



Cabinet Meeting

14 January 2015

| | | |
|--|--|---|
| Report title | Housing Revenue Account business plan (including 2015/16 budget rents and service charges) | |
| Decision designation | RED | |
| Cabinet member with lead responsibility | Councillor Peter Bilson Economic Regeneration and Prosperity | |
| Key decision | Yes | |
| In forward plan | Yes | |
| Wards affected | All | |
| Accountable director | Tim Johnson, Education and Enterprise | |
| Originating service | Delivery | |
| Accountable employee(s) | Mark Taylor | Director of Finance 01902 556609 Mark.taylor@wolverhampton.gov.uk |
| | Chris Hale | Head of Housing 01902 551796 Chris.Hale@wolverhampton.gov.uk |
| Report to be/has been considered by | Council | 28 January 2015 |

Recommendation(s) for action or decision:

The Cabinet is recommended to recommend that Council:

1. Adopt the business plan set out at appendix A as the approved Housing Revenue Account (HRA) business plan, including:
 - (a) The revenue budget for 2015/16 set out in the plan;
 - (b) The capital programme for 2014/15 to 2019/20 set out in the plan.
2. Approve an increase in rents for HRA dwellings of an average of 3.11% with effect from 6 April 2015.

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

That Council is asked to note:

7. The forecast outturn against the 2014/15 revenue budget is a surplus before allocations of £18.9 million compared to a budgeted surplus of £11.9 million.
8. That carelink charges are currently under review.
9. That the Council places on record its sincere thanks to all those tenants' representatives and all other stakeholders and partners who put forward views and comments during the consultation process.

1.0 Purpose

- 1.1 This report presents an updated Housing Revenue Account (HRA) business plan for recommendation to Full Council.
- 1.2 The report also provides, as an integral part of that business plan, a proposed HRA budget for 2015/16, including proposed rents and service charges to take effect from 6 April 2015, and a proposed HRA capital programme for the period 2014/15 to 2019/20, for recommendation to full Council.

2.0 Executive summary

- 2.1 The HRA is expected to have sufficient resources to fund the £2.0 billion of capital works that will be required to its houses over the next 30 years, as well as meeting its management and maintenance obligations over the same period. Further details of the business plan can be found at Appendices A1-A5.
- 2.2 Appendix A2 graphically presents the forecast debt curve alongside forecast capital expenditure. Where the debt curve rises steeply, for example in 2032/33, this highlights a step up in capital expenditure for the year compared to the previous year, reflecting a number of components coming to the end of their intended lives and needing to be replaced.
- 2.3 The recommended average rent increase to take effect from 6 April 2015 is **3.11%**. This is not in line with Government guidance, which is discussed in more detail below. This increase would yield an estimated total dwelling rent income of £93.7 million in the 2015/16 financial year, and lead to an average actual rent of £83.78 per week. Further detail on the recommended rent increase can be found at Appendix B1. At the time of writing limit rent was not confirmed, but is based on Finance employees calculations using last year's formula and data.
- 2.4 Government rent policy guidance, introduced nationally for local authorities in April 2002, has in previous years established the local authority average guideline rent increase as Retail Price Index (RPI) inflation at the previous September plus 0.5%, and a convergence factor of up to £2 per week. The £2 per week convergence factor cap reflected the policy objective of increasing Local Authority rents to similar levels to those charged by Registered Providers (Housing Associations).
- 2.5 Following consultation the Government has announced that from 2015/16 this guidance will be replaced by new guidance that sets the guideline rent increase as Consumer Price Index (CPI) + 1% for the next 10 years with no further convergence factor. Historically CPI has been lower than RPI, so the expected impact of this policy would be to reduce annual rent increases, and therefore significantly reduce resources flowing into the HRA.
- 2.6 There is no statutory underpinning for local authority rent setting. Local authorities are required to have regard to government guidelines but are free to set any rent they see fit as long as it meets the provisions of the 1985 Housing Act. Section 24 of the 1985 Act states the following:

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

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

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

Table 1 – Summary of income recommendations 2015/16

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

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

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

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

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

Note 4 – Due to the protection given to tenants in 2013/14 the price increase is limited to a maximum of £2.

- 2.11 The recommended service charges are set out at appendix B3, and reflect the phasing-in of the new concierge charges since the abolition of the old single charge and the limit on the maximum increase in the amount payable by any individual charge payer to £2 per week. It should also be noted that the 24 hour on site concierge service has been discontinued following consultation with tenants, all of whom will be moved onto the mandatory plus remote CCTV and door entry level of service.
- 2.12 The recommended total management and maintenance budget for 2015/16 is £45.2 million, £100,000 lower than the 2014/15 budget. This incorporates:
- a freeze in managing agents' allowances;
 - an increase of £125,000 in the net cost of Housing Support Services due to a review of the apportionment of the costs of the services between the HRA and the General Fund;
 - A reduction in recharges from the General Fund to the HRA of £170,000;
 - An increase in net income from repairs and maintenance of £460,000;
 - An increase in pensions contributions of £100,000;
 - An increase in net miscellaneous costs of £290,000, primarily driven by a reduction in charges for communal area maintenance from the HRA to the General Fund.

