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REGENERATION, COMMUNITY AND CULTURE OVERVIEW & SCRUTINY

27 June 2013

HOUSING REVENUE ACCOUNT BUSINESS PLAN 2012-2042, AND ASSET MANAGEMENT STRATEGY

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Summary

This report provides an update on the HRA Business Plan, following the introduction of HRA Self Financing and revisions to the Housing Asset Management Strategy.

The Housing Revenue Account (HRA) Business Plan is a strategic update of the 2005-35 HRA Business Plan.

The Asset Management Strategy provides up to date information on the nature and condition of the council's housing stock and HRA Assets and targets and options for these in the future.

1. Budget and Policy Framework

1.1 The HRA Business Plan supports the Council's Housing Strategy, is consistent with the Council's Plan in respect of housing, and in-line with the Council's budgetary framework.

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2. Background

2.1 The Housing Revenue Account (HRA) is a separate account that all local authorities with housing stock are required to maintain. It contains details of the costs arising from the provision and management of the Council's housing stock, offset by tenants rents and service charges, leaseholder service charges and other income.

2.2 The housing stock represents one of the Council's highest value assets and its repair and maintenance is a significant liability, therefore planning for its sustainable future is important. Effective and efficient management of housing assets plays an important part in delivering many of the Council's corporate priorities and strategic objectives and the Asset Management Strategy (AMS) provides the long term planning, provision and sustainability of assets.

2.3 Local Authorities have a number of statutory and non-statutory responsibilities in relation to housing. They act as place shapers and take overall responsibility for meeting the housing needs of their locality. At the same time there is a responsibility to make sure that the Council's resources are used in the most effective way ensuring value for money. The Asset Management Strategy will ensure that effective stock decisions can be made and responsive repairs can be minimised, and is considered to be good practice in managing housing stock.

2.4 Since the 1 April 2012 the new self-financing arrangement for the HRA has been in place. This has brought about new opportunities for the Council to invest in current or potential new stock by using the 'Headroom' created by self financing. Officers have identified projects which could utilise this 'Headroom' such as:

- A programme of re-modelling and improvements to sheltered housing;
- Potential to develop affordable housing units possibly on HRA owned, underused garage sites; and
- Potential to acquire and improve existing properties, which would also benefit the Council's Regeneration Strategy.

2.5 In 2005, Medway Council produced a 30-year Business Plan for the HRA covering the period 2005-35.

2.6 An Interim Business Plan was approved in 2011-12, giving up-to-date information on the nature and condition of the housing stock, recent management performance and targets for improving the service in the future.

2.7 The interim plan was produced pending the settlement and impact of the new HRA Self Finance system being implemented.

2.8 The Financial HRA Business Plan has been revised with the assistance of the Chartered Institute of Housing. A copy of this can be found at Appendix A of this report.

2.9 The plan illustrates a sustainable budget over the next 30 years. It allows for investment in the housing service and for the stock to be maintained to the current Decent Homes standard and allows for additional investment and to repay debt.

2.10 The Business Plan and Asset Management Strategy sets out our priorities, agreed with tenants and leaseholders, for modernising the housing stock and providing a continuously improving service to customers.

2.11 This Business Plan is also a statement of the viability of the Medway Council's Housing Revenue Account (HRA). It does not set the budget for the HRA but reports on the plans already agreed, including those reported to Members on the HRA Capital and Revenue Budgets 2013/14 and the Housing Asset Management Strategy.

3. Asset Management Strategy

3.1 The Council's first Housing Asset Management Strategy (AMS) was published in 2010. This aimed to:

- Define Medway's strategy for asset management and how this aligns to core business objectives;
- Define needs, future trends and changes influencing these;
- Define the stock, its condition, use and required re-investment over the next 30 years;
- Identify the risks and issues relating to the assets and how these may be reduced;
- Define the methodologies and implementation processes for the Strategy; and
- Establish frameworks and templates for monitoring, recording and evaluating performance.

Key achievements since the first Strategy was approved include:

- Completion of phase 1 of a review of sheltered housing
- Completion in excess of £10million of capital and planned maintenance works
- Meeting the Decent Homes standard by 2010
- Ability to fund work above the Decent Homes standard
- Top quartile Customer Satisfaction for capital works
- 20% update of stock condition survey data on an annual basis
- Involvement of residents on an annual basis of setting priorities for planned and capital works
- Top quartile performance for value for money achieved for capital works
- Partnership working as part of the Kent and Medway Green Deal Group and access as part of that group of up to £80million. Medway being one of five pilot areas within Kent for ECO works as a result of the working group
- Phase 1 of the garage review completed, which identified potential areas for development
- Access to significant funds via "Headroom" for future development opportunities
- Formation of corporate Category Management team to assist with improved procurement processes for works to Housing Assets
- Completion of phase 1 of review of all high risk properties identified by the viability model.
- Development of handheld technology to undertake stock condition surveys
- Increase in proportion of planned and capital works and less on reactive maintenance
- Void standard reviewed with residents and top quartile performance achieved leading to faster turnaround of vacant properties and reduced rent loss

3.2 The AMS is regularly reviewed to take into account works that are completed, both planned and responsive. It is also reviewed to reflect changes in legislation and local initiatives, including the changes to the financing regime. The AMS will continue to be reviewed every year, or more frequently if legislative changes to funding require it.

