CITY OF WOLVERHAMPTON COUNCIL	**Cabinet (Resources) Panel** 16 January 2018

Report title	Housing Revenue Account business plan (including 2018-2019 budget rents and service charges)	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Peter Bilson City Housing Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Lesley Roberts, City Housing Claire Nye, Finance	
Originating service	Housing Service	
Accountable employee(s)	Lesley Roberts Tel Email	Strategic Director, Housing 01902 55 lesley.roberts@wolverhampton.gov.uk
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Report to be/has been considered by	Strategic Executive Board	19 December 2017

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to recommend 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 2 April 2018.

2. Adopts the business plan set out at Appendix A as the approved Housing Revenue Account (HRA) business plan including.
   a) The revenue budget for 2018-2019 at Appendix A3.
   b) The capital programme for 2018-2019 to 2022-2023 at Appendix A4 including provision for retrofitting of sprinklers in high-rise blocks and building of new council housing.
   c) The increase in the management allowance for Wolverhampton Homes for the transfer of Homelessness and Housing Options services.

3. Agrees the rates for garage rents and service charges set out in appendices B1-B3 and formally notify tenants.

4. Agrees that the Council positions itself to take advantage of any flexibility in HRA borrowing by gearing up to develop more council housing on suitable sites.

Recommendations for noting:

The Cabinet (Resources) Panel is asked to note:

1. The consultation responses as outlined at Appendix C.

2. The potential impact of the further implementation of the Housing and Planning Act 2016 on the HRA business Plan.

3. The introduction of a 52 week rent year following consultation with tenants, to better align the payment of rents with the payment of Universal Credit.

4. Service charges to council tenants have been recalculated over 52 weeks but generally tenants will pay the same over 12 months, with the exception of the central heating charge for gas, which is due to increase by £0.50 per week as approved in the business plan for 2016-2017 until full recovery of costs are achieved

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 2018-2019, including proposed rents and service charges to take effect from 2 April 2018, and a proposed HRA capital programme for the period 2018-2019 to 2022-2023 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 ten 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 and the formulae in paragraph 2.2 were provided as guidance. The 1% reduction is mandatory.

2.4 As part of the rent setting process for 2016-2017, 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.

2.5 The government has recently confirmed that it will resume with the rent policy to increase rents by CPI plus 1% from 1 April 2020.

3.0 The HRA business plan 2018-2019

3.1 This year's review of the business plan has focussed on the need to accommodate additional demands of the capital programme as outlined in paragraph 4.0 below. Aside from that, inflation forecasts have been increased

in line with latest forecasts and right to buy assumptions have been adjusted. The majority of other assumptions adopted last year remain unchanged.

3.2 At the meeting of 19 July 2017 cabinet approved the transfer of Homelessness and Housing Options services to Wolverhampton Homes which took place on 4th December 2017. There is a requirement to increase the management allowance to Wolverhampton Homes by £548,000 in 2017-2018 and a further £1 million in 2018-2019 for delivery of these services.

3.3 Rent has been calculated on a 50-week basis for some years thus providing a two week rent 'holiday' each year. Universal credit payments are made on the basis of a normal 52-week basis. Over 400 tenants are already on Universal Credit and the main changeover to Universal Credit begins in Wolverhampton shortly. Consultation last year revealed that tenants would ideally like to retain the 50-week payment arrangements, however there was a recognition that mirroring Universal Credit would be necessary when there was full rollout of the new system, and that it should be deferred for a year. Accordingly, the 52-week rent year will be introduced from April 2018.

4.0 Capital Programme, fire safety and new build programme

4.1 Since the last annual review there have been some significant events. Firstly, the devastating fire at Grenfell Tower, which has resulted in considerable debate about the potential for sprinklers to save lives in the event of a fire in a high-rise block. As the Council's managing agents, Wolverhampton Homes is assessing the feasibility of retrofitting sprinklers, and is poised to act on any recommendations for sprinklers and other remedial measures, that emerge from the Grenfell public enquiry. The cost is estimated at £19.2 million over five years, and provision has been made for this in the business plan because the health and safety of tenants and leaseholders is paramount. The programme will be dovetailed with other high-rise infrastructure upgrades to maximize cost-effectiveness.

