



# Cabinet Meeting

## 14 January 2015

Dear Councillor

### **CABINET - WEDNESDAY, 14 JANUARY, 2015**

Enclose, for consideration at next Wednesday, 14 January, 2015 meeting of the Cabinet, is a **revised report**.

<b>Agenda No</b>	<b>Item</b>
------------------	-------------

- |   |  |
|---|--|
| 5 | <b><u>Housing Revenue Account Business Plan (including 2015/16 budget rents and service charges) (Pages 3 - 38)</u></b><br>[To present an updated business plan, including a proposed HRA budget and rents and service charges for recommendation to full Council] |
|---|--|

If you have any queries about this meeting, please contact the democratic support team:

**Contact** Dereck Francis

**Tel** 01902 555835

**Email** [dereck.francis@wolverhampton.gov.uk](mailto:dereck.francis@wolverhampton.gov.uk)

**Address** Democratic Support, Civic Centre, 2<sup>nd</sup> floor, St Peter's Square,  
Wolverhampton WV1 1RL

Encs

This page is intentionally left blank



# Cabinet Meeting

14 January 2015

<b>Report title</b>	Housing Revenue Account business plan (including 2015/16 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, Place	
<b>Originating service</b>	Delivery	
<b>Accountable employee(s)</b>	Mark Taylor	Director of Finance
	Tel	01902 556609
	Email	<a href="mailto:Mark.taylor@wolverhampton.gov.uk">Mark.taylor@wolverhampton.gov.uk</a>
	Chris Hale	Head of Housing
	Tel	01902 551796
	Email	<a href="mailto:Chris.Hale@wolverhampton.gov.uk">Chris.Hale@wolverhampton.gov.uk</a>
<b>Report to be/has been considered by</b>	Council	28 January 2015

---

## 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 2015/16 set out in the plan;
  - (b) The capital programme for 2014/15 to 2019/20 set out in the plan.

2. Approve an increase in rents for HRA dwellings of an average of 3.11% with effect from 6 April 2015.
3. Increase rents for HRA garages by 3.11%, with effect from 1 April 2015.
4. Approve that HRA service charges and district heating charges are set at the levels detailed in appendix B3, with effect from 1 April 2015.
5. Approve that Hostel charges are set at the levels detailed in appendix B4, with effect from 1 April 2015.
6. Note the charges to be levied on tenants and leaseholders by Wolverhampton Homes set out in appendix B5 are noted.

That Council is asked to note:

7. The forecast outturn against the 2014/15 revenue budget is a surplus before allocations of £18.9 million compared to a budgeted surplus of £11.9 million.
8. That carelink charges are currently under review.
9. 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 2015/16, including proposed rents and service charges to take effect from 6 April 2015, and a proposed HRA capital programme for the period 2014/15 to 2019/20, for recommendation to full council.

## **2.0 Executive summary**

- 2.1 The HRA is expected to have sufficient resources to fund the £2.0 billion 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 highlights 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 6 April 2015 is **3.11%**. This is not in line with government guidance, which is discussed in more detail below. This increase would yield an estimated total dwelling rent income of £93.7 million in the 2015/16 financial year, and lead to an average actual rent of £83.78 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 Finance employees' calculations using last year's formula and data.
- 2.4 Government rent policy guidance, introduced nationally for local authorities in April 2002, has in previous years established the local authority average guideline rent increase as Retail Price Index (RPI) inflation at the previous September plus 0.5%, and a convergence factor of up to £2 per week. The £2 per week convergence factor cap reflected the policy objective of increasing Local Authority rents to similar levels to those charged by Registered Providers (Housing Associations).
- 2.5 Following consultation the Government has announced that from 2015/16 this guidance will be replaced by new guidance that sets the guideline rent increase as Consumer Price Index (CPI) + 1% for the next 10 years with no further convergence factor. Historically CPI has been lower than RPI, so the expected impact of this policy would be to reduce annual rent increases, and therefore significantly reduce resources flowing into the HRA.
- 2.6 There is no statutory underpinning for local authority rent setting. Local authorities are required to have regard to government guidelines but are free to set any rent they see fit as long as it meets the provisions of the 1985 Housing Act. Section 24 of the 1985 Act states the following:

24 (1) A local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses

24 (2) The Authority shall from time to time review rents and make such changes, either of rents generally or particular rents, as circumstances may require

- 2.7 The 1989 Local Government and Housing Act added clauses 24 (3) and 24 (4) which stated that in exercising their functions under this section, a local housing authority shall have regard in particular to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents of houses of any other class or description. However, this was repealed in England (it is still extant in Wales) by the Local Government Act 2003. Therefore, local authorities have no restriction other than reasonableness when deciding on the basis to set rents.
- 2.8 It should be noted however that if the average rent exceeds the rent rebate subsidy figure (limit rent) there may be a financial penalty through Housing Benefit Subsidy limitation.
- 2.9 There are significant pressures on the HRA identified for 2015/16 and going forward. The planned transfer of shops, currently within the HRA, to the General Fund will result in a significant loss of income to the HRA, £25.2 million (Appendix B2), over the 30 year life of the plan. In combination with this, there is a lower than expected CPI rate of 1.2% and a net reduction in the level of income from the General Fund to the HRA. Due to these factors it has been determined that adhering strictly to government guidance would prevent the HRA from carrying out its functions successfully as well as delivering various new build developments and providing the capital to begin the Heath Town redevelopment. As such the 3.11% increase provides a level of income to support the HRA business plan and is to be recommended for approval.
- 2.10 The table below summarises recommended changes to other HRA income streams to take effect from 6 April 2015. Further details on these can be found at Appendices B2-B4.