Detailed management and maintenance budgets are provided at Appendix A4.

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

- 2.16 Consultation with tenants on the 2015/16 budget has been carried out by Wolverhampton Homes on behalf of the Council. A summary of their findings is attached at Appendix C.
- 2.17 Further background about the HRA is provided at Appendix D.
- 2.18 Appendix E provides a detailed analysis of the risks associated with the HRA Budget and Capital Programme, along with details of the risk control measures that are in place in order to manage and mitigate the risks as far as possible. The overall risk associated with the budget has been quantified as amber.

3.0 Financial implications

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

4.0 Legal implications

- 4.1 Part VI of the Local Government and Housing Act 1989 (as amended by the Leasehold Reform Housing and Urban Development Act 1993, the Housing Act 1996 and the Local Government Act 2003) set up the financial regime for local authority housing.
- 4.2 The system requires the ring-fencing of the HRA and introduced a government subsidy scheme (subsequently abolished in 2012) and controls on local authority borrowing to meet capital expenditure.
- 4.3 This report embodies those requirements.
[TS/05012015/N]

5.0 Equalities implications

- 5.1 In making decisions on the options set out in the report, the Cabinet should be aware of the impact on the public, particularly tenants. There is a difficult balance to be struck in deciding the levels at which to increase rents and charges and therefore income, and thereby seeking to protect services.
- 5.2 The council has always operated a very open and consultative approach to service and rent reviews. This is based upon a thirty-year forecast which sets out indicative levels of future average rent rises and forecast changes to expenditure levels. Consultation has been carried out on the council's behalf by Wolverhampton Homes (attached at Appendix C). In addition to this, an Equalities Analysis has been carried out, which demonstrates that the approach taken complies with the Act and Duty's requirements.

6.0 Environmental implications

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

7.0 Schedule of background papers

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

8.0 Schedule of appendices

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

Appendix A1

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30 year business plan 2015/16 to 2044/45

| REVENUE ACCOUNT | Years | Years | Years | Years | Years | Years |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 1 - 5 | 6 - 10 | 11 - 15 | 16 - 20 | 21 - 25 | 26 - 30 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Income | | | | | | |
| Dwelling Rents | (490,933) | (556,034) | (629,071) | (716,952) | (813,461) | (922,398) |
| Other Rents | (3,762) | (4,370) | (5,087) | (5,921) | (6,893) | (8,024) |
| Service Charges | (26,147) | (26,804) | (27,511) | (28,583) | (29,806) | (31,308) |
| | (520,842) | (587,208) | (661,669) | (751,456) | (850,160) | (961,730) |
| Expenditure | | | | | | |
| Management and Maintenance (net of retained surpluses) | 243,254 | 268,636 | 306,724 | 348,897 | 396,932 | 441,635 |
| Depreciation and provision for redemption of debt | 205,050 | 257,045 | 308,477 | 355,185 | 397,308 | 446,678 |
| Net Financing Costs | 72,538 | 61,527 | 46,468 | 47,374 | 55,920 | 73,417 |
| | 520,842 | 587,208 | 661,669 | 751,456 | 850,160 | 961,730 |
| | | | | | | |
| Balance | - | - | - | - | - | - |

Appendix A1

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| CAPITAL ACCOUNT | Years | Years | Years | Years | Years | Years |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 1 - 5 | 6 - 10 | 11 - 15 | 16 - 20 | 21 - 25 | 26 - 30 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Expenditure | | | | | | |
| Capital Expenditure | 191,428 | 194,035 | 255,949 | 423,108 | 435,863 | 482,317 |
| | 191,428 | 194,035 | 255,949 | 423,108 | 435,863 | 482,317 |
| Financing | | | | | | |
| Decent Homes Funding | - | - | - | - | - | - |
| Major Repairs | (113,040) | (107,027) | (105,506) | (103,907) | (102,228) | (100,680) |
| Grants, Contributions and Receipts | (5,772) | - | - | - | - | - |
| Borrowing | (72,616) | (87,008) | (150,443) | (319,201) | (333,635) | (381,637) |
| | (191,428) | (194,035) | (255,949) | (423,108) | (435,863) | (482,317) |
| | | | | | | |
| Balance | - | - | - | - | - | - |