4.2 The Council wrote to the Secretary of State for Communities and Local Government in August 2017 to request financial assistance with sprinklers but, along with several other local authorities, was refused additional help. Whilst provision can be made for sprinklers and infrastructure upgrades within the business plan, spending will obviously be at the expense of other local and national priorities, particularly the building of new affordable homes. It is therefore intended to make further representations to central government for additional funding in line with the public enquiry recommendations.

4.3 In the short term, Members will be aware that a major refurbishment of Heath Town estate is underway. Despite it being generally advisable to await the public enquiry before embarking on a retrofit programme (as specific advice may be forthcoming on the location of sprinklers and their relationship with evacuation and other fire safety measures), retrofitting should be undertaken at

Heath Town at the same time as part of the current programme, and resources have been identified for this in the business plan.

4.4 Another key event has been the government's announcement of a "new generation of council and housing association homes"; this accords with the Council's desire to increase the supply of all homes by nearly 10,000 over the next 10 years, a significant proportion of which should be affordable. The council house building programme was extended last year to deliver around 450 new council homes, funded primarily from the HRA but supplemented where possible with support from the Homes and Communities Agency, developer contributions and capital receipts from the right to buy. The HRA new build programme includes a number of unsightly and disused garage and other infill sites, 25% of the WV Living programme and other specific sites. It is insufficient to meet the needs of applicants on the housing register and should be expanded if at all possible. Accordingly, additional provision of £15 million over the next five years has been included in the programme. It will be necessary to review regularly the affordability of the enlarged building programme in the light of recommendations from the Grenfell inquiry and other factors discussed in this report.

4.5 The Council, along with the West Midlands Combined Authority, Local Government Association, National Federation of ALMOs and other bodies, have made year on year representations to the government for a lifting of the HRA borrowing cap in favour of a prudential borrowing regime for new council housing. There was an announcement during the budget on 22 November 2017 that additional borrowing facility would be provided to authorities in areas of high housing need, but no further detail has been made available at this stage. With a growing track record of new build, clear evidence of local need with over 10,000 households on the housing register, the Council may be able to take advantage of any lifting of the cap. It is therefore proposed that the Council position itself for this by gearing up to develop more council housing on suitable sites, when these become available.

4.6 Whilst additional resources have been identified in the HRA for new home building, bringing the proposed total over five years to £94 million, there is unfortunately no guarantee that full spend can be achieved. Despite best endeavours, there are constraints and potential delays inherent in development work, not least the identification and use of suitable sites, procurement of professional services and necessary authorisations. There can also be unforeseen issues with land conditions or rights of way and delays associated with procurement, including challenges from unsuccessful contractors, insufficient bidders or developers changing their business plans. Grant applications and meeting grant conditions necessary to obtain financial assistance with remediation of land, whilst beneficial are also time consuming and can lead to delays. Staffing has been increased in the housing development team to meet Service Level Agreement requirements with WV Living and a further increase is under consideration to assist with bringing more

sites forward for development. Close monitoring will be undertaken and regular reports provided on progress.

4.7 All the above issues are reflected in the five year HRA capital programme in Appendix A4. The programme will be monitored quarterly and reviewed annually to ensure a balanced budget.

5.0 Housing and Planning Act 2016

5.1 The Housing and Planning Act 2016 will have a significant impact upon the HRA business plan. The government announced that it would not introduce the high value asset levy and the requirement to sell so called higher value housing until after April 2018. The levy is designed to pay for the right to buy of housing association homes. In February 2017, the Communities Secretary announced that a pilot scheme was underway after which the government would decide how exactly to take the issue forward. Although it is understood that the pilot has yet to conclude, it is thought that the government may begin consultations shortly on the regulations necessary to bring the levy into effect.

5.2 The Act also 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 had been thought that all new tenancies starting after 1 April 2017 would be required to be for a fixed term but as yet DCLG has still 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. A major risk is now that there will not be additional resources provided to retro fit sprinklers in high-rise blocks, thus significantly reducing the number of new council homes that can be built. There remains risk around the sale of higher cost homes. These issues will be kept under close review.

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 2016-2017 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, assumptions updated and additional spending on retrofitting sprinklers in high-rise flats has been included, together with the aim of maximising new build. The HRA is expected to have sufficient resources to fund £1.4 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 with the latest version to include the high rise sprinkler programme and increased resources for new build, as shown in Appendix A4.