**Table 1 – Summary of income recommendations 2015/16**

Item	Increase £ per week	Increase %
Garage Rents <sup>1</sup>	0.14 - 0.20	3.11
Service Charge increases:		
Sheltered Schemes and Communal Facilities	Nil	Nil
8-hour on-site concierge support without remote CCTV and door entry <sup>4</sup>	0.40	5
Concierge: mandatory only – essential caretaking duties <sup>4</sup>	0.26 – 1.29	5
Concierge: mandatory plus remote CCTV and door entry <sup>4</sup>	0.46 – 2.00	5
Central Heating	Nil	Nil
Digital TV	Nil	Nil
Communal Cleaning	0.45	16.1

Fencing	Nil	Nil
District Heating Maintenance	0.20	3.3
District Heating Usage (Heathtown)	0.38	3.7
District Heating Usage (Tremont)	Nil	Nil
District Heating Usage (Ellerton Walk)	Nil	Nil
Hostel Charges (max) <sup>2</sup>		
Gross Rent <sup>3</sup>	4.41	2.2
Support / Care	1.24	2.2
Heating Lighting & Water	0.41	2.2
Minimum Cash Payable	0.41	2.2
Maximum Cash Payable	1.64	2.2

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 the price increase is limited to a maximum of £2.

- 2.11 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. It should also be noted that the 24 hour on site concierge service has been discontinued following consultation with tenants, all of whom will be moved onto the mandatory plus remote CCTV and door entry level of service.
- 2.12 The recommended total management and maintenance budget for 2015/16 is £45.2 million, £100,000 lower than the 2014/15 budget. This incorporates:
- a freeze in managing agents' allowances;
  - an increase of £125,000 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 recharges from the General Fund to the HRA of £170,000;
  - An increase in net income from repairs and maintenance of £460,000;
  - An increase in pensions contributions of £100,000;
  - An increase in net miscellaneous costs of £290,000, primarily driven by a reduction in charges for communal area maintenance from the HRA to the General Fund.

Detailed management and maintenance budgets are provided at Appendix A4.

- 2.13 Detailed capital budgets are provided at Appendix A5. There have been no significant changes since the last update to Cabinet Resources (Panel) in December 2014.
- 2.14 It should be noted that these capital budgets fund the requirements to bring the existing stock to Decent Homes standard and maintain it thereafter, as well as significant funds for new build projects and preparation works required for the Heath Town regeneration.
- 2.15 The forecast revenue outturn for 2014/15 is a surplus of £18.9 million against a budget of £11.9 million. This is discussed in further detail in Appendix A6.

- 2.16 Consultation with tenants on the 2015/16 budget has been carried out by Wolverhampton Homes on behalf of the council. A summary of their findings is attached at Appendix C.
- 2.17 Further background about the HRA is provided at Appendix D.
- 2.18 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.  
[TS/05012015/N]

### **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 rents and charges and therefore 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). In addition to this, an Equalities Analysis has been carried out, which demonstrates that the approach taken complies with the Act and Duty's requirements.

### **6.0 Environmental implications**

- 6.1 This report has no direct environmental implications. The investment and improvement of the City housing stock will have a significant positive impact on the overall city environment.



## 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

App	Title	Page
<b>A</b>	<b>Housing Revenue Account business plan</b>	
A1	30-year business plan	9
A2	Forecast capital expenditure and debt curve	11
A3	Medium term business plan	12
A4	Management and maintenance budgets and forecasts	14
A5	Capital programme	15
A6	Forecast revenue outturn 2014/15 compared to budget	18
<b>B</b>	<b>Recommendations concerning income</b>	
B1	Dwelling rents	19
B2	Non-dwelling rents	20
B3	Service charges and district heating charges	21
B4	Hostel and Carelink rents and charges	24
B5	Charges levied by Wolverhampton Homes	25
<b>C</b>	<b>Summary of consultation responses</b>	26
<b>D</b>	<b>Background to the Housing Revenue Account</b>	28
<b>E</b>	<b>Risk analysis</b>	31

## Appendix A1

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### 30 year business plan 2015/16 to 2044/45