Appendix A1

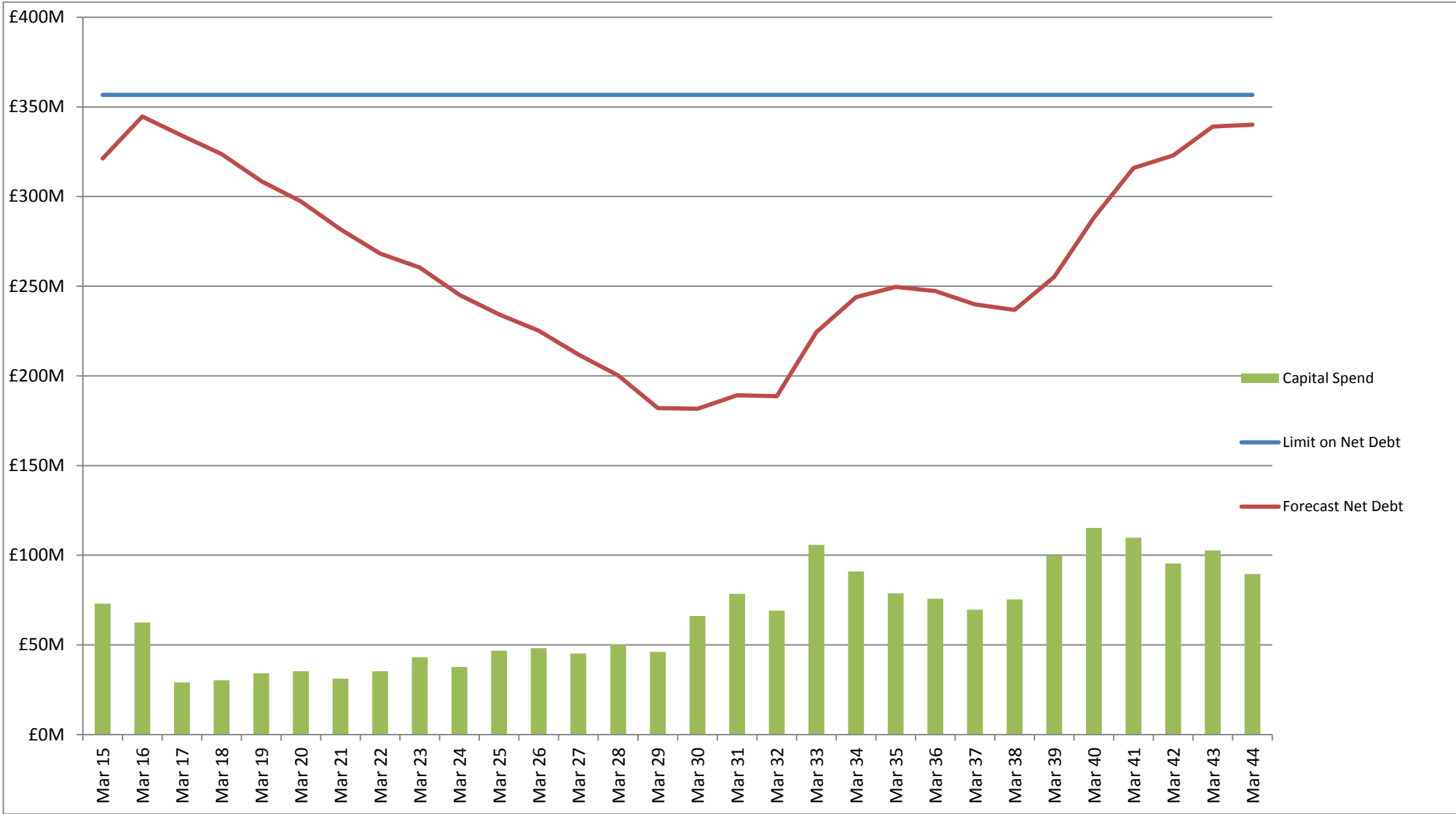
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| CAPITAL FINANCING REQUIREMENT | Years | Years | Years | Years | Years | Years |
|---|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| | 1 - 5 | 6 - 10 | 11 - 15 | 16 - 20 | 21 - 25 | 26 - 30 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Opening Capital Financing Requirement | 321,232 | 297,270 | 234,258 | 181,728 | 249,649 | 288,202 |
| | | | | | | |
| Capital Expenditure Financed by Borrowing | 72,616 | 87,008 | 150,443 | 319,201 | 333,635 | 381,637 |
| Provision for Redemption of Debt | (96,578) | (150,020) | (202,973) | (251,280) | (295,082) | (346,000) |
| Net Movement in Capital Financing Requirement | (23,962) | (63,012) | (52,530) | 67,921 | 38,553 | 35,637 |
| | | | | | | |
| Closing Capital Financing Requirement | 297,270 | 234,258 | 181,728 | 249,649 | 288,202 | 323,839 |
| | | | | | | |
| Borrowing Cap | 356,770 | 356,770 | 356,770 | 356,770 | 356,770 | 356,770 |
| | | | | | | |
| Borrowing Headroom | 59,500 | 122,512 | 175,042 | 107,121 | 68,568 | 32,931 |