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 a commitment to maximise available borrowing. The maximum anticipated debt over the life of the business plan is forecast to be £352.5 million with debt levels reaching £348.9 million by 2021-2022. This now provides minimum headroom for realisation of some of the risks to the business plan as set out in Appendix E and requires close monitoring.

7.5 There remains uncertainty around the ongoing 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. 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. [JM/05012018/Z]

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.

8.3 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.

8.4 The Council has nevertheless undertaken to consult with tenants before seeking to change rent and other charges.

8.5 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/05012018/Z]

9.0 Equalities implications

9.1 Notwithstanding the legal requirement to reduce rents for the third year running, 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
The Housing Revenue Account self-financing determinations 2012

14.0 Schedule of Appendices

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

Appendix A1

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30-year business plan 2018/19 to 2047/48

REVENUE ACCOUNT	Years 1 – 5 £M	Years 6-10 £000	Years 11 - 15 £000	Years 16 - 20 £000	Years 21 - 25 £000	Years 26 - 30 £000
Income						
Dwelling Rents	(463,682)	(529,463)	(596,939)	(647,406)	(700,018)	(765,219)
Other Rents	(4,121)	(4,683)	(5,269)	(5,927)	(6,670)	(7,831)
Service Charges	(32,419)	(34,729)	(36,837)	(39,214)	(41,899)	(45,265)
	(500,222)	**(568,875)**	**(639,045)**	**(692,547)**	**(748,587)**	**(818,315)**
Expenditure						
Management and Maintenance (net of retained surpluses)	250,834	276,247	303,947	334,149	369,611	407,795
Depreciation and provision for redemption of debt	175,547	205,250	249,487	272,641	292,482	324,348
Net Financing Costs	73,841	87,378	85,611	85,757	86,494	86,172
	500,222	**568,875**	**639,045**	**692,547**	**748,587**	**818,315**
Balance	**-**	**-**	**-**	**-**	**-**	**-**

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CAPITAL ACCOUNT	Years 1 – 5 £M	Years 6-10 £000	Years 11 - 15 £000	Years 16 - 20 £000	Years 21 - 25 £000	Years 26 - 30 £000
Expenditure						
Capital Expenditure	294,787	215,712	255,978	289,883	316,862	328,937
Financing						
Major Repairs Reserve	(109,689)	(108,168)	(106,571)	(104,893)	(103,054)	(102,401)
Grants, Contributions and Receipts	(29,591)	(15,827)	(14,930)	(14,930)	(14,930)	(14,930)
Borrowing	(155,507)	(91,717)	(134,477)	(170,060)	(198,878)	(211,606)
	(294,787)	**(215,712)**	**(255,978)**	**(289,883)**	**(316,862)**	**(328,937)**
Balance	**-**	**-**	**-**	**-**	**-**	**-**

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CAPITAL FINANCING REQUIREMENT	Years 1 – 5	Years 6-10	Years 11 - 15	Years 16 - 20	Years 21 - 25	Years 26 - 30
	£M	£000	£000	£000	£000	£000
Opening Capital Financing Requirement	**261,054**	**350,702**	**345,338**	**336,899**	**339,211**	**348,662**
Capital Expenditure Financed by Borrowing	155,507	91,717	134,477	170,060	198,878	211,606
Provision for Redemption of Debt	(65,859)	(97,081)	(142,916)	(167,748)	(189,427)	(221,947)
Net Movement in Capital Financing Requirement	**350,702**	**345,338**	**336,899**	**339,211**	**348,662**	**338,321**
Closing Capital Financing Requirement	**350,702**	**345,338**	**336,899**	**339,211**	**348,662**	**338,321**
Borrowing Cap	**356,770**	**356,770**	**356,770**	**356,770**	**356,770**	**356,770**
Borrowing Headroom	**6,068**	**11,432**	**19,871**	**17,559**	**8,108**	**18,449**

