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| <b>CITY OF<br/>WOLVERHAMPTON<br/>COUNCIL</b> | <b>Cabinet</b><br><b>18 January 2023</b> |
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| <b>Report title</b>                            | Housing Revenue Account Business Plan 2023-2024 including Rent and Service Charges                          |   |
| <b>Decision designation</b>                    | RED   |   |
| <b>Cabinet member with lead responsibility</b> | Councillor Bhupinder Gakhal, City Assets and Housing<br>Councillor Obaida Ahmed, Resources and Digital City |   |
| <b>Key decision</b>                            | Yes   |   |
| <b>In forward plan</b>                         | Yes   |   |
| <b>Wards affected</b>                          | All Wards   |   |
| <b>Accountable Director</b>                    | John Roseblade, Director of City Housing and Environment<br>Claire Nye, Director of Finance                 |   |
| <b>Originating service</b>                     | Housing, Finance  |   |
| <b>Accountable employee</b>                    | Jo McCoy<br>Andrew Bryant<br><br>Tel<br>Email   | Strategic Finance<br>Service Lead – Landlord Services<br>01902 558433<br><br>andrew.bryant@wolverhampton.gov.uk |
| <b>Report to be/has been considered by</b>     | Strategic Executive Board<br>Scrutiny Board   | 13 December 2022<br>24 January 2023   |

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### Recommendations for decision:

The Cabinet recommends that Council:

1. Adopts the Business Plan set out at Appendix 1 to this report as the approved Housing Revenue Account Business Plan including:
  - a. The revenue budget for 2023-2024 at Appendix 1 to this report.
  - b. The Capital Programme for 2023-2024 to 2027-2028 at Appendix 2 to this report that includes the following among the proposed investment plans;
    - £105 million for new homes
    - £67 million provision for estate remodelling
    - £39 million to complete the refurbishment of the Heath Town estate

- £43 million remediation works to non-traditional properties including energy efficiency improvements
  - £114 million for programmes to high rise estates to include building safety improvements, infrastructure replacement, and external works to include energy efficiency.
2. Approves the implementation of an increase of 7% to social housing rents in accordance with the Welfare Reform and Work Act 2016 and to give 28 days notice to all secure and introductory tenants of the rent increase from 1 April 2023.
  3. Approves the rates for garage rents and service charges set out in Appendix 3 to this report and formally notifies tenants.
  4. Approves an increase to Shared Ownership rents of 7%.
  5. Delegates authority to approve the final Management Allowances for Managing Agents in 2023-2024 to include a virement from the debt management repayment budget if required to the Cabinet Members for City Assets and Housing and Resources and Digital City in consultation with the Director of Finance and Director of City Housing and Environment to enable a full review of cost pressures.
  6. Delegates authority to agree a financial assistance scheme for tenants experiencing financial hardship to the Cabinet Members for City Assets and Housing and Resources and Digital City in consultation with Director of Finance and Director of City Housing and Environment to be in place by 1<sup>st</sup> April 2023.
  7. Approved the HRA Financial Management and Investment Strategy, at Appendix 6 to the Business plan.

### **Recommendations for noting:**

The Cabinet is asked to note:

1. From 1 April 2020 the Regulator of Social Housing has regulated social rents charged by Local Authorities as set out in the Rent Standard 2020. However, the government has capped the increase chargeable from 1 April 2023 at 7%.
2. The increase to Shared Ownership rents is based on agreement to the government's principle of a voluntary commitment of the 7% cap.
3. No increases are planned to service charges in 2023-2024.
4. That, in the opinion of the Director of Finance (Section 151 Officer) the current levels of reserves and provisions is appropriate and adequate for the forthcoming financial year.
5. The Charter for Social Housing Residents: Social Housing White Paper (2020) sets out the principles for a new, fairer deal for social housing residents, focusing on the provision of safe and decent homes, resolving complaints, empowering tenants, tackling stigma and building new homes.

## **1.0 Purpose**

- 1.1 This report presents an updated Housing Revenue Account (HRA) Business Plan 2023-2024 for recommendation to Full Council which is intended to balance the provision of new homes for rent, whilst continuing to invest in better and safer homes programmes to the existing stock and improving and redeveloping housing estates.
- 1.2 The report also provides, as an integral part of that Business Plan, a proposed HRA budget for 2023-2024, including proposed rents and service charges to take effect from 1 April 2023, and a proposed HRA Capital Programme for the period 2023-2024 to 2027-2028 for recommendation to full Council.