REVENUE 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>Income</b>						
Dwelling Rents	(490,933)	(556,034)	(629,071)	(716,952)	(813,461)	(922,398)
Other Rents	(3,762)	(4,370)	(5,087)	(5,921)	(6,893)	(8,024)
Service Charges	(26,147)	(26,804)	(27,511)	(28,583)	(29,806)	(31,308)
	<b>(520,842)</b>	<b>(587,208)</b>	<b>(661,669)</b>	<b>(751,456)</b>	<b>(850,160)</b>	<b>(961,730)</b>
<b>Expenditure</b>						
Management and Maintenance (net of retained surpluses)	243,254	268,636	306,724	348,897	396,932	441,635
Depreciation and provision for redemption of debt	205,050	257,045	308,477	355,185	397,308	446,678
Net Financing Costs	72,538	61,527	46,468	47,374	55,920	73,417
	<b>520,842</b>	<b>587,208</b>	<b>661,669</b>	<b>751,456</b>	<b>850,160</b>	<b>961,730</b>
<b>Balance</b>	-	-	-	-	-	-

## Appendix A1

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

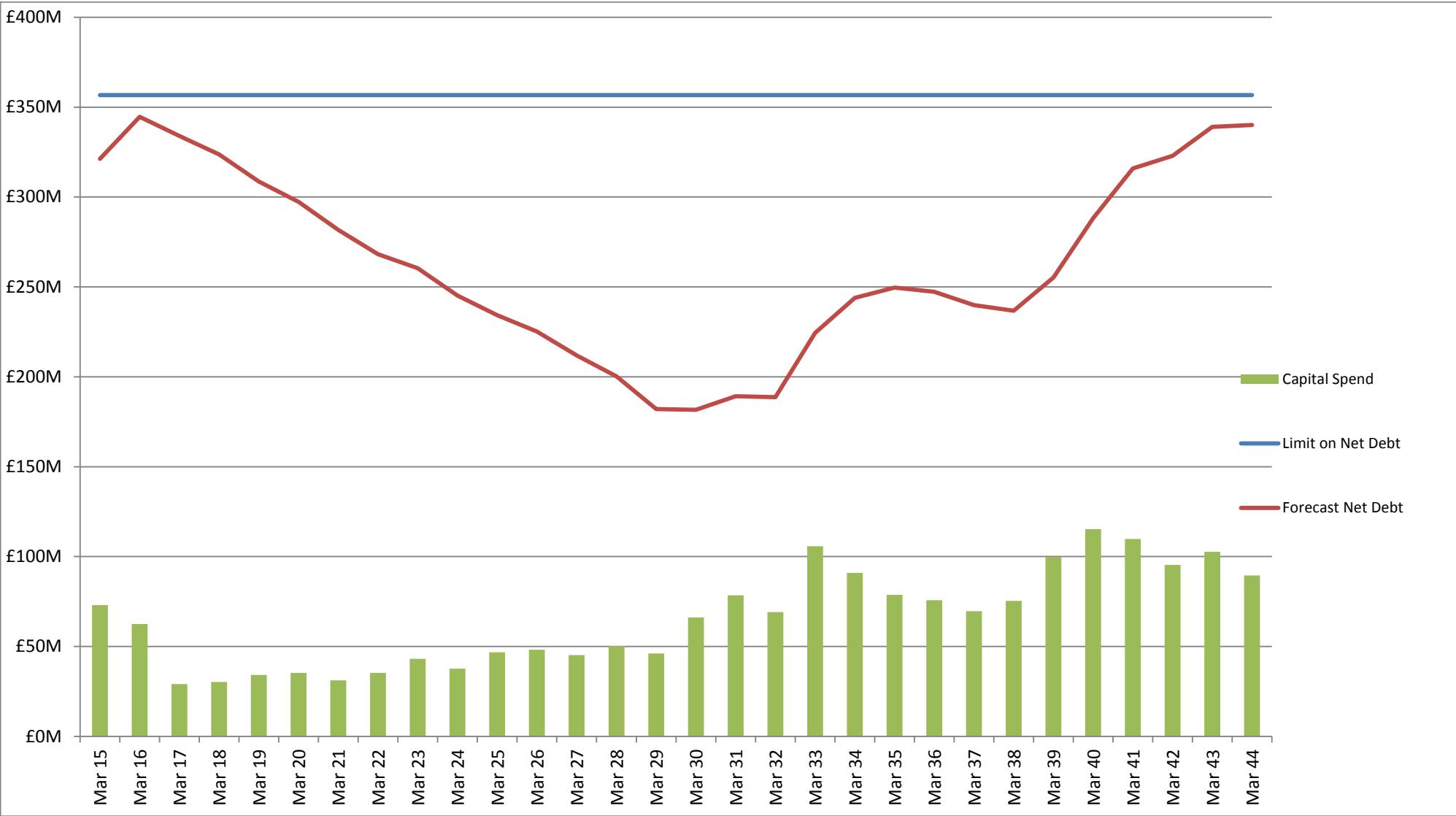
CAPITAL ACCOUNT	Years	Years	Years	Years	Years	Years
	1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Capital Expenditure	191,428	194,035	255,949	423,108	435,863	482,317
	<b>191,428</b>	<b>194,035</b>	<b>255,949</b>	<b>423,108</b>	<b>435,863</b>	<b>482,317</b>
<b>Financing</b>						
Decent Homes Funding	-	-	-	-	-	-
Major Repairs	(113,040)	(107,027)	(105,506)	(103,907)	(102,228)	(100,680)
Grants, Contributions and Receipts	(5,772)	-	-	-	-	-
Borrowing	(72,616)	(87,008)	(150,443)	(319,201)	(333,635)	(381,637)
	<b>(191,428)</b>	<b>(194,035)</b>	<b>(255,949)</b>	<b>(423,108)</b>	<b>(435,863)</b>	<b>(482,317)</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>321,232</b>	<b>297,270</b>	<b>234,258</b>	<b>181,728</b>	<b>249,649</b>	<b>288,202</b>
Capital Expenditure Financed by Borrowing	72,616	87,008	150,443	319,201	333,635	381,637
Provision for Redemption of Debt	(96,578)	(150,020)	(202,973)	(251,280)	(295,082)	(346,000)
Net Movement in Capital Financing Requirement	<b>(23,962)</b>	<b>(63,012)</b>	<b>(52,530)</b>	<b>67,921</b>	<b>38,553</b>	<b>35,637</b>
Closing Capital Financing Requirement	<b>297,270</b>	<b>234,258</b>	<b>181,728</b>	<b>249,649</b>	<b>288,202</b>	<b>323,839</b>
Borrowing Cap	356,770	356,770	356,770	356,770	356,770	356,770
<b>Borrowing Headroom</b>	<b>59,500</b>	<b>122,512</b>	<b>175,042</b>	<b>107,121</b>	<b>68,568</b>	<b>32,931</b>

