and would like to downsize to smaller properties in order to pay lower rents. They said there are no bungalows or prefabs available to downsize to.

Wolverhampton Federation of Tenants Associations 9 December 2013

Comments from the Federation were broadly in line with those at the other meetings. Strong concerns were raised about the affordability of the increases in rents and charges.

There were specific comments saying that gas and electricity meters would be preferred to a set district heating charge. This was because tenants would then be able to save money by turning the heating down. At the moment there is a lack of personal incentive because the charge is based on what everyone else is using. A view was also expressed that it is unfair that staff with electric storage heaters pay the same central heating charge as tenants with gas central heating. This was viewed as unfair because gas central heating systems are more expensive to maintain.



### The Housing Revenue Account

1. Local authorities are required by the Local Government and Housing Act (1989) to maintain a ring-fenced revenue account containing expenditure and income relating to their housing landlord service. This is known as the Housing Revenue Account (HRA).
2. Statute governs what may be charged and credited to the HRA, the underlying principle being that housing rents and service charges should only pay for the housing landlord service. In particular, it prevents cross subsidy of those income streams and others that the council receives, for example council tax. The main items which are shown in the HRA are:
  - Income from rents and lettings from dwellings and non-dwellings
  - Costs associated with maintaining the rental stock (but not improving it or the Decent Homes programme, which are capital budget items)
  - Costs and income associated with providing landlord services to tenants such as heating and concierge services
  - The net costs of providing Housing Support services such as those to Homeless Families and Carelink
  - Until 2011/12, the subsidy payable to or from central government each year, as calculated using the national formula, published as a draft determination in December of each year
3. Authorities have a duty to prepare and make available to rent payers an annual budget for the HRA in advance of the year in question. The budget must identify how all planned expenditure is to be funded. This may include the use of retained surpluses from previous years, but the HRA must never go into an overall deficit.
4. In accordance with the council's financial procedure rules, the budget, rents and service charges must be approved by full council, which receives recommendations from the Cabinet.

### Administration of the HRA at Wolverhampton

5. The HRA Budget is split into three parts for the purpose of day to day management, each of these being managed by a different party:
  - Wolverhampton Homes and the Tenant Management Organisations who manage the rent collection, day to day maintenance and in the case of Wolverhampton Homes, the Decent Homes programme.
  - The council's Housing Support service, which manages specialist housing services such as Homelessness, Carelink and warden-supported dwellings.
  - Education and Enterprise, in conjunction with Strategic Finance, manage the central costs and recharges between the General Fund and the HRA.

### HRA Subsidy and Self-financing

6. Until April 2012, one of the key factors in the budget preparation process was the Government's annual HRA subsidy determination. HRA subsidy was a housing resource redistribution system administered by the Department for Communities and Local Government. Authorities either paid into or received money from a national pool, based on a formula that assessed their assumed need to spend and assumed income.

## Appendix D

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7. HRA subsidy was complex and difficult to predict, but had significant impacts on the funds available to an authority's HRA, which made it central to the budget process.
8. With effect from 1 April 2012, HRA subsidy was abolished. Instead of annual determinations, authorities paid or received a one-off settlement at the end of March 2012. This settlement was calculated as the net present value of forecast subsidy payments or receipts over the next 30 years. The final HRA subsidy payment was made in 2012/13.

### Rent Restructuring

9. Rent restructuring is another Government initiative which plays a major role in the preparation of the HRA budget. It has been in place since 2002/03 and its aim is to standardise rents across social housing landlords, ie between the private, social housing and public sectors.
10. Rent restructuring is based on a national average rent, which is varied on a property-by-property basis for the value of the property, the number of bedrooms, and local average wages. This is known as the formula rent.
11. Authorities have been encouraged to move from their actual 2002/03 rents to their formula rents in equal annual steps. This convergence has also been built into the assumptions around HRA subsidy and housing benefit subsidy, making it difficult for an authority to vary much from the rent levels implied by rent convergence without suffering adverse financial consequences.
12. The Government has also put in place constraints on the amount by which any individual rent can increase. The first of these is the 'cap', which requires that no rent can increase by more than RPI+1/2% + £2 per week. The second, which has varied from time to time, is a simple limit on the percentage increase.
13. Finally, the Government sets a limit rent for the year for each authority. If an authority's actual average rent exceeds the limit rent, it will forfeit benefit subsidy. In recent years the council has pursued a policy of ensuring that the average actual rent does not exceed the limit rent.