## **2.0 Background**

- 2.1 Since the implementation of Housing Revenue Account self-financing in 2012, the Council has been required to set out its Housing Revenue Account (HRA) Business Plan. The Business Plan is monitored quarterly and reviewed annually to ensure that assumptions remain robust and resources within the plan are sufficient to meet expenditure requirements. Appendix 4 to the Business Plan provides more detail on HRA self-financing.
- 2.2 In February 2019, the Secretary of State for Housing, Communities and Local Government gave a direction which set out the government's rent policy for social housing for the next five years and the requirement for the Regulator of Social Housing to undertake the regulation of Local Authority Social Housing Rents, aligning the regulation with that of private-registered providers. The resulting Rent Standard came into force on 1 April 2020.
- 2.3 Key elements of the direction are to restrict rent increases on social and affordable rent properties by up to Consumer Price Index (CPI) plus 1% annually from 2020 for a period of at least five years. CPI is based on the published figure for September of the previous year. The direction also allows discretion over the rent set for individual properties with a 5% flexibility for general needs stock.
- 2.4 However, CPI in September 2022 was 10.1% which under the government's policy could have resulted in rent increases of up to 11.1%. Therefore, as part of the Autumn Financial Statement issued by the government in November 2022 the rent increase from 1 April 2023 has been capped at 7%.
- 2.5 Shared Ownership rents are not covered by the 7% cap, as set out in the terms of most lease agreements, rents are permitted to increase by a maximum of the Retail Prices Index (RPI) for a given month plus 0.5%. In November, RPI was 14%. This means that rents could increase by as much as 14.5% in 2023-2024.
- 2.6 Housing associations, responsible for 90% of that sector's Shared Ownership homes have voluntarily committed to limiting rent increases for their shared owners in 2023-2024 to no more than 7%. The government have asked Local authorities if they would also be

willing to commit to a 7% limit so that the cap to be extended as widely as possible so that all shared owners may benefit, regardless of who their landlord is.

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

### 3.0 The HRA Business Plan 2023-2024

- 3.1 The Business Plan has been reviewed in 2022 and updated to revise planning assumptions on rent increases, interest rates, right to buy sales, rent collection rates and inflationary increases to management and maintenance costs including pay awards.

### 3.2 Table of Assumptions

| Assumptions                        | 2022-2023     | 2023-2024     | 2024-2025     | 2025-2026     | 2026-2027     | 2027-2028     |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>General</b>                     |               |               |               |               |               |               |
| CPI Inflation                      | 12%           | 5%            | 2%            | 2%            | 2%            | 2%            |
| Increase in rent                   | 4.1%          | 7%            | 3%            | 3%            | 3%            | 2%            |
| Interest Rates                     | 4.9%          | 4.53%         | 3.73%         | 3.5%          | 3.5%          | 3.5%          |
| Right to Buy sales                 | 160           | 140           | 100           | 100           | 100           | 100           |
| <b>Property Numbers</b>            |               |               |               |               |               |               |
| Average number of social homes     | 21,149        | 20,892        | 20,684        | 20,584        | 20,534        | 20,484        |
| Average number of affordable homes | 430           | 495           | 586           | 717           | 861           | 981           |
| Average number of shared ownership | 25            | 42            | 47            | 49            | 49            | 49            |
| <b>Total homes</b>                 | <b>21,604</b> | <b>21,428</b> | <b>21,316</b> | <b>21,349</b> | <b>21,444</b> | <b>21,514</b> |

- 3.3 The number of HRA dwellings is currently around 21,600; of which around 11,800 are houses and bungalows, 5,000 are in medium and high-rise blocks and the balance of around 4,800 are low rise flats. This includes around 100 that are held for demolition as part of regeneration schemes.
- 3.4 The focus of the business plan is on balancing the revenue pressures and the pressures on tenants whilst also maximising resources available to finance capital expenditure to balance the needs of the existing stock, improve and redevelop estates and provide much needed additional social and affordable housing units.
- 3.5 The Business Plan is based on applying a rent increase of 7% to social and affordable rents, commencing 1 April 2022, followed by increases based on inflation forecasts. The government have not indicated whether it will continue with a CPI plus 1% rent increase

for future years in line with the policy set out in the Rent Standard 2020. The same increases assumed for dwelling rents are applied to garage rents.