Appendix A2

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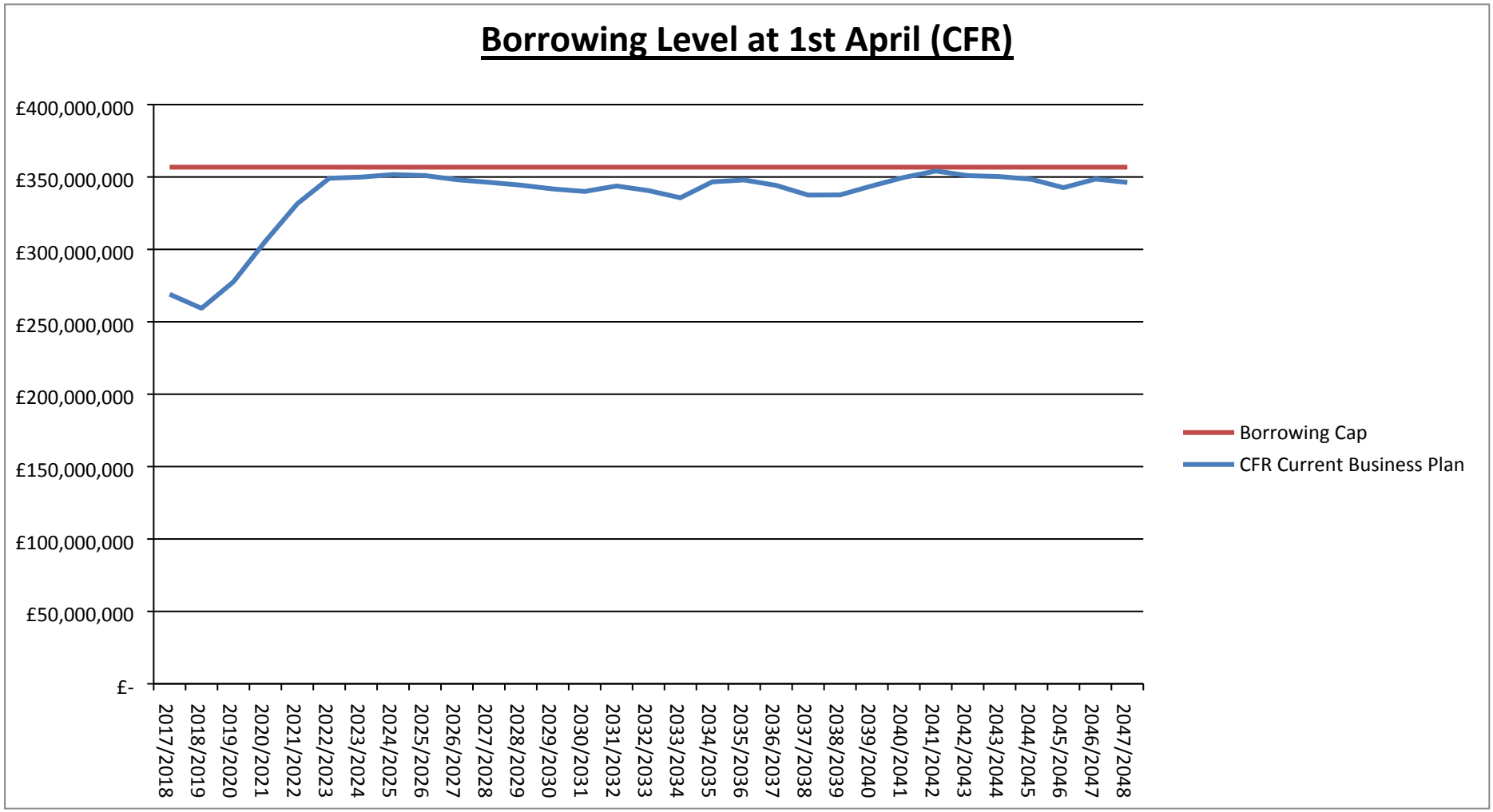
Forecast capital expenditure and borrowing curve 2017-2018 to 2047-2048 after implementing recommendations of this report



