

# Cabinet Meeting

## 18 January 2017

|  |  |  |
|--|--|--|
| <b>Report title</b>                            | Housing Revenue Account business plan (including 2017/18 budget rents and service charges) |  |
| <b>Decision designation</b>                    | RED  |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Peter Bilson<br>City Housing<br>Councillor Andrew Johnson<br>Resources          |  |
| <b>Key decision</b>                            | Yes  |  |
| <b>In forward plan</b>                         | Yes  |  |
| <b>Wards affected</b>                          | All  |  |
| <b>Accountable director</b>                    | Lesley Roberts, City Housing<br>Mark Taylor, Finance                                       |  |
| <b>Originating service</b>                     | Housing Service  |  |
| <b>Accountable employee(s)</b>                 | Kenny Aitchison  | Service Manager Housing Strategy and Development<br>01902 554841<br><a href="mailto:kenny.aitchison@wolverhampton.gov.uk">kenny.aitchison@wolverhampton.gov.uk</a> |
|  | Martin Fox   | Finance Business Partner<br>01902 553470<br><a href="mailto:martin.fox2@wolverhampton.gov.uk">martin.fox2@wolverhampton.gov.uk</a>                                 |
| <b>Report to be/has been considered by</b>     |  |  |

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### Recommendation(s) for action or decision:

The Cabinet recommends that Council:

1. Implements the 1% reduction in social housing rents in accordance with the Welfare Reform and Work Act and to give 28 days' notice to all secure and introductory tenants of the rent reduction from 3 April 2017.

2. Adopt the business plan set out at appendix A as the approved Housing Revenue Account (HRA) business plan including;
  - a) The revenue budget for 2017/18 at Appendix A3;
  - b) The capital programme for 2017/18 to 2020/21 at Appendix A4 including the increased new build programme.
3. Agree the rates for garage rents and service charges set out in appendices B1-B3 and formally notify tenants.

**Recommendations for noting:**

The Cabinet is asked to note:

1. That all Council dwelling rents will reduce by 1% in line with the proposals contained in the Welfare Reform and Work Act.
2. The consultation responses as outlined at Appendix C.
3. Proposals to meet the requirements of the Heat Network Regulations 2014 for the district heating schemes at Heath Town.
4. The potential impact of the further implementation of the Housing and Planning Act 2016 on the HRA business Plan.
5. The additional £15 million programmed in 2020/21 for further infill council housing development.

## **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 2017/18, including proposed rents and service charges to take effect from 3 April 2017, and a proposed HRA capital programme for the period 2017/18 to 2020/21 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 D provides more detail on HRA self-financing.
- 2.2 Prior to 2014 the increase in rents was based upon a formula of retail price index (RPI) plus 0.5% plus £2.00. In 2014 the government introduced a new formula for increases of Consumer Price Index (CPI) plus 1%. In order to provide certainty for councils, the government stated that this rent policy would exist for 10 years. The Council's HRA business plan was therefore predicated upon rents going up by more than inflation each year throughout the lifetime of the plan.
- 2.3 In the Chancellor's budget of July 2015, it was announced that all council dwelling rents would reduce by 1% each year from 1 April 2016 for the next four years to 2020. This announcement was subsequently included in the Welfare Reform and Work Act 2016. Previously, there was no statutory underpinning for local authority rent setting, the formulae in paragraph 2.2 were provided as guidance. The proposed 1% reduction is mandatory.
- 2.4 As part of the rent setting process for 2016/17, the Council approved a HRA Business Plan that accommodated the 1% reduction in dwelling rents each year for the next four years and amended the projections over the 30 year lifetime of the plan.

## **3.0 The HRA business plan 2017/18**

- 3.1 Due to the comprehensive review undertaken last year, this year's review of the HRA Business Plan and the rent setting exercise has been a very straight forward exercise. The majority of the assumptions adopted last year remain unchanged. Inflation forecasts have been updated in line with the latest figures from the Office for Budget Responsibility. Services charges, in the main, remain unchanged with no proposed increases other than those agreed last year.

#### **4.0 Capital Programme and New build programme**

- 4.1 A full review of the Capital Programme was also undertaken last year with a number of work streams scaled back or stretched over a longer timeframe. After further review additional capital expenditure on existing dwellings has been programmed over the next five years totalling £33.4 million. This brings forward spend profiled from subsequent years and is not an increase to the overall plan. This includes accelerating the delivery of the regeneration of Heath Town estate with the works to retained blocks being completed in four years rather than the six originally proposed. Also delivery of improvements to Ellerton Walk has been accelerated to complete within three years and not the six years originally programmed. The medium term roofing programme that was significantly scaled back during last year's review has been reinstated. The HRA capital programme is reviewed quarterly and the latest 5 year programme is included in Appendix A4.
- 4.2 During 2016/17 there have been approximately 40 new build starts and the capital programme now shows a pipeline of sites up to 2020/21 that will deliver around 450 new council homes, funded primarily from HRA capital but also funding received from the Homes and Communities Agency, developer contributions and retained Right to Buy receipts. An additional £15 million has been added to the programme in 2020/21 which will equate to approximately 107 new houses. This can be varied depending on schemes identified, on-going stock review and other external factors such as payments required to central government for the sale of Higher Value Assets.