Appendix A2

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



Appendix A3

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Medium term business plan

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

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

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

Appendix A4

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Management and maintenance budgets and forecasts

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

Appendix A5

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Capital programme forecast

| | Forecast 2014/15 £000 | Budget 2015/16 £000 | Forecast 2016/17 £000 | Forecast 2017/18 £000 | Forecast 2018/19 £000 | Forecast 2019/20 £000 | Total £000 |
|---|-----------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------|
| Decent Homes Stock Condition | | | | | | | |
| All Saints Voids | 22 | 149 | - | - | - | - | 171 |
| Heath Town renewable Heating Incentive | - | 250 | - | - | - | - | 250 |
| Lincoln and Tremont | - | 100 | - | - | - | - | 100 |
| Merridale Court | 28 | 3,189 | - | - | - | - | 3,217 |
| Refurbishment of Voids | 3,429 | 3,501 | 3,003 | 3,004 | 3,003 | 3,004 | 18,944 |
| Non Residential Conversion to Residential | 1,282 | - | - | - | - | - | 1,282 |
| External Improvement Programme | 1,900 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 | 12,900 |
| Boiler Replacement Programme | 800 | 900 | 900 | 900 | 900 | 900 | 5,300 |
| Decent Homes - Stock Improvements | 40,821 | 17,475 | 8,408 | 9,608 | 13,667 | 11,263 | 101,242 |
| Decent Homes - Capitalised Salaries | 1,000 | 900 | 900 | 900 | 900 | 900 | 5,500 |
| | | | | | | | |
| Decent Homes Stock Condition | 49,282 | 28,664 | 15,411 | 16,612 | 20,670 | 18,267 | 148,906 |
| | | | | | | | |
| Decent Homes Public Realm | | | | | | | |
| Communal Areas Improvement | 199 | 1,750 | 2,800 | 2,800 | 2,800 | 2,800 | 13,149 |
| Street-scaping | - | 500 | 800 | 800 | 800 | 800 | 3,700 |
| Decent Homes Public Realm | 199 | 2,250 | 3,600 | 3,600 | 3,600 | 3,600 | 16,849 |
| | | | | | | | |
| Major Stock Condition Improvements | | | | | | | |
| Low Hill Residential Repairs | 6,762 | 12,543 | - | - | - | - | 19,305 |
| Major Stock Condition Improvements | 6,762 | 12,543 | 0 | 0 | 0 | 0 | 19,305 |

Appendix A5

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| | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Estate Remodelling | | | | | | | | |
| Heath Town | 2,000 | 3,000 | - | - | - | - | - | 5,000 |
| Thompson Avenue | 1,640 | - | - | - | - | - | - | 1,640 |
| Tap Works site | 550 | 4,000 | - | - | - | - | - | 4,550 |
| Commercial Conversions | 450 | - | - | - | - | - | - | 450 |
| Mortgage Rescue | 583 | - | - | - | - | - | - | 583 |
| Caash Fund | 2,215 | - | - | - | - | - | - | 2,215 |
| New Build Infill SCP | 1,000 | 500 | - | - | - | - | - | 1,500 |
| Various Schemes | - | 1,307 | - | - | - | - | - | |
| Estate Remodelling | 8,438 | 8,807 | - | - | - | - | - | 15,938 |
| | | | | | | | | |
| Adaptations for People with Disabilities | | | | | | | | |
| Disabled Adaptations | 1,463 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 6,463 |
| | | | | | | | | |
| Other Stock Condition Improvements | | | | | | | | |
| Structural Works | 808 | 950 | 951 | 951 | 951 | 951 | 951 | 5,562 |
| Lift and Disability Discrimination Act Improvements - High Rise | 1,014 | 592 | 611 | 717 | 701 | 699 | 699 | 4,334 |
| Fire Safety Improvements - High Rise | 664 | 908 | 528 | 527 | 523 | 526 | 526 | 3,676 |
| Roofing Refurbishment Programme | 2,876 | 2,451 | 2,529 | 2,497 | 2,352 | 2,384 | 2,384 | 15,089 |
| Energy Efficiency Works | 358 | 2,070 | 2,097 | 2,097 | 2,075 | 2,082 | 2,082 | 10,779 |
| Door Entry Security Programme | 520 | 402 | 415 | 410 | 386 | 391 | 391 | 2,524 |
| Communal Rewiring Programme | - | 377 | 453 | 453 | 451 | 450 | 450 | 2,184 |
| Rewiring electrical sub mains | - | 339 | 407 | 407 | 406 | 405 | 405 | 1,964 |
| Replacement of Lead Pipes | - | 38 | 45 | 45 | 45 | 45 | 45 | 218 |
| | | | | | | | | |
| Other Stock Condition Improvements | 6,240 | 8,127 | 8,036 | 8,104 | 7,890 | 7,933 | 7,933 | 46,330 |
| | | | | | | | | |