Appendix A3

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Medium term business plan

REVENUE ACCOUNT	2017-2018 Estimate £000	2018-2019 Budget £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000
Income					
Dwelling Rents	(90,984)	(89,690)	(90,679)	(91,698)	(94,486)
Other Rents	(877)	(797)	(797)	(819)	(842)
Service Charges	(5,524)	(5,965)	(6,601)	(6,546)	(6,617)
	(97,385)	**(96,452)**	**(98,077)**	**(99,063)**	**(101,945)**
Expenditure					
Wolverhampton Homes	38,279	39,286	39,286	40,072	40,874
Bushbury Hill EMB	1,261	1,261	1,261	1,286	1,312
New Park Village TMO	375	375	375	383	390
Springfield Horseshoe TMO	353	353	353	360	367
Dovecotes TMO	1,091	1,091	1,091	1,113	1,135
Housing Support	295	112	112	113	114
Pension contributions	2,384	2,455	2,517	2,572	2,624
SLA/Recharges	1,173	1,632	1,658	1,684	1,716
Depreciation	22,113	22,056	21,997	21,939	21,879
Net Financing Costs	10,602	10,394	13,935	15,341	16,765
Provision for Bad debts	2,250	2,250	2,250	2,500	2,500
	80,176	**81,266**	**84,835**	**87,363**	**89,676**
Surplus/deficit for the year	**(17,209)**	**(15,186)**	**(13,241)**	**(11,700)**	**(12,270)**
Provision for the redemption of debt	**17,209**	**15,186**	**13,241**	**11,700**	**12,270**
Balance	**-**	**-**	**-**	**-**	**-**

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CAPITAL ACCOUNT	2017-2018 Estimate £000	2018-2019 Budget £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000
Expenditure					
Capital Expenditure	39,201	64,390	69,390	67,650	51,910
	39,201	**64,390**	**69,390**	**67,650**	**51,910**
Financing					
Major Repairs Reserve	(22,259)	(22,056)	(21,997)	(21,939)	(21,879)
Grants, Contributions and Receipts	(7,648)	(8,747)	(6,062)	(5,525)	(4,928)
Borrowing	(9,294)	(33,587)	(41,331)	(40,186)	(25,103)
	(39,201)	**(64,390)**	**(69,390)**	**(67,650)**	**(51,910)**
Balance	**-**	**-**	**-**	**-**	**-**

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CAPITAL FINANCING REQUIREMENT	2017-2018 Estimate £000	2018-2019 Budget £000	2029-2020 Forecast £000	2020-2021 Forecast £000	2021-2022 Forecast £000
Opening Capital Financing Requirement	**268,969**	**261,054**	**279,455**	**307,545**	**336,031**
Capital Expenditure Financed by Borrowing	9,294	33,587	41,331	40,186	25,084
Provision for Redemption of Debt	(17,209)	(15,186)	(13,241)	(11,700)	(12,270)
Net Movement in Capital Financing Requirement	**(7,915)**	**18,401**	**28,090**	**28,486**	**12,814**
Closing Capital Financing Requirement	**261,054**	**279,455**	**307,545**	**336,031**	**348,845**
Borrowing Cap	356,770	356,770	356,770	356,770	356,770
Borrowing Headroom	**95,716**	**77,315**	**49,225**	**20,739**	**7,925**

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Capital Programme

	Forecast 2018-2019 £000	Forecast 2019-2020 £000	Forecast 2020-2021 £000	Forecast 2021-2022 £000	Forecast 2022-2023 £000	Total £000
New Build Programme						
Tap Works site	4,150	-	-	-	-	**4,150**
Care and Support Specialised Housing 1	20	-	-	-	-	**20**
Tower and Fort Works	2,330	-	-	-	-	**2,330**
Small Sites 3	3,000	-	-	-	-	**3,000**
Small Sites 4	-	4,000	-	-	-	**4,000**
Burton Crescent	2,590	2,590	-	-	-	**5,180**
Heath Town Phase 1	2,640	-	-	-	-	**2,640**
Heath Town Phase 3	-	7,440	2,520	-	-	**9,960**
WVL units - Danesmore	1,630		-	-	-	**1,630**
WVL units - Ettingshall and Sweetbriar Road	1,110		-	-	-	**1,100**
WVL units - Prouds Lane	940	-	-	-	-	**940**
WVL units - Wednesfield	3,510	3,510	3,510	-	-	**10,530**
WVL units - Former Residential Care Home sites	-	2,750	-	-	-	**2,750**
St Luke's School	-	2,860	-	-	-	**2,860**
Northicote	-	-	6,480	-	-	**6,480**
HRA Medium Sites	500	3,000	1,300	-	-	**4,800**
Reedham Gardens	1,000		-	-	-	**1,000**
Parkfields	-	-	2,080	-	-	**2,080**
New Build Programme	-	-	8,770	12,240	7,000	**28,010**
New Build Programme Total	**23,410**	**26,150**	**24,660**	**12,240**	**7,000**	**93,460**
Estate Remodelling						
Heath Town Total	**2,100**	**-**	**-**	**-**	**-**	**2,100**
Adaptations for People with Disabilities						
Disabled Adaptations Total	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**5,000**
Decent Homes Stock Condition						
Refurbishment of Voids	2,380	2,380	2,400	2,400	2,400	**11,960**
External Improvement Programme	1,350	1,350	1,350	-	**-**	**4,050**
Boiler Replacement Programme	670	670	670	680	680	**3,370**
Internal Decency Works	1,850	2,120	2,670	3,000	3,000	**12,640**
Heath Town - Refurb of Retained Properties	9,580	11,080	11,260	11,000	-	**42,920**
New Park Village maisonettes	4,650	5,000	1,170	-		**10,820**
High Rise M&E	4,590	3,510	3,650	4,240	-	**15,990**