#### **5.0 Housing and Planning Act 2016**

- 5.1 The Housing and Planning Act 2016 passed by Parliament in May will have a significant impact upon the HRA business plan. However, with announcements in the Autumn Statement in November 2016 the impact is not immediate.
- 5.2 Compulsory adoption of "Pay to Stay", where households earning more than £31,000 per annum would be required to pay up to a market rent for their council home has been scrapped. Councils will have the option to introduce a voluntary scheme if they wish.
- 5.3 The policy on "Higher Value Assets" where Local Authorities were expected to sell off higher value properties as they become void to fund the housing association tenant's Right to Buy, has been delayed for a year.
- 5.4 The Act requires local authorities to introduce flexible tenancies. Flexible tenancies are fixed term tenancies lasting from two to ten years. The Council was given the power to utilise flexible tenancies in the Localism Act 2011 but its Tenancy Strategy approved by Cabinet on 12 January 2013 chose not to do so. It is anticipated that all new tenancies starting after 1 April 2017 will be required to be for a fixed term but as yet DCLG has not issued the Regulations.

## **6.0 Risk analysis**

6.1 A risk matrix is attached at Appendix E. The risk register has been updated to reflect the economic and legislative setting in which it operates. The major risks and mitigation factors are a little clearer this year than they were last, however an amount of uncertainty remains. The HRA will continue to be closely monitored.

## **7.0 Financial implications**

7.1 The four year 1% reduction to dwelling rents has been determined by central government and this was built into the Business plan model during the 2016/17 rent setting process. Increases to non-dwelling rents and service charges are set out in appendix B. Service charges have only increased where necessary to achieve full cost recovery.

7.2 The Business plan model has been reviewed and the majority of the assumptions that underpin the plan are unchanged. The HRA is expected to have sufficient resources to fund £1.7 billion of capital works that will be required to its properties over the next 30 years, as well as meeting its management and maintenance obligations in the same period. Inflation forecasts have been updated in line with the latest figures from the Office for Budget Responsibility. 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.

7.3 The 5 year capital programme is reviewed quarterly and the latest version is shown in Appendix A4. The programme now shows a detailed breakdown of the budget previously earmarked for new build, these projects being subject to further reports to Cabinet (Resources) Panel. An additional £15 million has been earmarked for new build in 2020/21; however this can be varied as required by the availability of new schemes or affordability within the model.

7.4 As part of the self-financing arrangements introduced from April 2012 there is a cap placed on the level of debt that can be incurred in the HRA. The maximum amount for Wolverhampton is £356.8 million. Appendix A2 graphically presents the forecast debt curve based upon the capital expenditure, including new build, included within the business plan. This shows the maximum anticipated debt of £339.9 million in 2020/21 providing headroom for realisation of some of the risks to the business plan as set out in Appendix E.

7.5 There remains some uncertainty around the on-going impact on the HRA of the Housing and Planning Act. In particular there could be a significant annual payment required to cover the potential sale income from high cost voids which will be required by Government to support its policy of right to buy for housing association properties. There is no information currently available as to the basis of calculation of the one off payment or what sum might be required to be paid. This could have a significant impact on the business plan, dependant on the value of payment, and a further update will be provided once final information is available.

[JB/08122016/R]

## **8.0 Legal implications**

- 8.1 Statutory requirements as to the keeping of a Housing Revenue Account (HRA) are contained in the Local Government and Housing Act 1989 ('the 1989 Act'). The 1989 Act include 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.
- 8.2 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.
- 8.4 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.
- 8.6 The Council has nevertheless undertaken to consult with tenants before seeking to change rent and other charges.
- 8.7 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.

[RB/07122016/R]

## **9.0 Equalities implications**

- 9.1 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. This is based upon a thirty-year forecast which sets out indicative levels of future rental income and forecast changes to expenditure levels. The Council has always operated a very open and consultative approach to service and rent reviews. Events, newsletters and social media have been utilised to engage with tenants.
- 9.2 An Equality Analysis has been completed and there are no implications to consider further. Details of the consultation with residents and stakeholders are attached at appendix C.

## **10.0 Environmental implications**

- 10.1 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.

## 11.0 Human resources implications

11.1 There are no direct human resources implications resulting from this report

## 12.0 Corporate landlord implications

12.1 There are no direct Corporate Landlord implications resulting from this report.

## 13.0 Schedule of background papers

13.1 Welfare Reform and Work Act 2016  
Housing and Planning Act 2016  
Heat Network (Metering and Billing) Regulations 2014  
The Housing Revenue Account self-financing determinations 2012

## 14.0 Schedule of Appendices

|          |  |
|----------|--|
| <b>A</b> | <b>Housing Revenue Account business plan</b>     |
| A1       | 30-year business plan                            |
| A2       | Forecast debt curve                              |
| A3       | Medium term business plan                        |
| A4       | Capital programme                                |
|          |  |
| <b>B</b> | <b>Recommendations concerning income</b>         |
| B1       | Non-dwelling rents                               |
| B2       | Service charges and heating charges              |
| B3       | Hostel rents and charges                         |
|          |  |
| <b>C</b> | <b>Summary of consultation responses</b>         |
| <b>D</b> | <b>Background to the Housing Revenue Account</b> |
| <b>E</b> | <b>Risk analysis</b>                             |