Appendix A5

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| | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Other Improvements to the Public Realm | | | | | | | |
| Pathway Improvement and Safety Programme | 200 | 450 | 600 | 600 | 600 | 600 | 3,050 |
| Other Improvements to the Public Realm | 200 | 450 | 600 | 600 | 600 | 600 | 3,050 |
| | | | | | | | |
| Service Enhancements and Miscellaneous | | | | | | | |
| Sale of Council House Administration | 10 | 10 | 10 | 10 | 10 | 10 | 60 |
| Capitalised Salaries - W'ton Homes | 400 | 400 | 400 | 400 | 400 | 400 | 2,400 |
| Service Enhancements and Miscellaneous | 410 | 410 | 410 | 410 | 410 | 410 | 2,460 |
| | | | | | | | |
| Total | 72,994 | 62,251 | 29,057 | 30,326 | 34,170 | 31,810 | 252,838 |

Appendix A6

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

Forecast revenue outturn 2014/15 compared to budget

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

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

Appendix B1

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Dwelling rents

1. The table below compares the recommended rent for 2015/16 to the formula and limit rents for the year. In recent years the council has followed a policy of setting rents below the limit rent, in order to avoid benefit subsidy penalties. As can be seen below the recommended rent is below the limit rent level.

| | Rent 2015/16 £ p.d.p.w. | Increase over 2014/15 |
|------------------|--|----------------------------------|
| Formula rent | 85.57 | + 2.20% |
| Limit rent | 84.42 | + 2.20% |
| Recommended rent | 83.78 | + 3.11% |

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

Appendix B2

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Non dwelling rents

Garage rents

1. The table below sets out recommended garage rents to take effect from 1 April 2015. It is recommended that the increase in the basic rent (before VAT) mirror the increase in guideline dwelling rents. These rent levels would generate total income of £705,000 (a 3.11% increase over 2014/15).

Recommended garage rents

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

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

Shop rents

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

Appendix B3

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Service charges and district heating charges 2015/16

| Name | Service(s) Funded by this Charge | Rationale for Recommended Charge | Recommended Charge 2015/16 (£ pdpw) | Increase (£ pdpw) | Increase (%age) | Forecast Cost Recovery 2015/16 % | Sensitivity - 1% equates to £000: |
|--|---|---|-------------------------------------|-------------------|-----------------|----------------------------------|-----------------------------------|
| Sheltered Schemes Communal Facilities | Communal facilities in sheltered schemes. | Charge forecast to achieve full cost recovery at current level: no change required. | 3.00 | - | - | 100 | 1 |
| 8 hour concierge support * | 8 hour on site concierge support without remote CCTV and door entry | Increase in order to pursue full cost recovery. | 8.44 | 0.40 | 5 | 89 | 1 |
| Concierge: mandatory only * | Essential caretaking duties | Increase in order to pursue full cost recovery. | 5.51 | 0.26 | 5 | 90 | 1 |
| Concierge: mandatory plus remote CCTV and door entry * | Essential caretaking duties plus remote CCTV and door entry | Increase in order to pursue full cost recovery. | 9.71 | 0.46 | 5 | 89 | 1 |
| Central Heating | Maintenance of central heating systems. | No increase, consistent with policy applied in recent years. | 2.00 | - | - | 51 | 21 |
| Digital TV | Installation and maintenance of the wiring required to convey digital TV signals to certain high-rise blocks. | Charge forecast to achieve full cost recovery at current level: no change required. | 0.64 | - | - | 100 | 2 |
| Communal Cleaning | Cleaning services in communal areas in certain properties. | Increase in order to pursue full cost recovery. | 3.24 | 0.45 | 16.1 | 88 | 3 |