- 3.6 Inflationary increases to budgets have been applied where appropriate and a prudent provision for increases to the bad debt provision, taking into account the challenge Universal Credit has brought to rent collection and the additional impact that the cost of living crisis may bring.
- 3.7 Data indicates that around two thirds of tenants have their housing costs covered by Housing benefit or Universal Credit and therefore will not be directly impacted by the rent increase. For those tenants who may experience financial hardship due to the rent increase the HRA revenue budget includes an initial provision for support of £300,000. This will be kept under review during 2023-2024 and usage and adequacy will reported to councillors through quarterly budget monitoring reports.
- 3.8 In terms of service charges, modelling indicates that due to service efficiencies it is not proposed to increase service charges in 2023-2024.

#### 4.0 HRA Revenue Budget

4.1 The number of right-to-buy properties since discounts were increased in 2012 has had an impact on stock numbers, not wholly offset by new build and acquisition of additional stock. However, the rate of decrease has slowed. Table 1 below illustrates the decrease in stock numbers over the last five years, an overall decrease of 3.3%.

4.2 Table 1 – Stock numbers over five years

| Stock Numbers        | 2018-2019<br>Outturn | 2019-20<br>Outturn | 2020-2021<br>Outturn | 2021-2022<br>Outturn | 2022-2023<br>Forecast |
|----------------------|----------------------|--------------------|----------------------|----------------------|-----------------------|
| Opening              | 22,214               | 21,995             | 21,926               | 21,808               | 21,479                |
| Right to Buy sales   | (265)                | (228)              | (155)                | (164)                | (145)                 |
| Other disposals      | -                    | -                  | (9)                  | (90)                 | (125)                 |
| Additions            | 46                   | 159                | 46                   | 53                   | 86                    |
| Closing              | 21,995               | 21,926             | 21,808               | 21,479               | 21,295                |
| Cumulative reduction | (219)                | (288)              | (406)                | (534)                | (735)                 |

- 4.3 Managing Agents allowances amount to 31% of the supervision and management budgets and 99% of and repairs and maintenance budgets. These allowances are linked to property numbers going forward to ensure that costs remain affordable over the life of the business plan. Inflationary increases to cover cost increases and pay awards are applied as appropriate.
- 4.4 High levels of inflation, particularly impacting on repairs and maintenance costs and fuel costs have been experienced in 2022-2023 and the pay award was higher than anticipated at budget setting. The HRA revenue forecast for 2022-2023 that was reported to Cabinet as part of the Quarter 2 Revenue Monitoring Report in November 2022

included provision for additional allowances of £2.0 million. £1.5 million was added to the forecast for Repairs and maintenance budgets and £0.5 million for supervision and management costs. Base budgets have therefore been uplifted by £2.0 million.

- 4.5 Further pay awards are expected in 2023-2024 further increasing costs to managing agents, who are also experiencing pressures from contractors and increased costs in materials. Therefore, revenue budgets include provision for management allowances per property to be increased by up to 5% to cover a blend of the increase in pay and general inflation. However, to allow for a full review of costs pressures it is proposed that the decision on the actual annual allowances for 2023-2024 is delegated. Should allowances require increasing further then a virement would be required to reduce the debt repayment budget.
- 4.6 The revenue budget also provides for provision for financial support and a contingency for inflation.
- 4.7 The Council is incurring increased costs from the regulatory role of around £200,000 which have been reflected in the revenue budget. The retained element of the budgets includes an annual budget of £70,000 for Tenants Scrutiny, and a budget for payment to the Housing Ombudsman of £120,000.

## **5.0 The HRA Capital Programme**

### **Capital Investment Context**

- 5.1 The Council plans to use capital resources to maximise the provision of additional homes as far as possible but also needs to consider and prioritise the needs of the existing stock with particular emphasis on enhancing building safety, maintaining decency and improving energy efficiency.
- 5.2 There is a need for proactive capital maintenance programmes which provide better value for money than ad hoc replacements. By ensuring components do not fail this takes the pressure off response repair budgets and causes less disruption to tenants.
- 5.3 As part of a long term, estate-based approach to asset management the remaining life of stock will be taken into account when making investment decisions and alternatives to refurbishment considered where appropriate.
- 5.4 The construction industry is currently facing unprecedented market conditions with shortages of key building materials and cost increases significantly above the rate of inflation. There are also regional pressures affecting the supply chain and shortages of technical and professional staff. These factors have all combined to increase delivery costs and restrict ability to deliver which has further impacted on capital projects and budget requirements.
- 5.5 An increase in demand is being experienced for internal improvements such as kitchens, bathrooms, heating and electrical systems. The Decent Homes programme invested

£314 million of improvements from 2007 until 2015 and due to the passage of time the demand is anticipated. There has also been a significant increase in demand for disabled adaptations, reflecting the needs of tenants.