## Appendix A1

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### 30 year business plan 2017/18 to 2046/47

| REVENUE ACCOUNT  | Years            | Years            | Years            | Years            | Years            | Years            |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
|  | 1 - 5            | 6-10             | 11 - 15          | 16 - 20          | 21 - 25          | 26 - 30          |
|  | £M               | £000             | £000             | £000             | £000             | £000             |
| <b>Income</b>  |                  |                  |                  |                  |                  |                  |
| Dwelling Rents   | (460,856)        | (515,529)        | (586,552)        | (655,261)        | (733,554)        | (825,264)        |
| Other Rents  | (4,271)          | (4,714)          | (5,425)          | (6,246)          | (7,198)          | (8,355)          |
| Service Charges  | (32,135)         | (35,391)         | (37,529)         | (39,939)         | (42,659)         | (45,725)         |
|  | <b>(497,262)</b> | <b>(555,634)</b> | <b>(629,506)</b> | <b>(701,446)</b> | <b>(783,411)</b> | <b>(879,344)</b> |
| <b>Expenditure</b>                                     |                  |                  |                  |                  |                  |                  |
| Management and Maintenance (net of retained surpluses) | 243,374          | 266,033          | 293,677          | 323,267          | 358,092          | 395,547          |
| Depreciation and provision for redemption of debt      | 178,573          | 207,359          | 267,963          | 306,426          | 361,610          | 433,344          |
| Net Financing Costs                                    | 75,315           | 82,242           | 67,867           | 71,753           | 63,710           | 50,454           |
|  | <b>497,262</b>   | <b>555,634</b>   | <b>629,506</b>   | <b>701,446</b>   | <b>783,411</b>   | <b>879,344</b>   |
|  |                  |                  |                  |                  |                  |                  |
| <b>Balance</b>   | -                | -                | -                | -                | -                | -                |

## Appendix A1

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| CAPITAL ACCOUNT                    | Years            | Years            | Years            | Years            | Years            | Years            |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | 1 - 5            | 6-10             | 11 - 15          | 16 - 20          | 21 - 25          | 26 - 30          |
|                                    | £M               | £000             | £000             | £000             | £000             | £000             |
| <b>Expenditure</b>                 |                  |                  |                  |                  |                  |                  |
| Capital Expenditure                | 256,557          | 155,750          | 290,218          | 292,433          | 355,216          | 346,545          |
|                                    |                  |                  |                  |                  |                  |                  |
| <b>Financing</b>                   |                  |                  |                  |                  |                  |                  |
| Major Repairs Reserve              | (109,984)        | (108,478)        | (106,897)        | (105,236)        | (103,415)        | (102,401)        |
| Grants, Contributions and Receipts | (21,172)         | (15,291)         | (15,291)         | (15,291)         | (15,291)         | (15,291)         |
| Borrowing                          | (125,402)        | (31,982)         | (168,030)        | (171,907)        | (236,510)        | (228,853)        |
|                                    | <b>(256,557)</b> | <b>(155,750)</b> | <b>(290,218)</b> | <b>(292,433)</b> | <b>(355,216)</b> | <b>(346,545)</b> |
|                                    |                  |                  |                  |                  |                  |                  |
| <b>Balance</b>                     | -                | -                | -                | -                | -                | -                |