Appendix B3

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| Name | Service(s) Funded by this Charge | Rationale for Recommended Charge | Recommended Charge 2015/16 (£ pdpw) | Increase (£ pdpw) | Increase (%age) | Forecast Cost Recovery 2015/16 % | Sensitivity - 1% equates to £000: |
|--|---|---|-------------------------------------|-------------------|-----------------|----------------------------------|-----------------------------------|
| Fencing | Installation and maintenance of boundary fencing. All funds raised by this charge are passed on to Wolverhampton Homes, who maintain a ring-fenced account. | Sufficient resources forecast at current level: no change required. | 2.00 | - | - | N/A | 1 |
| District Heating Maintenance | Maintenance of district heating systems (except Ellerton Walk). | Increase in order to pursue full cost recovery. | 6.20 | 0.20 | 3.3 | 100 | 4 |
| District Heating Usage (Heathtown) | Provision of heating (Heathtown) | Increase in order to pursue full cost recovery: reflects significant increases in fuel costs. | 4.64 – 21.05 | 0.17 – 0.75 | 3.7 | 100 | 5 |
| District Heating Usage (Tremont) | Provision of heating (Tremont) | Sufficient resources forecast at current level: no change required. | 6.77 – 9.04 | - | - | 100 | 1 |
| District Heating Usage (Ellerton Walk) | Provision of heating (Ellerton Walk) | Sufficient resources forecast at current level: no change required. | 16.61 – 18.32 | - | - | 100 | 2 |

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

Appendix B3

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Service charges and district heating charges 2015/16

Recommended district heating charges

| | Maintenance Charge £pdpw | Consumption Charge £pdpw | Total £pdpw |
|---------------------------|--------------------------------|--------------------------------|----------------|
| Tremont Street | | | |
| 1 Bed Flat | 6.20 | 6.77 | 12.97 |
| 2 Bed Flat | 6.20 | 9.04 | 15.24 |
| 2 Bed Maisonette | 6.20 | 9.04 | 15.24 |
| | | | |
| Ellerton Walk | | | |
| 2 Bed Maisonette | - | 16.61 | 16.61 |
| 3 Bed Maisonette | - | 18.32 | 18.32 |
| | | | |
| Heath Town | | | |
| 1 Bed Low Rise Flat | 6.20 | 7.02 | 13.22 |
| 2 Bed Low Rise Flat | 6.20 | 9.37 | 15.57 |
| 1 Bed High Rise Flat | 6.20 | 7.02 | 13.22 |
| 2 Bed High Rise Flat | 6.20 | 9.37 | 15.57 |
| 2 Bed Low Rise Maisonette | 6.20 | 11.74 | 17.94 |
| 3 Bed Low Rise Maisonette | 6.20 | 14.13 | 20.33 |
| 3 Bed House | 6.20 | 16.42 | 22.62 |
| 4 Bed House | 6.20 | 18.85 | 25.05 |
| 5 Bed House | 6.20 | 21.05 | 27.25 |
| Bedsit | 6.20 | 4.64 | 10.84 |

Appendix B4

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Hostel and carelink rents and charges

Hostel rent and charges

1. It is recommended that rent be increased in line with guideline rents (2.2%), and other charges set as detailed in the table below.

Hostel Rents and Charges

| | 2013/14 White House £ pw | 2013/14 Other ¹ £ pw | 2014/15 White House £ pw | 2014/15 Other ¹ £ pw | Increase |
|-------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|----------|
| Gross Rent | 200.51 | 127.54 | 204.92 | 130.35 | 2.2% |
| Charges: | | | | | |
| - Support/Care | 56.27 | 53.72 | 57.51 | 54.90 | 2.2% |
| - Heating, Lighting and Water | 18.38 | 18.38 | 18.78 | 18.78 | 2.2% |
| Minimum Cash Payable | 18.38 | 18.38 | 18.78 | 18.78 | 2.2% |
| Maximum Cash Payable | 74.65 | 72.10 | 76.29 | 73.69 | 2.2% |

Note 1 – 46 units of temporary accommodation

Carelink Charges

2. These charges contribute directly towards the cost of the Carelink (pendant/alarm) service. At present there are approximately 6,200 users of the service, the majority of which receive a free service (because they are in receipt of housing benefit or have a housing association connection), leaving about 600 who pay.
3. There are two levels of service provision, charged at differing rates:
 - (i) a full service, comprising rental and maintenance of equipment, and the response of both the 24 hour contact centre and the Mobile Carelink Officer;
 - (ii) a reduced service, comprising monitoring of the alarms only.
4. These charges are currently under review and will be consulted on shortly.

Appendix B5

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Charges levied by Wolverhampton Homes

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

| | 2014/15 Charge £pdpw | 2015/16 Charge £pdpw | Year-on-Year Change £pdpw | Year-on-Year Change %age |
|--------------------------|-------------------------------------|-------------------------------------|--|---|
| Laundry | 2.75 | 2.75 | - | - |
| Tidy Garden ¹ | 7.75 | 8.00 | 0.25 | 3.2% |

Note 1 – includes VAT at 20%

Appendix C

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

Feedback from tenants and leaseholders on rent and service charge proposals

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

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

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

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

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

Thurs 27/11 Bilston Academy 6-7.30pm

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

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

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

Service Charges

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

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

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

Appendix C

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

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

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

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

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

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

Feedback from Wolverhampton Homes Board

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

The Housing Revenue Account

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

Administration of the HRA at Wolverhampton

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

HRA Subsidy and Self-financing

6. Until April 2012, one of the key factors in the budget preparation process was the Government's annual HRA subsidy determination. HRA subsidy was a housing resource redistribution system administered by the Department for Communities and Local Government. Authorities either paid into or received money from a national pool, based on a formula that assessed their assumed need to spend and assumed income.
7. HRA subsidy was complex and difficult to predict, but had significant impacts on the funds available to an authority's HRA, which made it central to the budget process.