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

Forecast capital expenditure and debt curve 2015/16 to 2043/44

Page 12



## Appendix A3

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### Medium term business plan

REVENUE ACCOUNT	2014/15 Forecast £000	2015/16 Budget £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000
<b>Income</b>						
Dwelling Rents	(92,168)	(93,683)	(95,329)	(97,504)	(99,885)	(104,532)
Other Rents	(1,529)	(711)	(729)	(751)	(774)	(797)
Service Charges	(5,692)	(5,149)	(5,184)	(5,222)	(5,244)	(5,348)
	<b>(99,389)</b>	<b>(99,543)</b>	<b>(101,242)</b>	<b>(103,477)</b>	<b>(105,903)</b>	<b>(110,677)</b>
<b>Expenditure</b>						
Management and Maintenance (net of retained surpluses)	47,262	47,890	48,037	48,223	48,417	49,687
Depreciation	21,861	21,807	21,752	21,695	21,639	21,581
Net Financing Costs	11,355	14,117	14,672	14,619	14,887	14,243
	<b>80,478</b>	<b>83,814</b>	<b>84,461</b>	<b>84,537</b>	<b>84,943</b>	<b>85,511</b>
<b>Surplus/deficit for the year</b>	<b>(18,911)</b>	<b>(15,729)</b>	<b>(16,781)</b>	<b>(18,940)</b>	<b>(20,960)</b>	<b>(25,166)</b>

## Appendix A3

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

CAPITAL ACCOUNT	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Forecast	Budget	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>						
Capital Expenditure	73,035	62,501	29,057	30,326	34,170	35,374
	<b>73,035</b>	<b>62,501</b>	<b>29,057</b>	<b>30,326</b>	<b>34,170</b>	<b>35,374</b>
<b>Financing</b>						
Decent Homes Funding	(12,182)	-	-	-	-	-
Major Repairs	(29,608)	(20,575)	(21,994)	(20,563)	(28,327)	(21,581)
Grants, Contributions and Receipts	(2,793)	(2,742)	(1,010)	(1,010)	(1,010)	-
Borrowing	(28,452)	(39,184)	(6,053)	(8,753)	(4,833)	(13,793)
	<b>(73,035)</b>	<b>(62,501)</b>	<b>(29,057)</b>	<b>(30,326)</b>	<b>(34,170)</b>	<b>(35,374)</b>
<b>Balance</b>	-	-	-	-	-	-

CAPITAL FINANCING REQUIREMENT	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Forecast	Budget	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>311,691</b>	<b>321,232</b>	<b>344,687</b>	<b>333,958</b>	<b>323,771</b>	<b>308,643</b>
Capital Expenditure Financed by Borrowing	28,452	39,184	6,053	8,753	4,833	13,793
Provision for Redemption of Debt	(18,911)	(15,729)	(16,781)	(18,940)	(19,960)	(25,166)
Net Movement in Capital Financing Requirement	<b>9,541</b>	<b>23,455</b>	<b>(10,728)</b>	<b>(10,187)</b>	<b>(15,127)</b>	<b>(11,373)</b>
Closing Capital Financing Requirement	<b>321,232</b>	<b>344,687</b>	<b>333,958</b>	<b>323,771</b>	<b>308,643</b>	<b>297,270</b>
Borrowing Cap	356,770	356,770	356,770	356,770	356,770	356,770
<b>Borrowing Headroom</b>	<b>35,538</b>	<b>12,083</b>	<b>22,812</b>	<b>32,999</b>	<b>48,127</b>	<b>59,500</b>