### Service Charges

14. Service charges are intended to pay for the receipt of services over and above the provision of a standard dwelling, and not provided to all tenants. They should meet the full cost of providing the service in question, but never exceed it. The constraints on service charges are much less than those on dwelling rents, meaning the council retains the discretion to set service charges at the level it sees fit.

### HRA Contingency Reserve

15. The contingency reserve is set aside for emergencies and other unforeseen expenditure, and is the minimum level below which the council does not allow its reserves to fall when preparing budgets and medium term forecasts. On 25 February 2012, the council approved the setting of the contingency reserve at 5% of gross HRA turnover (rounded to the nearest million pounds).

## Appendix E

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### Risk analysis

Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
1	Financial and Budget Management	Ineffective budget management.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	4	8	A	<ul style="list-style-type: none"> <li>Monthly monitoring at service level and quarterly monitoring to Councillors.</li> </ul>	Assistant Director Finance	Monthly
2	Financial and Budget Management	Non pay inflation increase insufficient.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	2	2	G	<ul style="list-style-type: none"> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
3	Financial and Budget Management	Pay award greater than budgeted (1%).	Overspend against budget requiring either in year savings or use of Housing Revenue Account balance.	2	1	2	G	<ul style="list-style-type: none"> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
4	Financial and Budget Management	Staff turnover below assumed levels.	Overspend against budget requiring either in year savings or use of general fund balance.	2	1	2	G	<ul style="list-style-type: none"> <li>As part of the development of 2014/15 budgets staff turnover levels were reviewed and revised where possible and affordable.</li> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly

## Appendix E

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Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (PxI)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
5	Financial and Budget Management	The HRA borrowing cap preventing the council from carrying out essential capital works.	Inability to borrow to fund capital projects results in delays or cancellations.	3	3	9	A	<ul style="list-style-type: none"> <li>Close monitoring of capital spend requirements and borrowing limits.</li> </ul>	Assistant Director Finance	Monthly
6	Financial and Budget Management	The 30 year asset management plan is inaccurate.	Capital expenditure is not budgeted correctly.	2	4	8	A	<ul style="list-style-type: none"> <li>Close interrogation of information generated from asset management systems.</li> </ul>	Assistant Director Finance	Monthly
7	Financial and Budget Management	Assumptions which inform decision making regarding the balance of the need to reduce debt, invest in revenue or invest in capital are inaccurate.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	3	6	A	<ul style="list-style-type: none"> <li>A prudent approach to assumptions is taken.</li> <li>Monthly monitoring at Service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly

## Appendix E

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Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
8	Financial and Budget Management	Treasury Management Activity, including increases in the cost of borrowing (e.g. LOBO loans being called) and/or reductions in the return on investments.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	3	4	12	A	<ul style="list-style-type: none"> <li>• Robust Treasury Management Strategy.</li> <li>• Established and experienced Treasury Management function.</li> <li>• Proactive approach to the management of the council's cash flow, on a daily basis, including seeking opportunities to take advantage of borrowing opportunities when interest rates are favourable and seeking to maximise returns on investment whilst effectively managing the risk associated with those investments.</li> <li>• External treasury management advisors who provide a proactive and timely service and advice.</li> </ul>	Assistant Director Finance	Daily
9	Financial and Budget Management	Loss of ICT facilities, e.g. due to failure of systems and/or disaster recovery arrangements or key personnel	Lack of robust financial information on which to monitor budgets, leading to in-year budget deficit requiring savings to be identified or the use of Housing Revenue Account balances	2	4	8	A	<ul style="list-style-type: none"> <li>• ICT disaster recovery project and arrangements.</li> </ul>	Assistant Director Finance	Monthly
10	Income and Funding	Reduction to other income.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	3	6	A	<ul style="list-style-type: none"> <li>• As part of the 2014/15 budget process income budgets were reviewed and revised accordingly.</li> <li>• Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly

## Appendix E

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Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
11	Income and Funding	Higher than anticipated bad debts.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	3	3	9	A	<ul style="list-style-type: none"> <li>Robust debt collection and recovery mechanisms in place.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
12	Income and Funding	Lower than anticipated levels of capital funding.	Capital schemes are cancelled or delayed or have to be funded from revenue budgets and/or prudential borrowing resulting in an over spend against budget requiring either in year savings or use of housing revenue account balance.	2	4	8	A	<ul style="list-style-type: none"> <li>The capital programme is actively and closely managed and when so doing expenditure and income streams are continuously monitored.</li> <li>Quarterly monitoring to Members.</li> </ul>	Assistant Director Finance	Monthly
13	Service Demands	Increased demand for services including the impact of social and demographic pressures on demand for services, these pressures can be compounded in an economic downturn.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	3	3	G	<ul style="list-style-type: none"> <li>As part of the 2013/2014 budget process budgets were reviewed and revised accordingly taking account of known and anticipated increases in demand.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Budget Holders	Monthly

## Appendix E

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Risk Number	Category	Risk- cause/event	Impact of Risk	Probability of Risk (P) Score 1-5	Impact of Risk (I) Score 1-5	Score (Pxl)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period
14	Third Parties	Third parties and suppliers / contractors cease to trade or withdraw from the market.	Short term expensive solutions may be necessary. Requirements to undertake tender exercise. Increased ongoing cost due to reduced competition. Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	4	4	A	<ul style="list-style-type: none"> <li>Departments using external service suppliers work closely with them and are kept abreast of their service and business situation. At worst this gives the council notice of emerging problems.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>	Budget Holders	Monthly
15	Government Policy	There are changes to Government policy that have in year service and budget impact.	Overspend against budget requiring either in year savings or use of housing revenue account balance.	2	5	10	A	<ul style="list-style-type: none"> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> <li>Close monitoring of developing national position and reporting to Members.</li> </ul>	Budget Holders	Monthly
16	Income and Funding	Inflation rates are lower than budgeted for.	Rents cannot be raised as much as has been forecast.	2	5	10	A	<ul style="list-style-type: none"> <li>Prudent estimates of inflation rates are used in forecasting.</li> </ul>	Assistant Director Finance	Monthly
17	Income and Funding	Right to Buy sales are higher than forecast.	Less revenue will be received over the life of the plan than has been forecast.	2	5	10	A	<ul style="list-style-type: none"> <li>Prudent estimates of the level of Right to Buy sales are used in forecasting.</li> </ul>	Assistant Director Finance	Monthly

**Appendix E**

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<b>Risk Number</b>	<b>Category</b>	<b>Risk- cause/event</b>	<b>Impact of Risk</b>	<b>Probability of Risk (P) Score 1-5</b>	<b>Impact of Risk (I) Score 1-5</b>	<b>Score (Pxl)</b>	<b>Red (R) Amber (A) Green (G)</b>	<b>Risk Control Measures</b>	<b>Owner</b>	<b>Review Period</b>
18	Income and Funding	General interest rates are higher than forecast.	If interest rates are higher than forecast there will be greater interest payments.	2	5	10	A	<ul style="list-style-type: none"> <li>Prudent estimate of interest rates are used in forecasting.</li> </ul>	Assistant Director Finance	Monthly