## Appendix A1

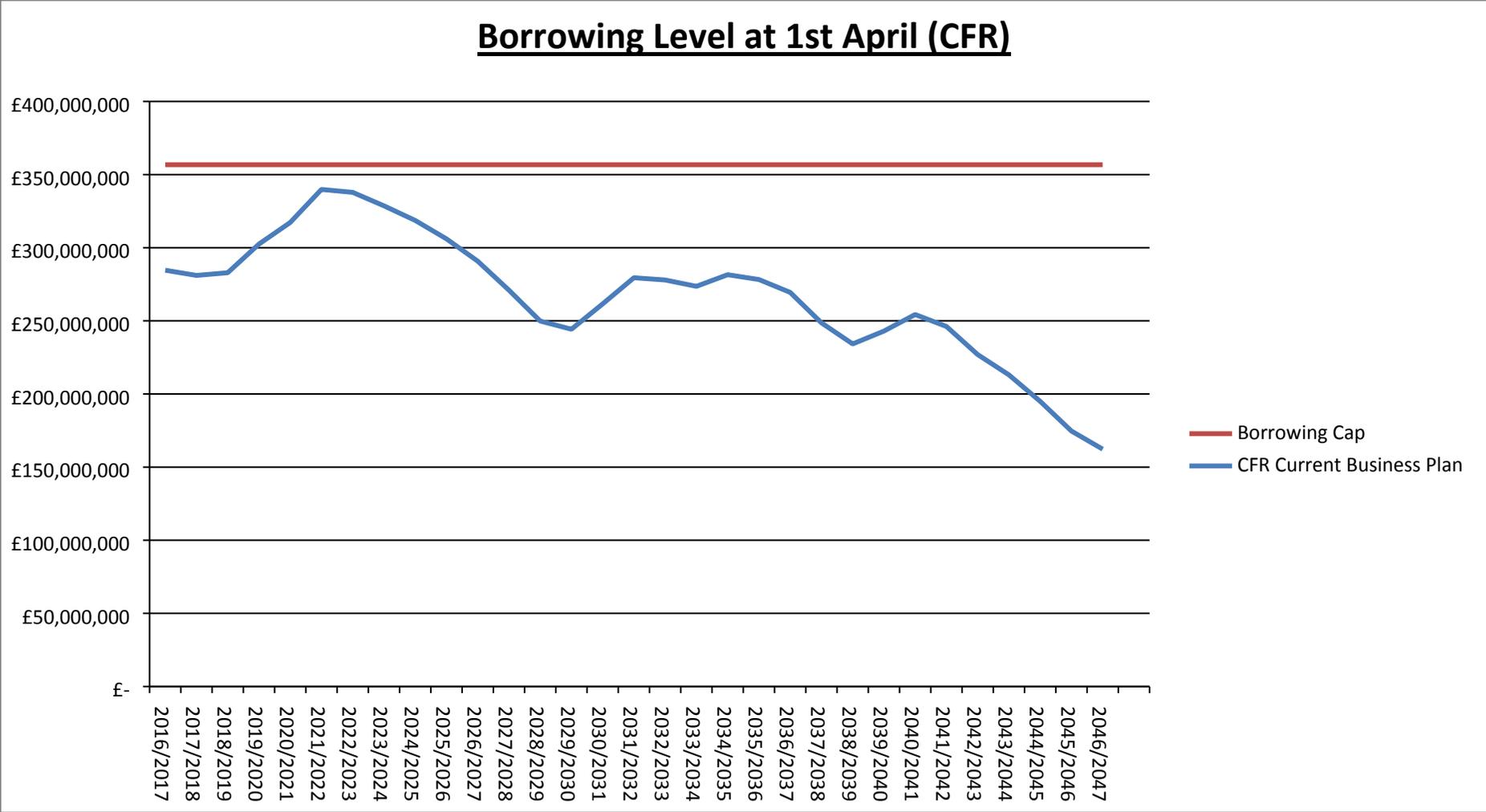
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| <b>CAPITAL FINANCING REQUIREMENT</b>          | <b>Years<br/>1 - 5<br/>£M</b> | <b>Years<br/>6-10<br/>£000</b> | <b>Years<br/>11 - 15<br/>£000</b> | <b>Years<br/>16 - 20<br/>£000</b> | <b>Years<br/>21 - 25<br/>£000</b> | <b>Years<br/>26 - 30<br/>£000</b> |
|---|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>281,055</b>                | <b>337,867</b>                 | <b>270,968</b>                    | <b>277,934</b>                    | <b>248,650</b>                    | <b>226,965</b>                    |
| Capital Expenditure Financed by Borrowing     | 125,402                       | 31,982                         | 168,030                           | 171,907                           | 236,510                           | 228,853                           |
| Provision for Redemption of Debt              | (68,589)                      | (98,881)                       | (161,065)                         | (201,190)                         | (258,195)                         | (330,942)                         |
| Net Movement in Capital Financing Requirement | <b>337,867</b>                | <b>270,968</b>                 | <b>277,934</b>                    | <b>248,650</b>                    | <b>226,965</b>                    | <b>124,876</b>                    |
| Closing Capital Financing Requirement         | <b>337,867</b>                | <b>270,968</b>                 | <b>277,934</b>                    | <b>248,650</b>                    | <b>226,965</b>                    | <b>124,876</b>                    |
| Borrowing Cap                                 | <b>356,770</b>                | <b>356,770</b>                 | <b>356,770</b>                    | <b>356,770</b>                    | <b>356,770</b>                    | <b>356,770</b>                    |
| <b>Borrowing Headroom</b>                     | <b>18,903</b>                 | <b>85,802</b>                  | <b>78,836</b>                     | <b>108,120</b>                    | <b>129,805</b>                    | <b>231,894</b>                    |

Appendix A2

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Forecast capital expenditure and borrowing curve 2016/17 to 2046/47 after implementing recommendations of this report



## Appendix A3

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### Medium term business plan

| <b>REVENUE ACCOUNT</b>               | <b>2016/17<br/>Estimate<br/>£000</b> | <b>2017/18<br/>Budget<br/>£000</b> | <b>2018/19<br/>Forecast<br/>£000</b> | <b>2019/20<br/>Forecast<br/>£000</b> | <b>2020/21<br/>Forecast<br/>£000</b> |
|--------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Income</b>                        |                                      |                                    |                                      |                                      |                                      |
| Dwelling Rents                       | (93,140)                             | (91,261)                           | (90,400)                             | (91,666)                             | (92,562)                             |
| Other Rents                          | (870)                                | (915)                              | (827)                                | (819)                                | (843)                                |
| Service Charges                      | (5,257)                              | (5,656)                            | (6,117)                              | (6,799)                              | (6,745)                              |
|                                      | <b>(99,267)</b>                      | <b>(97,832)</b>                    | <b>(97,344)</b>                      | <b>(99,284)</b>                      | <b>(100,150)</b>                     |
| <b>Expenditure</b>                   |                                      |                                    |                                      |                                      |                                      |
| Bushbury Hill EMB                    | 1,261                                | 1,261                              | 1,261                                | 1,261                                | 1,286                                |
| New Park Village TMO                 | 375                                  | 375                                | 375                                  | 375                                  | 383                                  |
| Springfield Horseshoe TMO            | 353                                  | 353                                | 353                                  | 353                                  | 360                                  |
| Dovecotes TMO                        | 1,090                                | 1,091                              | 1,091                                | 1,091                                | 1,113                                |
|                                      |                                      |                                    |                                      |                                      |                                      |
| Housing Support                      | 1,258                                | 1,433                              | 1,472                                | 1,492                                | 1,520                                |
| Pension contributions                | 2,373                                | 2,388                              | 2,443                                | 2,504                                | 2,557                                |
| SLA/Recharges                        | 1,032                                | 1,078                              | 1,105                                | 1,128                                | 1,151                                |
| Depreciation                         | 22,171                               | 22,113                             | 22,056                               | 21,997                               | 21,939                               |
| Net Financing Costs                  | 10,939                               | 10,966                             | 14,465                               | 15,723                               | 16,492                               |
| Provision for Bad debts              | 2,250                                | 2,250                              | 2,250                                | 2,250                                | 2,250                                |
|                                      |                                      |                                    |                                      |                                      |                                      |
|                                      | <b>80,833</b>                        | <b>81,039</b>                      | <b>84,602</b>                        | <b>85,905</b>                        | <b>87,535</b>                        |
|                                      |                                      |                                    |                                      |                                      |                                      |
| <b>Surplus/deficit for the year</b>  | <b>(18,434)</b>                      | <b>(16,793)</b>                    | <b>(12,741)</b>                      | <b>(13,378)</b>                      | <b>(12,615)</b>                      |
|                                      |                                      |                                    |                                      |                                      |                                      |
| Provision for the redemption of debt | <b>18,434</b>                        | <b>16,793</b>                      | <b>12,741</b>                        | <b>13,378</b>                        | <b>12,615</b>                        |
|                                      |                                      |                                    |                                      |                                      |                                      |
| <b>Balance</b>                       | <b>-</b>                             | <b>-</b>                           | <b>-</b>                             | <b>-</b>                             | <b>-</b>                             |