## Appendix A4

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### Management and maintenance budgets and forecasts

	2014/15 Forecast £000	2015/16 Budget £000	2016/17 Forecast £000	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000
Wolverhampton Homes – Basic	37,881	37,881	37,881	37,881	37,881	38,866
Wolverhampton Homes - Fencing	140	140	140	140	140	143
Bushbury Hill EMB	1,261	1,261	1,261	1,261	1,261	1,294
New Park Village TMO	375	375	375	375	375	385
Springfield Horseshoe TMO	353	353	353	353	353	362
Dovecotes TMO	1,091	1,091	1,091	1,091	1,091	1,119
Housing Support	884	1,008	1,029	1,055	1,082	1,110
SLA Charges	775	986	1,006	1,031	1,057	1,084
Pension Contributions	2,270	2,378	2,426	2,487	2,551	2,617
Retained Repairs and Maintenance	(308)	(462)	(471)	(483)	(497)	(511)
Miscellaneous Items	(84)	177	180	186	191	197
<b>Total Management and Maintenance</b>	<b>44,638</b>	<b>45,188</b>	<b>45,271</b>	<b>45,377</b>	<b>45,485</b>	<b>46,666</b>

## Appendix A5

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### Capital programme forecast

	Forecast 2014/15 £000	Budget 2015/16 £000	Forecast 2016/17 £000	Forecast 2017/18 £000	Forecast 2018/19 £000	Forecast 2019/20 £000	Total £000
<b>Decent Homes Stock Condition</b>							
All Saints Voids	22	149	-	-	-	-	171
Heath Town renewable Heating Incentive	-	250	-	-	-	-	250
Lincoln and Tremont	-	100	-	-	-	-	100
Merridale Court	28	3,189	-	-	-	-	3,217
Refurbishment of Voids	3,429	3,501	3,003	3,004	3,003	3,361	18,944
Non Residential Conversion to Residential	1,282	-	-	-	-	-	1,282
External Improvement Programme	1,900	2,200	2,200	2,200	2,200	2,462	12,900
Boiler Replacement Programme	800	900	900	900	900	1,007	5,300
Decent Homes - Stock Improvements	40,821	17,475	8,408	9,608	13,667	12,383	101,242
Decent Homes - Capitalised Salaries	1,000	900	900	900	900	1,007	5,500
<b>Decent Homes Stock Condition</b>	<b>49,282</b>	<b>28,664</b>	<b>15,411</b>	<b>16,612</b>	<b>20,670</b>	<b>20,220</b>	<b>148,906</b>
<b>Decent Homes Public Realm</b>							
Communal Areas Improvement	199	1,750	2,800	2,800	2,800	3,133	13,149
Street-scaping	-	500	800	800	800	895	3,700
<b>Decent Homes Public Realm</b>	<b>199</b>	<b>2,250</b>	<b>3,600</b>	<b>3,600</b>	<b>3,600</b>	<b>4,028</b>	<b>16,849</b>
<b>Major Stock Condition Improvements</b>							
Low Hill Residential Repairs	6,762	12,543	-	-	-	-	19,305
<b>Major Stock Condition Improvements</b>	<b>6,762</b>	<b>12,543</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,305</b>



## Appendix A5

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

<b>Estate Remodelling</b>								
Heath Town	2,000	3,000	-	-	-	-	-	5,000
Thompson Avenue	1,640	-	-	-	-	-	-	1,640
Tap Works site	550	4,000	-	-	-	-	-	4,550
Commercial Conversions	450	-	-	-	-	-	-	450
Mortgage Rescue	583	-	-	-	-	-	-	583
Caash Fund	2,215	-	-	-	-	-	-	2,215
New Build Infill SCP	1,000	500	-	-	-	-	-	1,500
Various Schemes	-	1,307	-	-	-	-	-	
<b>Estate Remodelling</b>	<b>8,438</b>	<b>8,807</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,938</b>
<b>Adaptations for People with Disabilities</b>								
Disabled Adaptations	1,463	1,000	1,000	1,000	1,000	1,119		6,463
<b>Other Stock Condition Improvements</b>								
Structural Works	808	950	951	951	951	1,064		5,562
Lift and Disability Discrimination Act Improvements - High Rise	1,014	592	611	717	701	782		4,334
Fire Safety Improvements - High Rise	664	908	528	527	523	589		3,676
Roofing Refurbishment Programme	2,876	2,451	2,529	2,497	2,352	2,667		15,089
Energy Efficiency Works	358	2,070	2,097	2,097	2,075	2,330		10,779
Door Entry Security Programme	520	402	415	410	386	438		2,524
Communal Rewiring Programme	-	377	453	453	451	504		2,184
Rewiring electrical sub mains	-	339	407	407	406	453		1,964
Replacement of Lead Pipes	-	38	45	45	45	50		218
<b>Other Stock Condition Improvements</b>	<b>6,240</b>	<b>8,127</b>	<b>8,036</b>	<b>8,104</b>	<b>7,890</b>	<b>8,877</b>		<b>46,330</b>