3.3 As a result of the introduction of the new HRA self-financing regime and the need to revise the HRA business plan. It was also necessary to review the Housing Asset Management Strategy. There have been several key updates including:

- Update of property stock numbers and stock type
- Revision of financial forecasts based on a rolling programme of stock condition surveys and in line with the HRA Business Plan
- Updates of staffing structures
- Inclusion of new Decent Homes plus standard “The Medway Standard”
- Details of Energy efficient and improvement of stock to take advantage of government initiatives including Green Deal and the Energy Companies Obligations.
- Reflects the formation of the HRA Development Team to take forward initiatives and options available to the Council as a result of the “Headroom”
- Context update to take account of changes in legislation, funding, targets and regulation requirements.
- Refresh of the stock viability model to assess the feasibility of our stock in terms of rental income, maintenance costs and customer expectations.

3.4 The ongoing stock condition survey (SCS) and associated desktop work inform the required cost reporting tables within the strategy and the HRA Business Plan (Appendix A). These reflect an ideal re-investment profile and are shown excluding fees and management costs. The table indicates a total 30-year reinvestment requirement of £104.024 million. This is based on a rolling stock condition programme that aims to survey 20% of the stock each year as detailed within the strategy.

3.5 The Asset Management Group will continue to be responsible for assessing all re-investment needs, priorities and proposals for delivery of a logical programme to meet the condition requirements. There are sufficient resources available in order to meet these requirements.

3.6 The SCS identifies the remaining life of an asset or element of a building e.g. roof or kitchen based on industry standard life expectancies. Therefore, if the construction or installation date is known or can be estimated, the year when that particular element is due for replacement can also be estimated. However, many elements last longer than expected and work will only be carried out when actually needed.

3.7 In addition to SCS information there are ‘Health and Safety’ works identified through further surveys such as Accessibility Audits and Fire Risk Assessments and ‘Improvement’ and ‘Estate’ works e.g. footways, highway, fences, play areas, amenity greens. Nominal allowances are made for maintaining these asset areas of work.

3.8 The 2013/2014 programme is included within the Revised Asset Strategy and works have been prioritised as follows:

- All works associated with Health and Safety
- Maintaining the Decent Homes Standard and Medway Standard across the estates.
- Backlog and future planned maintenance works.

3.9 To assist in the prioritisation process, a trend analysis of responsive works continues to be undertaken to identify where repairs spend is the highest, so that planned maintenance can be completed to reduce responsive spend.

3.10 To provide best value for money and reduce inconvenience for residents to a minimum, where budgets allow, officers will also look to combine all required works to be carried out, taking a five-year forward view. This is a dynamic process in relation to commissioning and managing the works programme, but will mean that tenants do not have continual works being carried out to their properties, which is more convenient for them.

3.11 Government guidelines have stated that local authorities should be moving away from responsive repairs and towards increased planned maintenance expenditure to achieve a spend ratio of 30:70. Medway is progressing towards this target and in 2013/2014 it is anticipated that 75% of maintenance works will be delivered in a pre-planned way.

3.12 As a result of the revisions made to the Asset Management Strategy, a new high level action plan has been developed and is well on the way to achieving this target and will be monitored by the Asset Management Group. A copy of this is at Appendix B of this report. A full copy of the Asset Management Strategy is available on the website.

4. Options

4.1 **Option 1 – Do not adopt the Interim HRA Business Plan**
Local Authorities are required to produce and maintain an up to date HRA Business Plan that meets the Government's 'fit for purpose' criteria. Not adopting the Interim Business Plan would mean that the Council would not be meeting this requirement.

4.2 **Option 2 – Adopt the Interim HRA Business Plan**
Local Authorities are required to produce and maintain a HRA Business Plan that meets the Governments 'fit for purpose' criteria. The adoption of this Business Plan would allow the Council to continue to meet this requirement.

5. Advice and analysis

5.1 In the light of the requirement to maintain an up to date HRA Business Plan it is recommended that Option 2 is adopted.