## Appendix A3

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| <b>CAPITAL ACCOUNT</b>             | <b>2016/17<br/>Estimate<br/>£000</b> | <b>2017/18<br/>Budget<br/>£000</b> | <b>2018/19<br/>Forecast<br/>£000</b> | <b>2019/20<br/>Forecast<br/>£000</b> | <b>2020/21<br/>Forecast<br/>£000</b> |
|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Expenditure</b>                 |                                      |                                    |                                      |                                      |                                      |
| Capital Expenditure                | 43,052                               | 47,977                             | 59,158                               | 53,197                               | 60,223                               |
|                                    | <b>43,052</b>                        | <b>47,977</b>                      | <b>59,158</b>                        | <b>53,197</b>                        | <b>60,223</b>                        |
| <b>Financing</b>                   |                                      |                                    |                                      |                                      |                                      |
| Major Repairs Reserve              | (22,272)                             | (22,113)                           | (22,056)                             | (21,997)                             | (21,939)                             |
| Grants, Contributions and Receipts | (5,899)                              | (7,223)                            | (4,774)                              | (3,058)                              | (3,058)                              |
| Borrowing                          | (14,881)                             | (18,640)                           | (32,328)                             | (28,142)                             | (35,227)                             |
|                                    | <b>(43,052)</b>                      | <b>(47,977)</b>                    | <b>(59,158)</b>                      | <b>(53,197)</b>                      | <b>(60,223)</b>                      |
|                                    |                                      |                                    |                                      |                                      |                                      |
| <b>Balance</b>                     | -                                    | -                                  | -                                    | -                                    | -                                    |

## Appendix A3

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| <b>CAPITAL FINANCING REQUIREMENT</b>                 | <b>2016/17<br/>Estimate<br/>£000</b> | <b>2017/18<br/>Budget<br/>£000</b> | <b>2018/19<br/>Forecast<br/>£000</b> | <b>2019/20<br/>Forecast<br/>£000</b> | <b>2020/21<br/>Forecast<br/>£000</b> |
|--|--------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Opening Capital Financing Requirement</b>         | <b>284,608</b>                       | <b>281,055</b>                     | <b>282,902</b>                       | <b>302,489</b>                       | <b>317,253</b>                       |
| Capital Expenditure Financed by Borrowing            | 14,881                               | 18,640                             | 32,328                               | 28,142                               | 35,227                               |
| Provision for Redemption of Debt                     | (18,434)                             | (16,793)                           | (12,741)                             | (13,378)                             | (12,615)                             |
| <b>Net Movement in Capital Financing Requirement</b> | <b>(3,554)</b>                       | <b>1,847</b>                       | <b>19,587</b>                        | <b>14,764</b>                        | <b>22,612</b>                        |
| <b>Closing Capital Financing Requirement</b>         | <b>281,055</b>                       | <b>282,902</b>                     | <b>302,489</b>                       | <b>317,253</b>                       | <b>339,865</b>                       |
| Borrowing Cap  | 356,770                              | 356,770                            | 356,770                              | 356,770                              | 356,770                              |
| <b>Borrowing Headroom</b>                            | <b>75,715</b>                        | <b>73,868</b>                      | <b>54,281</b>                        | <b>39,517</b>                        | <b>16,905</b>                        |