**Appendix A5**

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

<b>Other Improvements to the Public Realm</b>							
Pathway Improvement and Safety Programme	200	450	600	600	600	671	3,050
<b>Other Improvements to the Public Realm</b>	<b>200</b>	<b>450</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>671</b>	<b>3,050</b>
<b>Support for the Elderly and Vulnerable</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41</b>
<b>Service Enhancements and Miscellaneous</b>							
Sale of Council House Administration	10	10	10	10	10	11	60
Capitalised Salaries - W'ton Homes	400	650	400	400	400	448	2,400
<b>Service Enhancements and Miscellaneous</b>	<b>410</b>	<b>660</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>459</b>	<b>2,460</b>
<b>Total</b>	<b>73,035</b>	<b>62,501</b>	<b>29,057</b>	<b>30,326</b>	<b>34,170</b>	<b>35,374</b>	<b>252,838</b>

## Appendix A6

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

1. The table below sets out the forecast outturn against revenue budgets as at quarter three of 2014/15.

### Forecast revenue outturn 2014/15 compared to budget

	Approved Budget £000	2014/15 Forecast Outturn £000	Variance £000
<b>Income</b>			
Gross rents – dwellings	(91,440)	(92,168)	(728)
Gross rents – non dwellings	(1,641)	(1,529)	112
Charges to tenants for services and facilities	(5,217)	(5,692)	(475)
<b>Total income</b>	<b>(98,298)</b>	<b>(99,389)</b>	<b>(1,091)</b>
<b>Expenditure</b>			
Repairs and maintenance	26,557	26,257	(300)
Supervision and management	18,775	18,381	(394)
Rents, rates and taxes	251	452	201
Increase in provision for bad debts	2,000	2,172	172
Depreciation of fixed assets	21,861	21,861	-
<b>Total expenditure</b>	<b>69,444</b>	<b>69,123</b>	<b>(321)</b>
<b>Net cost of HRA services</b>	<b>(28,854)</b>	<b>(30,266)</b>	<b>(1,412)</b>
Interest payable	17,049	11,470	(5,579)
Interest and investment income	-	(1)	(1)
Adjustment for premiums and discounts	(114)	(114)	-
<b>(Surplus)/deficit before transfers to/from reserves and provision for redemption of debt</b>	<b>(11,919)</b>	<b>(18,911)</b>	<b>(6,992)</b>
<b>Allocation of (surplus)/deficit</b>			
Provision for redemption of debt	11,919	18,911	6,992
<b>Balance for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>

2. The only significant variance forecast is the £5.6 million forecast saving on interest payable arising mainly as a result of the council's strategy of using cash balances to finance capital expenditure rather than external borrowing.

## Appendix B1

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### Dwelling rents

1. The table below compares the recommended rent for 2015/16 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 2015/16 £ p.d.p.w.</b>	<b>Increase over 2014/15</b>
Formula rent	85.57	+ 2.20%
Limit rent	84.42	+ 2.20%
Recommended rent	83.78	+ 3.11%

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

## Appendix B2

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### Non dwelling rents

#### Garage rents

1. The table below sets out recommended garage rents to take effect from 1 April 2015. 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 £705,000 (a 3.11% increase over 2014/15).

#### Recommended garage rents

	£ pdpw (exc VAT)	Percentage Increase over 2014/15 (exc VAT)	£ pdpw (inc VAT @ 20%)	Percentage Increase over 2014/15 (inc VAT)
Dwelling Tenants and Leaseholders (no VAT)	4.54	3.11	5.45	3.11
Dwelling Tenants and Leaseholders – three or more garages (VAT)	4.54	3.11	5.45	3.11
Other (VAT)	6.51	3.11	7.81	3.11

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. From 2015/16 the shops currently in the HRA will be transferred to the General Fund. This has resulted in a reduction in net income to the HRA of approximately £839,000 based on forecasts. Over the life of the 30 year plan this is a reduction of £25.2 million of income to the HRA, assuming that there are no changes in the rent levels that are currently being charged. This is a very significant reduction in income which is one of the drivers for the need to increase rents over the guidance levels.