Appendix D

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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.

Rent Restructuring

9. Rent restructuring is another Government initiative which used to play a major role in the preparation of the HRA budget. It has been in place since 2002/03 and its aim is to standardise rents across social housing landlords, i.e. between the private, social housing and public sectors.
10. Rent restructuring is based on a national average rent, which is varied on a property-by-property basis for the value of the property, the number of bedrooms, and local average wages. This is known as the formula rent.
11. Authorities have been encouraged to move from their actual 2002/03 rents to their formula rents in equal annual steps. This convergence has also been built into the assumptions around HRA subsidy and housing benefit subsidy, making it difficult for an authority to vary much from the rent levels implied by rent convergence without suffering adverse financial consequences.
12. The Government has also put in place guidance on constraints on the amount by which any individual rent can increase. The first of these is the 'cap', which requires that no rent can increase by more than CPI + 1%. The second, which has varied from time to time, is a simple limit on the percentage increase. As is explained in greater detail in paragraphs 15 and 16 below, this is guidance that the council does not have to adhere to.
13. Finally, the Government sets a limit rent for the year for each authority. If an authority's actual average rent exceeds the limit rent, it will forfeit benefit subsidy. In recent years the council has pursued a policy of ensuring that the average actual rent does not exceed the limit rent.
14. For 2015/16 it has been decided by the council that adhering to the rent restructuring guidance would cause significant difficulties for the HRA and prevent it delivering currently planned programmes. As such, the 3.11% increase ensures that the average rent is below the limit rent despite deviating from the government guidance and is forecast to deliver sufficient resources to the HRA to deliver currently planned programmes.
15. The council does not have to adhere to the government guidance on rent restructuring; there is no statutory underpinning for rent setting. Local authorities are free to set any rent they see fit as long as it meets the provisions of the 1985 Housing Act. Section 24 of the 1985 Act states the following:

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

Appendix D

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

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

Service Charges

17. Service charges are intended to pay for the receipt of services over and above the provision of a standard dwelling, and not provided to all tenants. They should meet the full cost of providing the service in question, but never exceed it.

HRA Contingency Reserve

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

Appendix E

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Risk analysis

| Risk Number | Category | Risk- cause/event | Impact of Risk | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (PxI) | Red (R) Amber (A) Green (G) | Risk Control Measures | Owner | Review Period |
|-------------|---------------------------------|--|--|-----------------------------------|------------------------------|-------------|-----------------------------|--|----------------------------|---------------|
| 1 | Financial and Budget Management | Ineffective budget management. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 2 | 4 | 8 | A | <ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Councillors. | Assistant Director Finance | Monthly |
| 2 | Financial and Budget Management | Non pay inflation increase insufficient. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 1 | 2 | 2 | G | <ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Members. | Assistant Director Finance | Monthly |
| 3 | Financial and Budget Management | Pay award greater than budgeted (1.5%). | Overspend against budget requiring either in year savings or use of Housing Revenue Account balance. | 2 | 1 | 2 | G | <ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Members. | Assistant Director Finance | Monthly |
| 4 | Financial and Budget Management | Staff turnover below assumed levels. | Overspend against budget requiring either in year savings or use of general fund balance. | 2 | 1 | 2 | G | <ul style="list-style-type: none"> As part of the development of 2015/16 budgets staff turnover levels were reviewed and revised where possible and affordable. Monthly monitoring at Service level and quarterly monitoring to Members. | Assistant Director Finance | 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 |
|-------------|---------------------------------|---|--|-----------------------------------|------------------------------|-------------|-----------------------------|---|----------------------------|---------------|
| 5 | Financial and Budget Management | The HRA borrowing cap preventing the council from carrying out essential capital works. | Inability to borrow to fund capital projects results in delays or cancellations. | 3 | 3 | 9 | A | <ul style="list-style-type: none"> Close monitoring of capital spend requirements and borrowing limits. | Assistant Director Finance | Monthly |
| 6 | Financial and Budget Management | The 30 year asset management plan is inaccurate. | Capital expenditure is not budgeted correctly. | 2 | 4 | 8 | A | <ul style="list-style-type: none"> Close interrogation of information generated from asset management systems. | Assistant Director Finance | Monthly |
| 7 | Financial and Budget Management | Assumptions which inform decision making regarding the balance of the need to reduce debt, invest in revenue or invest in capital are inaccurate. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 2 | 3 | 6 | A | <ul style="list-style-type: none"> A prudent approach to assumptions is taken. Monthly monitoring at Service level and quarterly monitoring to Members. | Assistant Director Finance | Monthly |