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	Forecast 2018-2019 £000	Forecast 2019-2020 £000	Forecast 2020-2021 £000	Forecast 2021-2022 £000	Forecast 2022-2023 £000	Total £000
Sustainable Estates Programme	1,270	1,590	2,140	2,600	-	**7,600**
Non Trad Surveys	350	100	110	-	-	**560**
High Rise Sprinkler Programme	500	3,510	3,990	3,560	7,640	**19,200**
High Rise External Works	-	-	1,640	1,640	-	**3,280**
Decent Homes Stock Condition Total	**27,190**	**31,310**	**31,050**	**29,120**	**13,720**	**132,390**
Other Stock Condition Improvements						
Structural Works	980	980	990	990	1,000	**4,940**
Lift and Disability Discrimination Act Improvements - High Rise	670	670	670	680	680	**3,370**
Fire Safety Improvements - High Rise	2,140	2,380	2,380	980	1,000	**8,880**
Roofing Refurbishment Programme	4,800	4,800	4,800	4,800	4,800	**24,000**
Door Entry Security Programme	370	370	370	370	370	**1,850**
Other Stock Condition Improvements Total	**8,960**	**9,200**	**9,210**	**7,820**	**7,850**	**43,040**
Other Improvements to the Public Realm						
Pathway Improvement and Safety Programme Total	**200**	**200**	**200**	**200**	**200**	**1,000**
Service Enhancements and Miscellaneous						
Right to Buy Sale Admin	30	30	30	30	30	**150**
Wolverhampton Homes Capitalised Salaries	1,200	1,200	1,200	1,200	1,200	**6,000**
City Council Capitalised Salaries	300	300	300	300	300	**1,500**
Contingency	-	-	-	-	6,000	**6,000**
Service Enhancements and Miscellaneous Total	**1,530**	**1,530**	**1,530**	**1,530**	**7,530**	**13,650**
GRAND TOTAL	**64,390**	**69,390**	**67,650**	**51,910**	**37,300**	**290,640**

Appendix B1

Non-dwelling rents

Garage rents

1. The table below sets out recommended garage rents to take effect from 2 April 2018. 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 2017-18 (excl VAT)	% increase 2018-19	Rent per week 2018-19 (50 weeks excl VAT)	Rent per week 2018-19 (52 weeks excl VAT)	Rent per week 2018-19 (incl VAT)
Dwelling tenants and leaseholders (No VAT)	£4.59	No change	£4.59	£4.41	
Dwelling tenants and leaseholders – three or more garages (VAT)	£4.59	No change	£4.59	£4.41	£5.30
Privately let garages	£6.58	No change	£6.58	£6.33	£7.59

Appendix B2

Service charges

Service Charge	Services funded	Rationale for charge	Charge paid per week 2017-2018	Proposed change	Charge paid per week 2018-2019 (50 weeks)	Charge paid per week 2018-2019 (52 weeks)
Communal Facilities	Communal facilities in former sheltered schemes	Cost of service is fully covered by current charge	£3.00	No change	£3.00	£2.88
Concierge mandatory only	Essential caretaking duties	Cost of service is fully covered by current charge	£5.57	No change	£5.57	£5.36
Concierge mandatory plus remote CCTV and door entry	Essential caretaking duties and remote CCTV and door entry	Cost of service is fully recovered by current charge	£9.81	No change	£9.81	£9.43
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	£3.12
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	£0.62
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	£1.92