## Appendix B3

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### Service charges and district heating charges 2015/16

Name	Service(s) Funded by this Charge	Rationale for Recommended Charge	Recommended Charge 2015/16 (£ pdpw)	Increase (£ pdpw)	Increase (%age)	Forecast Cost Recovery 2015/16 %	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.	<b>3.00</b>	-	-	100	1
8 hour concierge support *	8 hour on site concierge support without remote CCTV and door entry	Increase in order to pursue full cost recovery.	<b>8.44</b>	0.40	5	89	1
Concierge: mandatory only *	Essential caretaking duties	Increase in order to pursue full cost recovery.	<b>5.51</b>	0.26	5	90	1
Concierge: mandatory plus remote CCTV and door entry *	Essential caretaking duties plus remote CCTV and door entry	Increase in order to pursue full cost recovery.	<b>9.71</b>	0.46	5	89	1
Central Heating	Maintenance of central heating systems.	No increase, consistent with policy applied in recent years.	<b>2.00</b>	-	-	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.	<b>0.64</b>	-	-	100	2
Communal Cleaning	Cleaning services in communal areas in certain properties.	Increase in order to pursue full cost recovery.	<b>3.24</b>	0.45	16.1	88	3

## Appendix B3

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

Name	Service(s) Funded by this Charge	Rationale for Recommended Charge	Recommended Charge 2015/16 (£ pdpw)	Increase (£ pdpw)	Increase (%age)	Forecast Cost Recovery 2015/16 %	Sensitivity - 1% equates to £000:
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.	2.00	-	-	N/A	1
District Heating Maintenance	Maintenance of district heating systems (except Ellerton Walk).	Increase in order to pursue full cost recovery.	6.20	0.20	3.3	100	4
District Heating Usage (Heathtown)	Provision of heating (Heathtown)	Increase in order to pursue full cost recovery: reflects significant increases in fuel costs.	4.64 – 21.05	0.17 – 0.75	3.7	100	5
District Heating Usage (Tremont)	Provision of heating (Tremont)	Sufficient resources forecast at current level: no change required.	6.77 – 9.04	-	-	100	1
District Heating Usage (Ellerton Walk)	Provision of heating (Ellerton Walk)	Sufficient resources forecast at current level: no change required.	16.61 – 18.32	-	-	100	2

\* Protection was given to tenants in 2013/14 limiting the price increase to a maximum of £2 for concierge charges.

**Appendix B3**

This report is PUBLIC –  
 [NOT] PROTECTIVELY MARKED

**Service charges and district heating charges 2015/16****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	6.20	6.77	12.97
2 Bed Flat	6.20	9.04	15.24
2 Bed Maisonette	6.20	9.04	15.24
<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	6.20	7.02	13.22
2 Bed Low Rise Flat	6.20	9.37	15.57
1 Bed High Rise Flat	6.20	7.02	13.22
2 Bed High Rise Flat	6.20	9.37	15.57
2 Bed Low Rise Maisonette	6.20	11.74	17.94
3 Bed Low Rise Maisonette	6.20	14.13	20.33
3 Bed House	6.20	16.42	22.62
4 Bed House	6.20	18.85	25.05
5 Bed House	6.20	21.05	27.25
Bedsit	6.20	4.64	10.84



**Appendix B4**

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

**Hostel and carelink rents and charges**

Hostel rent and charges

1. It is recommended that rent be increased in line with guideline rents (2.2%), 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	200.51	127.54	204.92	130.35	2.2%
Charges:					
- Support/Care	56.27	53.72	57.51	54.90	2.2%
- Heating, Lighting and Water	18.38	18.38	18.78	18.78	2.2%
Minimum Cash Payable	18.38	18.38	18.78	18.78	2.2%
Maximum Cash Payable	74.65	72.10	76.29	73.69	2.2%

Note 1 – 46 units of temporary accommodation

Carelink Charges

2. These charges contribute directly towards the cost of the Carelink (pendant/alarm) service. At present 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. These charges are currently under review and will be consulted on shortly.

## Appendix B5

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### 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>2014/15 Charge £pdpw</b>	<b>2015/16 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	8.00	0.25	3.2%

Note 1 – includes VAT at 20%

### Appendix C - Feedback from consultation on rent & service charge proposed increases for April 2015

#### Feedback from tenants and leaseholders on rent and service charge proposals

Five consultation meetings were held with tenants across the city in November 2014. These were:

Mon 17/11 Low Hill Community Centre, Kempthorne Avenue 1-2.30pm

Wed 19/11 One Stop Shop Market Street 6-7.30pm

Mon 24/11 Merry Hill Housing Office 10.30-12.00pm

Tues 25/11 Wednesfield Community Centre, Pickering Road 2-3.30pm

Thurs 27/11 Bilston Academy 6-7.30pm

Events were publicised to tenants well in advance. They featured in two issues of tenants' update. They were also advertised on the Wolverhampton Homes website, twitter and the Wolverhampton Homes Facebook page.

The general feedback from the consultation meetings was that the three rent increase options from April 2015 (1.5%, 3.1%, and 3.8%) were far more palatable than the 6.1% increase experienced in April 2014. Also that tenants didn't want to see cuts to the capital programme and were in favour of new council houses being built. In fact the feedback was more investment in new stock please. People also wanted to see continued investment in the existing housing stock.