- 5.6 Based on a 7% rent increase, the HRA will have sufficient resources for work programmes currently in progress but indications are that it will be challenging to meet all the required stock investment needs and fund stock decarbonisation works in the long term. It is therefore likely there will be a need in the future to prioritise investment decisions in order to meet the significant housing need for the City.
- 5.7 Making provision in the longer term capital programme to reduce the carbon impact of the housing stock in line with the Council's strategic priority and to meet Government targets to bring all greenhouse gas emissions to net zero by 2050, it is likely to add in the region of £700 million to future investment costs. External funding contributions will need to be sought in order to achieve this and all the other priorities.

### **New Homes Programme**

- 5.8 The programme includes new homes provision of £105 million for the next five years from 2023-2024 for around 500 new homes, including £47 million set aside for future new build schemes. £21 million is to fund the next phase of the new homes at Heath Town which will deliver 160 homes on top of the 40 homes currently in development and due for completion in 2023.
- 5.9 The Council's development programme seeks to prioritise the type of housing stock developed in order to increase homes available for those with priority need under the allocations policy, alleviate homelessness and help people to live independently in their own homes. It is likely that the future development programme will need to focus on building bungalows and larger family homes where there is a particular shortage of these types of properties.
- 5.10 Alongside the application of HRA capital borrowing and capital receipts, homes will be delivered utilising grant opportunities where appropriate, as well as applying S106 commuted sums for affordable housing arising from private developments in the city.

### **Improvements to Existing Homes**

- 5.11 The Heath Town estate refurbishment managed by Wolverhampton Homes is continuing well, with the first phase (the improvement of the deck-access blocks) now complete. Work commenced on the second phase, which is the improvement of the eight tower-blocks on the estate, in September 2021. This work includes the improvement of fire safety features within the blocks and the installation of sprinkler systems. In response to new legislation and the Council's decarbonisation commitments, the work to the estate will include a new energy centre and more efficient heating systems for residents. The budget required to complete the works from 2023-2024 is forecast to be £39 million.

- 5.12 The work programmes being carried out on the high-rise estates to install external wall insulation, upgrade balconies and windows, renew the mechanical and electrical infrastructure and improve fire safety and retrofit sprinklers have combined budgets of £114 million. This work will deliver improvements to over 1,300 homes and significantly reduce the cost of heating for the residents, helping to reduce the incidences of fuel poverty. Delivery has been accelerated in response to increased customer need and the costs of living crisis.
- 5.13 A medium-rise and low-rise block improvement programme is being introduced to deliver external wall insulation, cladding, cavity wall insulation and improved ventilation. Windows, doors and roofs will be replaced and upgraded heating solutions installed
- 5.14 The budget includes £43 million for Remedial Works to non-traditional properties which will also include decarbonisation measures. A bid to the Social Housing Decarbonisation Fund (SHDF) will, if successful result in grant funding of £5.0 million. These enhancements that prioritise the homes needing them most bring forward investment planned in future years and will help reduce fuel costs to tenants.

### **Estate remodelling**

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

### **6.0 Legislative and Policy Changes**

- 6.1 On 17 November 2020 the Government published The Charter for Social Housing Residents: Social Housing White Paper, which follows on from the Social Housing Green Paper released in 2018 and sought to set out the issues facing social housing tenants



and the actions that could be taken so they are safe, protected, listened to and able to influence how their homes are managed.