Appendix E

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| Risk Number | Category | Risk- cause/event | Impact of Risk | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (PxI) | Red (R) Amber (A) Green (G) | Risk Control Measures | Owner | Review Period |
|-------------|---------------------------------|---|---|-----------------------------------|------------------------------|-------------|-----------------------------|---|----------------------------|---------------|
| 8 | Financial and Budget Management | Treasury Management Activity, including increases in the cost of borrowing (e.g. LOBO loans being called) and/or reductions in the return on investments. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 3 | 4 | 12 | A | <ul style="list-style-type: none"> • 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. | Assistant Director Finance | Daily |
| 9 | Financial and Budget Management | Loss of ICT facilities, e.g. due to failure of systems and/or disaster recovery arrangements or key personnel | Lack of robust financial information on which to monitor budgets, leading to in-year budget deficit requiring savings to be identified or the use of Housing Revenue Account balances | 2 | 4 | 8 | A | <ul style="list-style-type: none"> • ICT disaster recovery project and arrangements. | Assistant Director Finance | Monthly |
| 10 | Income and Funding | Reduction to other income. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 2 | 3 | 6 | A | <ul style="list-style-type: none"> • As part of the 2015/16 budget process income budgets were reviewed and revised accordingly. • Monthly monitoring at service level and quarterly monitoring to Members. | Assistant Director Finance | Monthly |

Appendix E

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| Risk Number | Category | Risk- cause/event | Impact of Risk | Probability of Risk (P) Score 1-5 | Impact of Risk (I) Score 1-5 | Score (PxI) | Red (R) Amber (A) Green (G) | Risk Control Measures | Owner | Review Period |
|-------------|--------------------|---|--|-----------------------------------|------------------------------|-------------|-----------------------------|--|----------------------------|---------------|
| 11 | Income and Funding | Higher than anticipated bad debts. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 3 | 3 | 9 | A | <ul style="list-style-type: none"> Robust debt collection and recovery mechanisms in place. Monthly monitoring at service level and quarterly monitoring to Members. | Assistant Director Finance | Monthly |
| 12 | Income and Funding | Lower than anticipated levels of capital funding. | Capital schemes are cancelled or delayed or have to be funded from revenue budgets and/or prudential borrowing resulting in an over spend against budget requiring either in year savings or use of housing revenue account balance. | 2 | 4 | 8 | A | <ul style="list-style-type: none"> The capital programme is actively and closely managed and when so doing expenditure and income streams are continuously monitored. Quarterly monitoring to Members. | Assistant Director Finance | Monthly |
| 13 | Service Demands | Increased demand for services including the impact of social and demographic pressures on demand for services, these pressures can be compounded in an economic downturn. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 1 | 3 | 3 | G | <ul style="list-style-type: none"> As part of the 2015/16 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 |

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 |
|-------------|--------------------|---|---|-----------------------------------|------------------------------|-------------|-----------------------------|--|----------------------------|---------------|
| 14 | Third Parties | Third parties and suppliers / contractors cease to trade or withdraw from the market. | Short term expensive solutions may be necessary. Requirements to undertake tender exercise. Increased ongoing cost due to reduced competition. Overspend against budget requiring either in year savings or use of housing revenue account balance. | 1 | 4 | 4 | A | <ul style="list-style-type: none"> 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. | Budget Holders | Monthly |
| 15 | Government Policy | There are changes to Government policy that have in year service and budget impact. | Overspend against budget requiring either in year savings or use of housing revenue account balance. | 2 | 5 | 10 | A | <ul style="list-style-type: none"> Monthly monitoring at service level and quarterly monitoring to Members. Close monitoring of developing national position and reporting to Members. | Budget Holders | Monthly |
| 16 | Income and Funding | Inflation rates are lower than budgeted for. | Rents cannot be raised as much as has been forecast. | 2 | 5 | 10 | A | <ul style="list-style-type: none"> Prudent estimates of inflation rates are used in forecasting. | Assistant Director Finance | Monthly |
| 17 | Income and Funding | Right to Buy sales are higher than forecast. | Less revenue will be received over the life of the plan than has been forecast. | 2 | 5 | 10 | A | <ul style="list-style-type: none"> Prudent estimates of the level of Right to Buy sales are used in forecasting. | Assistant Director Finance | Monthly |

Appendix E

This report is PUBLIC –
[NOT PROTECTIVELY MARKED]

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