That having been said, along with everyone else at the moment, in spite of benefit increases this April and the reported improvements in the waged economy, people were still finding life financially tight. Therefore, generally most tenants would prefer not to have an increase in rents from April 2015.

#### Service Charges

Tenants and leaseholders were generally reassured about the majority of service charges nearing full recovery. This had been a cause of discontent in previous years because cross subsidy means other tenants are subsidising services for a minority, especially with the district heating system and the concierge service which are high cost services.

Central heating charge – tenants with electric heating systems (night storage heaters) said that they thought the central heating charge was unfair because their heating systems were not as good as gas central heating and were cheaper to maintain. Therefore they should not be paying the same rate as tenants with gas central heating.

Garages – there was discussion about whether garages should increase to market rents as seen by some as a luxury rather than a necessity. An issue raised every year is that not all garages are in a good condition. Some tenants and leaseholders paying for garages would like to see the income ring fenced for investment in garage

## Appendix C

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

repairs. There were also comments made (Merry Hill and Wednesfield) about some people using the garages as a commercial storage facility rather than for cars or motor cycles. There was some frustration that some garages are used by former tenants who no longer live on particular estates.

It was pointed out that it is a breach of tenancy agreement for garages if they are put to commercial / storage use and Wolverhampton Homes would follow up on all reported breaches.

Fencing charge – some questions were raised about the fact that the £2 per week charge does not have an end date. It was pointed out that the average fence, ignoring maintenance, costs £1,600 and would take 16 years to pay off. By then it is likely that another fence would be needed. Consequently, the charge had to be open ended this early on in the programme.

Some views were expressed by some Boscobel tenants, that the charge for communal facilities in the former sheltered blocks of £3 was unduly cheap because it included free laundry facilities. Other tenants with laundries on site paid per token. In response, this charge was set to cover its costs.

Concierge – drop in charge of over £300 per year for 730 properties in moving from the 24 hour on-site service to an 8 hour shift backed by CCTV was noted, although some concern raised at Merry Hill about the time it would take to get concierge officers from Stowlawn to Merry Hill at night if there was an incident. Reported back that this has been timed at 15 minutes. In any case, the police would always be called where warranted and the time for them to attend would be unchanged.

District Heating System – (Ellerton Walk, New Park Village and Heath Town). Noted that the system has now reached full cost recovery and charges would only go up in future based on changes in fuel costs year to year. Also that WH would be consulting on the introduction of metering. Experience has shown that average costs per tenant are likely to go down with the introduction of meters because there is an incentive not to be wasteful if occupiers are directly responsible for the cost of their own usage.

### Feedback from Wolverhampton Homes Board

The Board were concerned about cost of living increases for tenants and leaseholders. That having been said the Board thought it was essential that properties were adequately maintained and that the council continues to build more social housing. The Board supported a rent increase that would allow current housing revenue account aspirations to be maintained.

### 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
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.
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.

## Appendix D

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

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 used to play 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, i.e. 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 guidance on 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 CPI + 1%. The second, which has varied from time to time, is a simple limit on the percentage increase. As is explained in greater detail in paragraphs 15 and 16 below, this is guidance that the council does not have to adhere to.
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.
14. For 2015/16 it has been decided by the council that adhering to the rent restructuring guidance would cause significant difficulties for the HRA and prevent it delivering currently planned programmes. As such, the 3.11% increase ensures that the average rent is below the limit rent despite deviating from the government guidance and is forecast to deliver sufficient resources to the HRA to deliver currently planned programmes.
15. The council does not have to adhere to the government guidance on rent restructuring; there is no statutory underpinning for rent setting. Local authorities are free to set any rent they see fit as long as it meets the provisions of the 1985 Housing Act. Section 24 of the 1985 Act states the following:

24 (1) A local housing authority may make such reasonable charges as they may determine for the tenancy or occupation of their houses

## Appendix D

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

24 (2) The Authority shall from time to time review rents and make such changes, either of rents generally or particular rents, as circumstances may require

16. The 1989 Local Government and Housing Act added clauses 24 (3) and 24 (4) which stated that in exercising their functions under this section, a local housing authority shall have regard in particular to the principle that the rents of houses of any class or description should bear broadly the same proportion to private sector rents of houses of any other class or description. However, this was repealed in England (it is still extant in Wales) by the Local Government Act 2003. Therefore, local authorities have no restriction other than reasonableness when deciding on the basis to set rents.

### Service Charges

17. 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.

### HRA Contingency Reserve

18. 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

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

### 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 (PxI)	Red (R) Amber (A) Green (G)	Risk Control Measures	Owner	Review Period	
Page 32	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 (1.5%).	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 2015/16 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

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

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
33	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

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

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
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 2015/16 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

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

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
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 2015/16 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

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

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
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**

This report is PUBLIC –  
[NOT PROTECTIVELY MARKED]

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
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

This page is intentionally left blank