Appendix B2

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Service Charges – Heating

Service Charge	Services funded	Rationale for charge	Charge paid per week 2017-18	Proposed change	Charge paid per week 2018-19 (50 weeks)	Charge paid per week 2018-19 (52 weeks)
District Heating maintenance	Maintenance of boilers and district heating at Heath Town	Cost of service fully covered by current charge	£4.50	No change	£4.50	£4.33
District Heating maintenance	Maintenance of boilers and district heating at Hickman Estate	Cost of service fully covered by current charge	£4.50	No change	£4.50	£4.33
District Heating Usage (Heath Town)	Provision of heating and hot water at Heath Town Estate	Cost of full recovery of fuel costs based upon current metered usage	5.8p per kw/h	No change	5.8p per kw/h	N/A
District Heating Usage (Lincoln and Tremont)	Provision of heating and hot water at Lincoln House, Tremont House and Wednesfield Road, Heath Town	Cost of full recovery of fuel costs based upon current metered usage	4.9p per kw/h	No change	4.9p per kw/h	N/A
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	N/A
Central Heating – Gas	Servicing, maintenance and replacement of gas central heating systems	Current charge increasing until recovers 100% of costs. Raise by 50p per week each year until 2019-2020	£3.00	£0.50 per week increase	£3.50	£3.37
Central Heating - Electric	Servicing, maintenance and replacement of electric heating	Charge reducing to reflect actual costs of service	£1.00	No change	£1.00	£0.96

Appendix B3

Hostels and temporary accommodation rents and charges

1. Charges for temporary accommodation at Ellerton Walk, Lathe Court and Heath Town have been reviewed as part of transferring the management responsibility to Wolverhampton Homes.

Charge	2017-2018 £ per week	2018-2019 £ per week
Gross Rent (average)	£126.59	£161.42
Charges:		
- Management and support	£53.32	£51.78
- Furniture replacement (average)	-	£29.45

2. Charges for the White House hostel are unchanged.

Charge	2017/18 White House £pw	2018/19 White House £pw
Gross Rent	£206.97	£206.97
Charges:		
- Support/Care	£58.09	£58.09
- Heating, lighting, water	£18.97	£18.97

Appendix C

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REPORT OF CONSULTATION ON RENTS AND SERVICE CHARGES FOR 2018-2019

As part of Council's commitment to involving tenants and other service users in the management of housing services, Wolverhampton Homes was asked to lead on undertaking formal consultation with tenants and leaseholders for 2018-2019. This year it was decided to undertake the consultation earlier than usual. Following discussion with TMO/EMB leaders, their tenants were invited to join WH's tenant Get Togethers. There was also a separate discussion with the Wolverhampton Federation of Tenants' and Residents' Association (WFTRA).

During the consultation, tenants and leaseholder chair were reminded that, when making decisions about future rent strategy, the Council needs to ensure that it accurately forecasts the cost of managing and maintaining its' council housing stock, including maintaining decent homes, deliver any necessary capital repairs or improvements, undertake major estate renewal schemes for Heath Town and Ellerton Walk, as well as achieving the maximum number of new Council homes. This year in particular, fire safety compliance and the need to bring forward fire safety measures on Heath Town and other estates, featured more prominently.

The consultation by way of presentation took account of:

- Demonstrable transparency on cost and value for money.
- Options and choice for tenants and leaseholders where appropriate
- Future affordability particularly with the onset of welfare reform
- Tenants' ability to pay their rent over a longer term
- Clarity on how tenant and leaseholder views are taken into account
- In addition, tenants were reminded that decisions would be made by the Council.

For leaseholders see note below in general comments:

Bilston 'Get Together' (South)

This consultation took place on 5 October 2017. The government rent freeze policy was explained and there was a discussion about garage rent levels. The potential impact of the current 50-week payment arrangements on those tenants transferring to Universal Credit was considered. The consultation was streamed on Facebook to approximately 1400 viewers, some of whom made general comments regarding fencing and off-street parking.