- 6.2 The White Paper details new requirements for social housing landlords, in addition to the strengthening of the Regulator of Social Housing, moving them from a reactive to a proactive consumer regulatory regime. This will require the proactive oversight of the Consumer Standards; regulation which aims to ensure tenants are safe in their homes, given appropriate degree of choice and protections, and can hold landlords to account. Social housing landlords will be subject to four yearly inspections as well as an annual review of newly introduced key performance indicators (KPIs). The White Paper makes clear that the Regulator will be seeking assurance that where a Council contracts out its housing management service, to an Arms Length Management Organisation (ALMO) or managing agent, as is the case in Wolverhampton, compliance with the standards remains with the Council. To ensure Councillors are provided with oversight and assurance that the standard is being met, reports are provided to Scrutiny Panel on a bi-annual basis.
- 6.3 The White Paper set out that Government would review the Decent Homes Standard. Starting in spring 2022, the review explored both the application of the Decent Homes Standard to the private rented sector and potential regulatory changes to the standard that would apply to both sectors. The review will consider how the standard can better support the decarbonisation and energy efficiency of social homes and improve communal and green spaces. Nationally Decent Homes funding ceased in 2012, as did the requirement for local authorities to establish alternative models for the delivery of housing and residential landlord services.
- 6.4 In its commitment to supporting more households into home ownership, the White Paper makes clear Government wants to see local authorities make the most of borrowing flexibilities and to innovate to deliver more homes for the future. Although there is a focus on ensuring more social tenants have the opportunity to buy a home, the HRA debt cap was ultimately removed to allow councils to borrow to fund housebuilding.
- 6.5 The Government has stated that it will introduce The Social Housing Regulation Bill, the legislation needed to implement the White Paper as soon as it is practicable, and this is likely to occur in 2023. The Social Housing Regulator has advised that social housing providers should not wait for regulation to look at how they can improve services and engagement with tenants.
- 6.6 In addition to the four Consumer Standards set out in the White Paper, a fifth Consumer Standard will require social housing providers to collect data on Tenant Satisfaction Measures from April 2023, with annual publication starting in Summer 2024. The Tenant Satisfaction Measures include tenant perception surveys in addition to performance data.
- 6.7 The Fire Safety (England) Regulations come into force in January 2023, they place an enhanced regulatory regime for all buildings, including a more stringent regime for the

design, construction, day-to-day management and maintenance of higher-risk buildings including high rise.

- 6.8 The Building Safety Act (2022) places significant duties on those who procure, plan and manage building works, with safety considered at every stage of a building's lifetime. Landlords must ensure that tenants and residents are safe and feel safe, with regulatory powers against those landlords found to be underperforming.
- 6.9 The Housing Ombudsman introduced the Complaint Handling Code for Landlords in 2020. The Code was introduced as part of the Ombudsman's new powers in the revised Housing Ombudsman Scheme. An updated Code took effect from 1 April 2022 and landlords had until 1 October 2022 to become compliant. Landlords must undertake an annual self-assess against the code to ensure their complaint handling remains in line with the requirements, it must be clear to residents what they can and should expect from their landlord when they complain. Non-compliance can result in the Ombudsman issuing a Complaint Handling Failure Order.
- 6.10 During 2019-2020 the Council and its managing agents led the development of an updated Housing Allocations Policy. Supported by extensive consultation, the updated policy which was adopted by the Council in February 2020.
- 6.11 Following significant changes to the Northgate IT system during 2020-21, the new Allocations Policy was applied 28 September 2021, with applicants to Homes in the City supported in moving from the previous system to the new policy.

## **7.0 Rent Increase 2023-2024**

- 7.1 The proposed rent increase of 7% is chargeable in line with Government policy set out in the Rent Standard 2020 and the rent cap imposed by the government. Careful consideration has been given to the most appropriate level of rent increase, particularly in light of the cost of living increases. There is a difficult balance to be struck in deciding the levels at which rents and services charges are set and the income required to maintain and to improve services and properties.
- 7.2 Not applying the increase, or applying a lower increase would reduce the resources available to fund services and the capital programme. The Council would have to reduce the number of new homes and programmes to remediate non traditional homes and low and medium rise estates would need to be postponed for several years, allowing the condition of the properties to deteriorate. Reducing revenue costs would impact on service standards.
- 7.3 No increases are proposed to service charges. An alternative option could be to reduce the charges, in which case the cost would not be recovered, and a subsidy required from general rents.
- 7.4 The Council understand that any increase in rent and service charges will place an additional burden on many families who are already struggling financially. The Council's

Financial Well Being Strategy aims to develop a co-ordinated and coherent strategic response to the increased risk of hardship faced by Wolverhampton citizens due to the far-reaching economic and social implications that were already being experienced and in addition, the increased cost of living.