## Appendix A4

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|   |               |               |               |               |               |                |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Major Stock Condition Improvements</b>                       |               |               |               |               |               |                |
| <b>Low Hill Residential Repairs Total</b>                       | <b>862</b>    |               |               |               |               | <b>862</b>     |
|   |               |               |               |               |               |                |
| <b>Decent Homes Stock Condition</b>                             |               |               |               |               |               |                |
| Merridale Court   | 2,293         | 2,081         | 0             | 0             | 0             | <b>4,374</b>   |
| Refurbishment of Voids  | 2,181         | 2,374         | 2,378         | 2,383         | 2,404         | <b>11,720</b>  |
| External Improvement Programme                                  | 1,650         | 1,350         | 1,350         | 1,350         | 1,350         | <b>7,050</b>   |
| Boiler Replacement Programme                                    | 775           | 675           | 675           | 675           | 675           | <b>3,475</b>   |
| Internal Improvement Programme                                  | 1,634         | 1,583         | 1,850         | 2,118         | 2,671         | <b>9,856</b>   |
| Heath Town Follow on works                                      | 5,659         | 0             | 0             | 0             | 0             | <b>5,659</b>   |
| Heath Town - Refurb of Retained Properties                      | 6,714         | 10,024        | 9,778         | 9,532         | 5,877         | <b>41,925</b>  |
| New Park Village maisonettes                                    | 56            | 2,216         | 5,328         | 3,559         | 0             | <b>11,159</b>  |
| Hickman High Rise   | 374           | 0             | 0             | 0             | 0             | <b>374</b>     |
| High Rise M&E   | 345           | 2,005         | 1,903         | 1,853         | 2,778         | <b>8,884</b>   |
| Sustainable Estates Programme                                   | 639           | 844           | 1,268         | 1,589         | 2,137         | <b>6,477</b>   |
| Non Trad Surveys  | 259           | 105           | 106           | 106           | 106           | <b>682</b>     |
| <b>Decent Homes Stock Condition Total</b>                       | <b>22,579</b> | <b>23,257</b> | <b>24,636</b> | <b>23,165</b> | <b>17,998</b> | <b>111,635</b> |
|   |               |               |               |               |               |                |
| <b>Other Stock Condition Improvements</b>                       |               |               |               |               |               |                |
| Structural Works  | 1,037         | 981           | 982           | 986           | 986           | <b>4,972</b>   |
| Lift and Disability Discrimination Act Improvements - High Rise | 534           | 645           | 671           | 673           | 673           | <b>3,196</b>   |
| Fire Safety Improvements - High Rise                            | 746           | 978           | 980           | 981           | 989           | <b>4,674</b>   |
| Roofing Refurbishment Programme                                 | 4,814         | 4,273         | 4,070         | 4,078         | 4,114         | <b>21,349</b>  |
| Energy Efficiency Works   | 1,121         | 0             | 0             | 0             | 0             | <b>1,121</b>   |
| Door Entry Security Programme                                   | 363           | 369           | 370           | 371           | 371           | <b>1,844</b>   |
| <b>Other Stock Condition Improvements Total</b>                 | <b>8,615</b>  | <b>7,246</b>  | <b>7,073</b>  | <b>7,089</b>  | <b>7,133</b>  | <b>37,156</b>  |
|   |               |               |               |               |               |                |
| <b>Other Improvements to the Public Realm</b>                   |               |               |               |               |               |                |
| <b>Pathway Improvement and Safety Programme Total</b>           | <b>200</b>    | <b>200</b>    | <b>200</b>    | <b>200</b>    | <b>200</b>    | <b>1,000</b>   |
|   |               |               |               |               |               |                |
| <b>Service Enhancements and Miscellaneous</b>                   |               |               |               |               |               |                |
| Right to Buy Sale Admin   | 30            | 30            | 30            | 30            | 30            | <b>150</b>     |
| Wolverhampton Homes Capitalised Salaries                        | 1,000         | 1,000         | 1,000         | 1,000         | 1,000         | <b>5,000</b>   |
| City Council Capitalised Salaries                               | 300           | 300           | 300           | 300           | 300           | <b>1,500</b>   |
| Contingency   |               | 1,079         | 2,685         | 3,653         | 5,450         | <b>12,867</b>  |
| <b>Service Enhancements and Miscellaneous Total</b>             | <b>1,330</b>  | <b>2,409</b>  | <b>4,015</b>  | <b>4,983</b>  | <b>6,780</b>  | <b>19,517</b>  |
|   |               |               |               |               |               |                |
| <b>GRAND TOTAL</b>  | <b>43,052</b> | <b>47,977</b> | <b>59,158</b> | <b>53,197</b> | <b>60,223</b> | <b>263,607</b> |

## Appendix B1

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### Non-dwelling rents

#### Garage rents

1. The table below sets out recommended garage rents to take effect from 3 April 2017. It is recommended that there is no increase in the basic rent (before VAT).
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. Therefore there are three different levels of garage rents

|  | Rent per week<br>2016/17<br>(excl VAT) | % increase<br>2017/18 | Rent per week<br>2017/18<br>(excl VAT) | Rent per week<br>2017/18<br>(incl VAT) |
|--|--|-----------------------|--|--|
| Dwelling tenants<br>and leaseholders<br>(No VAT)                         | £4.59                                  | No change             | £4.59                                  |  |
| Dwelling tenants<br>and leaseholders<br>– three or more<br>garages (VAT) | £4.59                                  | No change             | £4.59                                  | £5.51                                  |
| Privately let<br>garages   | £6.58                                  | No change             | £6.58                                  | £7.90                                  |

## Appendix B2

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### Service charges

| Service Charge   | Services funded  | Rationale for charge  | Charge paid per week 2015/16 | Proposed change | Charge paid per week 2016/17 |
|--|--|---|------------------------------|-----------------|------------------------------|
| Communal Facilities  | Communal facilities in former sheltered schemes  | Cost of service is fully covered by current charge  | £3.00                        | No change       | £3.00                        |
| 8 hour concierge support                                     | 8 hour on site concierge support without remote CCTV and door entry  | Increase to ensure cost of service is fully recovered   | £8.52                        | No change       | £8.52                        |
| Concierge mandatory only                                     | Essential caretaking duties  | Increase to ensure cost of service is fully recovered   | £5.57                        | No change       | £5.57                        |
| Concierge mandatory plus remote CCTV and door entry          | Essential caretaking duties and remote CCTV and door entry   | Increase to ensure cost of service is fully recovered   | £9.81                        | No change       | £9.81                        |
| Concierge mandatory plus remote CCTV and door entry - phased | Essential caretaking duties and remote CCTV and door entry phased increase of £2pw each year until parity with rest of service           | New service introduced in 2013, phased increase charge of £2pw each year but only £1.81 increase required in 2017 | £8.00                        | £1.81 per week  | £9.81                        |
| Communal cleaning  | Cleaning services in communal areas in certain properties  | Cost of service is fully covered by current charge  | £3.24                        | No change       | £3.24                        |
| Digital TV   | Installation and maintenance of the wiring required to convey digital TV signals to certain high rise blocks                             | Cost of service is fully covered by current charge  | £0.64                        | No change       | £0.64                        |
| Fencing  | Replacement of boundary fencing delivered by Wolverhampton Homes. All funds raised by this charge are ring-fenced to replacement fencing | Sufficient income raised to fund fencing programme  | £2.00                        | No change       | £2.00                        |