Outcomes

Whilst only three tenants at the meeting rented garages, they commented that a rise of 2.7% fell short of being inclusive to other service users (what does this mean); on balance, however,

they were in favour of the increase. Tenants voted in favour of a move to a 52-week rent year: 37 were in favour, and one was against. The proposed central heating service charge increase of 50p per week received no objections.

Wednesfield 'Get Together' (North)

The consultation took place on 11 October 2017, with a similar format but the meeting was not streamed live on Facebook due it previously being more widely publicised across the city.

Outcomes

Again, only three tenants at the meeting rented garages. Whilst being in favour of a 2.7% rise, it was felt that this fell short of being representative to other garage service users. Tenants voted in favour of a move to a 52-week rent year by 13 votes to nil, with one abstention. The proposals for a central heating service charge increase of 50p per week received no objections.

WFTRA

The consultation took place on 17 October 2017 by way of presentation.

Outcomes

Only three tenants at the meeting rented garages but the Federation was not in favour of a rise. Tenants voted in favour of a move to a 52-week rent year by 21 votes to nil.
Central heating service charge proposed increase of 50p per week received no objections.

General comments and feedback

The meetings were well attended and tenants generally felt pleased that there were no proposals to increase service charges other than the central heating charge. They recognised that there are going to be some challenges ahead and welcomed support that Wolverhampton Homes and the Council were providing. The proposal to move to a 52-week rent year was well-received.

The small number of people who rent garages felt that improvements were necessary, but the meeting was not representative enough to form an opinion. Wolverhampton Homes will consider this prior to next year's rent consultation.

Following a discussion with the Chair of the Leaseholder Forum, it was decided that a formal presentation was not required, as they had already received several presentations on the capital programme. The Chair requested a retrospective presentation be presented to the December meeting.

There was broad support from all tenants and leaseholder chair consulted for new build and overwhelming support to bring forward future years spend to support fire safety compliance.

Appendix D

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 managing and 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 undertaking housing development, housing strategy and services for rough sleepers and other specialist support.
    - 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, and more recently, the homeless service.

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.

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	• Monthly monitoring at service level and quarterly monitoring to Members. • Close monitoring of developing national position and reporting to Members.	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	• Prudent estimates of the level of Right to Buy sales are used in forecasting. • Review impact of new government policies • Weekly monitoring of sales	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	• Prudent estimates of inflation rates are used in forecasting.	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	• Prudent estimate of interest rates are used in forecasting. The latest forecasts from the OBR are used.	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	• Robust debt collection and recovery mechanisms in place. • Monthly monitoring at service level and quarterly monitoring to Members. • Monitor effect of Universal Credit.	Strategic Director of Housing	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
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	• Monthly monitoring at service level and quarterly monitoring to Councillors.	Director of Finance	Monthly
7	Financial and Budget Management	The 30 year asset management plan is inaccurate.	Capital expenditure is not budgeted correctly.	2	4	8	A	• Close interrogation of information generated from asset management systems.	Service Director 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	• Robust Treasury Management Strategy. • Established and experienced Treasury Management function. • 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. • External treasury management advisors who provide a proactive and timely service and advice.	Director of Finance	Daily

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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
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	• ICT disaster recovery project and arrangements.	Head of ICT	Monthly
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	• Close monitoring of capital spend requirements and borrowing limits.	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	• As part of the 2018-2019 budget process income budgets were reviewed and revised accordingly. • Monthly monitoring at service level and quarterly monitoring to Members.	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	• The Council continues to monitor the progress of the transfer application	Service Director 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 (PxI)	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 ongoing cost due to reduced competition. Overspend against budget requiring either in year savings or use of housing revenue account balance.	1	4	4	HA	• 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. • Monthly monitoring at service level and quarterly monitoring to Members. • Strategic Construction Partnership uses two different contractors.	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	• The capital programme is actively and closely managed and when so doing expenditure and income streams are continuously monitored. • Quarterly monitoring to Members. /	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
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	• Monthly monitoring at service level and quarterly monitoring to Members.	Director of Finance	Monthly
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	• As part of the 2018-2019 budget process budgets were reviewed and revised accordingly taking account of known and anticipated increases in demand. • Monthly monitoring at service level and quarterly monitoring to Members.	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	• Monthly monitoring at service level and quarterly monitoring to Members.	Director of Finance	Monthly