- 7.5 The strategy will maximise support with essential living costs, gain optimal physical and emotional wellbeing and ensure supportive and connected communities for the people of Wolverhampton. It provides a robust framework that will enable a shared understanding of the situation, consolidate and develop a range of initiatives to mitigate risk and implement early and preventative action, with a single document to ensure that Council Leaders, our partners and the public are regularly updated on progress.
- 7.6 Tenants who are experiencing financial difficulties and struggling to pay their rent will receive support, our Managing Agents are already supporting tenants through the Household Support Fund, hardship Funds and Wolverhampton Homes' Money Smart Team.
- 7.7 The Council will also offer further targeted supports, funded through the Housing Revenue Account. Provision has been made in the budget for £300,000 to fund a rent support scheme, which is currently being designed. It is proposed that authority to approve a final agreement of the scheme is delegated.
- 7.8 This will be kept under review during 2023-2024 and usage and adequacy will be reported to councillors through quarterly budget monitoring reports.

## **8.0 Reasons for decisions**

- 8.1 The Council is asked to approve the 7% increase to dwellings rent and garage rents in order to be able to maintain services provided to tenants, meet consumer and building safety standards and finance the capital investment as set out in Section 5 of this report .
- 8.2 The Council is required to approve a balanced HRA budget which is based on income forecasts, maintains supervision and management expenditure, provides for depreciation and finances borrowing.

## **9.0 Risk**

- 9.1 The council is no different to any other organisation and will always face risks in achieving its objectives and priorities. Sound risk management can be seen as the clear identification and management of such risks to an acceptable level.
- 9.2 In the opinion of the Director of Finance (Section 151 Officer), the proposed levels of reserves and provisions is appropriate and adequate in respect of the forthcoming financial year, having taken into account the risks and pressures facing the HRA.

- 9.3 The council will continue to monitor the risks associated with the HRA budget and provide updates to Councillors as part of the quarterly performance and revenue budget monitoring reports.
- 9.4 A risk matrix is attached at Appendix 5 to the Business Plan. The risk register has been updated to reflect the economic and legislative setting in which it operates

## **10.0 Financial implications**

- 10.1 A full listing of non-dwelling rents and service charges is set out in Appendix 3 to the Business Plan.
- 8.3 The Business Plan model has been reviewed, assumptions updated and additional capital expenditure built in with the aim of providing sufficient resources to maintain existing stock and maximising new build. The assumptions in the model have been externally validated by Savills.
- 8.4 By increasing the rent the HRA is expected to have sufficient resources to fund over £2 billion of capital works required over the next 30 years, as well as meeting its management and maintenance obligations in the same period and adding to the housing stock. Inflation forecasts have been updated in line with the latest economic forecasts. Due to the possible forthcoming period of economic uncertainty, it will be necessary to closely monitor the data underpinning assumptions in the model and forecast the effect of any changes. The five-year revenue budget and 30-year forecasts are summarised at Appendix 1 to the Business Plan.
- 8.5 The five-year Capital Programme is reviewed quarterly and the latest version is shown in Appendix 2 to the Business Plan. As well as adding a further year to rolling replacement programmes the budget allows for the impact of inflation, increased demand, and bringing forward expenditure to take advantage of SHDF grant funding. The budget also includes increased scope to projects where components have deteriorated and to reflect the impact of enhanced regulation.
- 8.6 The Council now has the freedom to borrow to increase the provision of new build housing in line with prudential indicators. HRA borrowing is monitored to ensure that the revenue surplus will always be sufficient to fund forecast interest on debt with a margin built in to allow for interest rate fluctuations.
- 8.7 The Council could decide not to plan to increase capital expenditure and instead use the HRA operating surplus to pay off debt instead of financing the borrowing required to support the capital programme. However, it would not then be using available resources to improve and increase its housing stock as well as the requirement to respond to national building safety standards.
- 8.8 The HRA reserve is currently at £7 million, which in the opinion of the Director of Finance (Section 151 Officer) is appropriate and adequate in respect of the forthcoming financial year, having taken into account the risks and pressures facing the HRA.

8.9 The HRA Financial Management and Investment Strategy, at Appendix 6 to the Business plan sets out how the HRA borrowing is monitored to ensure that it remains affordable.  
[JM/10012023/F]

## **9.0 Legal implications**

9.1 Statutory requirements as to the keeping of a Housing Revenue Account are contained in the Local Government and Housing Act 1989 ('the 1989 Act'). The 1989 Act includes a duty, under Section 76 of the 1989 Act, to budget to prevent a debit balance on the HRA and to implement and review the budget.