## Appendix B2

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### Service Charges – Heating

| Service Charge                               | Services funded   | Rationale for charge   | Charge paid per week 2015/16 | Proposed change                     | Charge paid per week 2016/17 |
|--|---|--|------------------------------|-------------------------------------|------------------------------|
| District Heating maintenance                 | Maintenance of boilers and district heating at Heath Town   | Cost of service was fully covered by current charge but extended to include Hickman Estate reduces individual cost | £6.20                        | Reduction                           | £4.50                        |
| District Heating maintenance                 | Maintenance of boilers and district heating at Hickman Estate                                       | Individual heating charge was not replaced after installation of district heating                                  | £2.50                        | Increase to cover boilerhouse costs | £4.50                        |
| District Heating Usage (Heath Town)          | Provision of heating and hot water at Heath Town Estate   | Remove and replace with “pay for what you use” metering based upon new kilowatt per hour rate                      | £4.64 - £21.05               | Remove and replace                  | 5.8p per kw/h                |
| District Heating Usage (Lincoln and Tremont) | Provision of heating and hot water at Lincoln House, Tremont House and Wednesfield Road, Heath Town | Remove and replace with “pay for what you use” metering based upon new kilowatt per hour rate                      | £6.77 - £9.04                | Remove and replace                  | 4.9p per kw/h                |
| District Heating Usage (Hickman Estate)      | Provision of heating and hot water at Wodensfield and William Bentley Courts                        | Cost of full recovery of fuel costs based upon current metered usage   | 8.4p per kw/h                | No change                           | 8.4p per kw/h                |
| Central Heating – Gas                        | Servicing, maintenance and replacement of gas central heating systems                               | Current charge only covers 50% of costs. Raise by 50p per week each year for next 4 years                          | £2.50                        | £0.50 per week increase             | £3.00                        |

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|                               |  |   |       |           |       |
|-------------------------------|--|---|-------|-----------|-------|
| Central Heating -<br>Electric | Servicing, maintenance and<br>replacement of electric<br>heating | Charge reducing to reflect<br>actual costs of service | £1.00 | No change | £1.00 |
|-------------------------------|--|---|-------|-----------|-------|

## Appendix B3

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### Hostels rents and charges

1. It is recommended that there are no increases this year to the costs of the hostels and temporary accommodation

| Charge                     | 2016/17<br>White<br>House £pw | 2015/16<br>Other*<br>£pw |
|----------------------------|-------------------------------|--------------------------|
| Gross Rent                 | £206.97                       | £131.65                  |
|                            |                               |                          |
| Charges:                   |                               |                          |
| - Support/Care             | £58.09                        | £55.45                   |
| - Heating, lighting, water | £18.97                        | £18.97                   |
|                            |                               |                          |
| Total minimum cash payable | £18.97                        | £18.97                   |
| Total maximum cash payable | £77.06                        | £74.42                   |

\*Properties at Ellerton Walk, Lathe Court and Heath Town

## Appendix C

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[NOT PROTECTED]

### Housing Rents and Service Charges Consultation

12 October – 21 November 2016

#### 1.0 Consultation methods

- 1.1 The Council led the consultation with tenants, stakeholders and managing agents. Established “Tenants Get Togethers” were utilised rather than hold separate meetings. This proved effective with 127 tenants in attendance compared with 16 tenants who attended the specific rents consultation meetings last year. The Bilston Get Together was streamed live on Wolverhampton Homes Facebook page.
- 1.2 Meetings were arranged with Wolverhampton Federation of Tenants Associations (WFTA) and each of the managing agents.
- 1.3 Tenants also received a newsletter delivered by Wolverhampton Homes explaining the proposals the Council was considering.
- 1.4 The council also consulted on two proposed changes to the way it manages rent accounts and letting voids.

#### 2.0 Consultation Responses

- 2.1 Tenants will all see their rents reduce by 1% each year for the next four years and this was broadly welcomed. There was some discussion on the appropriateness of Service Charges but once more the need to raise specific charges for services not enjoyed by all tenants was generally accepted.
- 2.2 The proposal to change the day on which the Council lets its voids was welcomed with little dissent. Currently all new tenancies commence on the Monday following the property being ready. From April 2017 all new tenancies can start on any day of the week to reduce void times, increase rental income and protect properties from potential anti-social behaviour.
- 2.3 The second proposal to alter the way the Council sets its weekly rent figure produced much more debate. Currently rent is calculated based upon 50 weekly payments per year, allowing tenants who pay weekly to have what are commonly referred to as “rent free weeks”. The proposal to change the weekly rent figure to a 52 week year does not affect those in receipt of Housing Benefit or those who pay monthly but will benefit those in receipt of Universal Credit going forward. Overall there was a small majority in favour of moving to a 52 week rent year.