9.2 Under Section 24 of the Housing Act 1985, local housing authorities have the power to "*make such reasonable charges as they may determine for the tenancy or occupation of their houses*". Section 24 also requires local authorities, from time to time, to review rents and make such changes as circumstances may require. This provision conferring discretion as to rents and charges made to occupiers, is now subject to further restrictions arising from the provisions of the Welfare Reform and Work Act 2016.

9.3 Rent and other charges are excluded from the statutory definition of matters of housing management in respect of which local authorities are required to consult their tenants pursuant to Section 105 of the Housing Act 1985 and Sections 137 and 143A of the Housing Act 1996 in relation to secure, introductory and demoted tenants respectively.

9.4 It is further provided by Section 103 of the Housing Act 1985 in relation to secure tenancies, which also applies in respect of introductory tenancies, that its tenants are notified of variation of rent and other charges at least 28 days before the variation takes effect by service of a notice of variation.  
[TC/10012023.C]

## **10.0 Equalities implications**

10.1 The Council has always operated a very open and consultative approach to service and rent reviews. In previous years, the Council has undertaken to consult with tenants before seeking to change rent and other charges. In recent years, the Council has consulted tenants on spending priorities, rather than whether rents should increase. However, due to Government consultation on the proposed rent cap, and late announcement regarding this on 17 November 2022, there has not been the opportunity to consult with tenants in a meaningful way.

10.2 As part of Council's commitment to involving tenants and other service users in the management of housing services, we have contracted TPAS, (Tenant Participation Advisory Service) to work with our Managing Agents, including Wolverhampton Homes, in developing tenant scrutiny models which encourage meaningful engagement and an opportunity to have oversight of housing management and influencing and shaping service delivery. The Housing Tenant Scrutiny and Engagement approach was rolled out across our Managing Agents from April 2023. The approach is independent of the

Council and its managing agent and will deliver meaningful consultation and scrutiny of housing services and promote tenant led regulation. TPAS are required to ensure the tenant scrutiny service is representative of all tenants. Adjustments are made in service delivery to ensure the service is accessible to all.

- 10.3 The Council monitors and reports on the performance of its housing managing agents. The management agreements between the Council and these organisations (Bushbury Hill EMB, Dovecotes TMO, New Park Village TMC and Wolverhampton Homes). The managing agents are required to consider equality of access to their services and have policies in place, which reflect and complement statutory responsibilities and the effective delivery of housing services. Monitoring of the managing agents includes relevant key performance indicators.
- 10.4 The housing service actively engages with the Equality, Diversity and Inclusion team and has an up-to-date equality action plan to promote continuous improvements are made to services and access to those services. Key issues, such as the Councils Housing Allocations Policy and Local Lettings Plans are subject to Cabinet approval and Scrutiny. Areas where poor performance is identified are escalated, reported and action plans developed and monitored to ensure improvement.

## **11.0 All other implications**

- 11.1 The investment and improvement of the city housing stock will have a significant positive impact on the overall city environment. The strategic planning that will take place to ensure that all council homes are as energy efficient as they will make a major contribution to ensure that the council meets its carbon reduction targets.
- 12.2 The investment and improvement of the current city housing stock and the additional housing created by new build programmes will have a significant positive impact on the health and wellbeing of current and future tenants.

## **12.0 Schedule of background papers**

- 12.1 [Welfare Reform and Work Act 2016](#)
- 13.2 [Housing and Planning Act 2016](#)
- 13.3 [The Housing Revenue Account self-financing determinations 2012](#)

## **13.0 Appendices**

- 13.1 Schedule of Appendices

|   | <b>Housing Revenue Account Business Plan</b>                    |
|---|---|
| 1 | 30-year and medium term business plan                           |
| 2 | Capital Programme   |
|   |   |
|   | <b>Recommendations concerning income</b>                        |
| 3 | Non-dwelling rents, service charges and other rents and charges |

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|   |   |
|---|---|
|   |   |
| 4 | <b>Background to the Housing Revenue Account</b>        |
| 5 | <b>Risk analysis</b>                                    |
| 6 | <b>HRA Financial Management and Investment Strategy</b> |