#### 3.0 Consultation conclusions

- 3.1 In general the Council’s approach to setting rents and service charges were acceptable. The proposals to continue to increase the numbers of council new build units was welcomed.

## Appendix C

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- 3.2 The proposal to let properties from any day as soon as the void is ready for letting was overwhelmingly accepted and will be introduced from April 2017.
- 3.3 Due to the amount of debate the proposal to change from collecting rent from 50 weeks per year to 52 weeks per year it is recommended that this is deferred for at least another year to allow further discussion.

## Appendix D

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### **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 including those to Homeless Families and Carelink as well as HRA feasibility work.
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 Strategic Director of Housing has responsibility for the overall HRA budget, and administration:
  - The council's Housing function, which manages central costs and recharges with the General Fund in conjunction with strategic Finance, as well as specialist housing services such as Homelessness and warden-supported dwellings.
  - Wolverhampton Homes and the Tenant Management Organisations who manage the rent collection, day to day maintenance and in the case of Wolverhampton Homes, the programme for maintaining properties at decent homes standard.

#### 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.

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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.
9. As part of the self-financing process the government imposed a debt cap on the HRA, this being the higher of the Subsidy Capital Financing Requirement and the self-financing valuation. For Wolverhampton this means a debt cap of £356,770,000 which cannot be breached without approval from central government.

### Service Charges

10. 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

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

## Appendix E

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| Risk 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 |
|-------------|---------------------------------|---|--|-----------------------------------|------------------------------|-------------|-----------------------------|---|-------------------------------|---------------|
| 1           | Government Legislation          | 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. | 4                                 | 5                            | 20          | R                           | <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>                            | Director of Finance           | Quarterly     |
| 2           | 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.                      | 3                                 | 4                            | 12          | A                           | <ul style="list-style-type: none"> <li>Prudent estimates of the level of Right to Buy sales are used in forecasting.</li> <li>Review impact of new government policies</li> <li>Weekly monitoring of sales</li> </ul>                     | Director of Finance           | Monthly       |
| 3           | 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>   | Director of Finance           | Monthly       |
| 4           | 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. The latest forecasts from the OBR are used.</li> </ul>   | Director of Finance           | Monthly       |
| 5           | 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> <li>Monitor effect of Universal Credit.</li> </ul> | Strategic Director of Housing | Monthly       |
| 6           | 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>  | Director of Finance           | Monthly       |

## Appendix E

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| Risk Number | Category                        | Risk- cause/event   | Impact of Risk  | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (PxI) | Red (R) Amber (A) Green (G) | Risk Control Measures   | Owner                         | Review Period |
|-------------|---------------------------------|---|---|-----------------------------------|------------------------------|-------------|-----------------------------|---|-------------------------------|---------------|
| 7           | 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>   | Strategic Director of Housing | Monthly       |
| 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.  | 2                                 | 4                            | 8           | 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> | Director of 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>   | Head of ICT                   | Monthly       |

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| Risk Number | Category                        | Risk- cause/event   | Impact of Risk   | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (PxI) | Red (R) Amber (A) Green (G) | Risk Control Measures   | Owner                         | Review Period |
|-------------|---------------------------------|---|--|-----------------------------------|------------------------------|-------------|-----------------------------|---|-------------------------------|---------------|
| 10          | 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.                     | 2                                 | 3                            | 6           | A                           | <ul style="list-style-type: none"> <li>Close monitoring of capital spend requirements and borrowing limits.</li> </ul>  | Director of Finance           | Monthly       |
| 11          | 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 2017/18 budget process income budgets were reviewed and revised accordingly.</li> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul> | Director of Finance           | Monthly       |
| 12          | Income and Funding              | Stock Transfer without corresponding debt write off                                     | Attributable debt remains without stock which provides income to repay this debt.                    | 1                                 | 3                            | 3           | G                           | <ul style="list-style-type: none"> <li>The Council continues to monitor the progress of the transfer application</li> </ul>   | Strategic Director of Housing | Monthly       |

## Appendix E

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| Risk Number | Category                        | Risk- cause/event   | Impact of Risk   | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (Pxl) | Red (R) Amber (A) Green (G) | Risk Control Measures   | Owner               | Review Period |
|-------------|---------------------------------|---|--|-----------------------------------|------------------------------|-------------|-----------------------------|---|---------------------|---------------|
| 13          | 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 on-going 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> <li>• SCP uses 2 different contractors.</li> </ul> | Budget Holders      | Monthly       |
| 14          | Income and Funding              | Lower than anticipated levels of capital funding through receipts and grants.         | 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                                 | 2                            | 4           | 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>  | Director of Finance | Monthly       |
| 15          | 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>  | Director of Finance | Monthly       |

## Appendix E

This report is PUBLIC –  
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| Risk Number | Category                        | Risk- cause/event  | Impact of Risk   | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (Pxl) | Red (R) Amber (A) Green (G) | Risk Control Measures  | Owner               | Review Period |
|-------------|---------------------------------|--|--|-----------------------------------|------------------------------|-------------|-----------------------------|--|---------------------|---------------|
| 16          | Service Demands                 | Increased demand for services including the impact of social and demographic pressures on demand for services. | 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>As part of the 2017/18 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       |
| 17          | Financial and Budget Management | Pay award greater than budgeted.   | Overspend against budget requiring either in year savings or use of Housing Revenue Account balance. | 1                                 | 1                            | 1           | G                           | <ul style="list-style-type: none"> <li>Monthly monitoring at service level and quarterly monitoring to Members.</li> </ul>   | Director of Finance | Monthly       |