6. Risk management

6.1 The primary risk and influencing factors are set out within the Plan and due to the proposed changes to the financing of Council the length of time covered by this Plan has been reduced to help mitigate and manage risks. The Plan will be subject to quarterly review and monitoring, with key identified risks including:

Risk	Description	Action to avoid or mitigate risk
No up to date Business Plan in place.	Local Authorities are required to produce and maintain a HRA Business Plan that meets the Governments 'fit for purpose' criteria.	The adoption of this Interim Business Plan would allow the Council to continue to meet this requirement
Significant change in income from rent or service charges affects business plan.	Arrears escalate above predicted bad debt provision.	Dedicated team in place to manage income. Weekly reports produced to monitor robustly performance and take prompt and effective action.
Change of stock number.	Significant change in stock numbers due to increase in Right To Buy.	Significant changes will be monitored and Business Plan refreshed as necessary.

7. Consultation

7.1 The Plan has been developed building on the work arising from the Annual Report to Tenants, along with resident surveys, consultation with Resident Forums and Focus Groups.

7.2 The HRA's Asset Management Group, which includes tenant representatives, has consulted on the revised Strategy. At this, a panel of tenants and leaseholders are able to debate and discuss matters affecting the management of their homes, enabling them to make recommendations in terms of relevant reports about the HRA service, including the proposed Plan. The Strategy was considered and approved by the panel members.

8. Financial and legal implications

8.1 The proposed HRA Business Plan brings together information on various aspects on the management of the HRA, and whilst the Government requires Local Authorities to produce and maintain a HRA Business Plan that meets the Government's 'fit for purpose' criteria, it is not a specific legal duty and duties in respect of the financial management of the HRA financial have been covered in previous reports.

9. Recommendations

9.1 The Overview and Scrutiny Committee is asked to recommend the Cabinet adopt the attached HRA Business Plan.

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Background papers

Housing Revenue Account Business Plan 2012/42
Housing Asset Management Strategy

Appendix A

Medway Council
HRA Business Plan Position Update Briefing Note

1. Introduction

1.1 CIH Consultancy has been appointed to provide HRA Business Plan support to the Council.

1.2 This note sets out the updated base position of the Housing Revenue Account, with forecasts over the next 30 years demonstrating its ability to meet the established investment standard to the existing stock and sustain balances without falling into deficit. Furthermore, we have identified options available to the Council for the use of the borrowing headroom currently available and the additional revenue resources that will be available as the plan matures.

2. Stock Summary

2.1 Medway Council currently has 3,030 tenanted properties as at the beginning of 2012 and is subject to change due to right to buy sales.

2.2 The average weekly rent for the stock is £76.75 against formula (or target) rent of £77.20 per week on a 52 week basis. The formula (or target) rent is a government based formula to calculate a social rent for each individual property. It is calculated using a weighting factor for the number of bedrooms, the property value as at January 1999 and the county average earnings index. This formula rent is then increased by inflation (September RPI) plus 0.5% each year. The expectation of the government is that actual rents will increase to meet or converge with the formula rent for each property by April 2015. It is currently estimated that 24 properties will not achieve convergence by April 2015 due to a £2 cap applied above the inflationary increase.

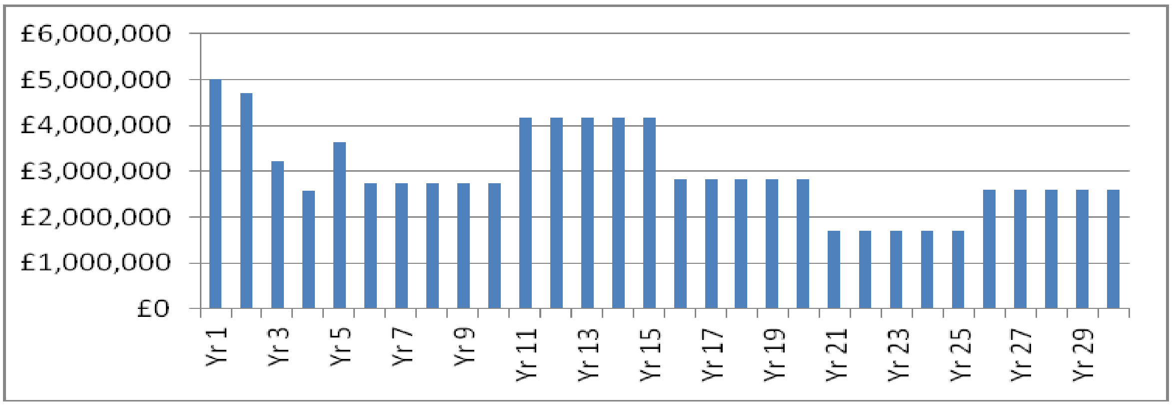
2.3 For this year's rent increase the policy has been applied resulting in a rent increase of 3.53%, based on a 52 week basis, as RPI was 2.6%. This also means that Medway can expect slightly higher than inflation increases over the next 2 years (April 2014 and 2015) to achieve convergence, though much of this rent increase has been taken into account in the self-financing debt settlement, implemented in April 2012 as part of withdrawal from the Housing subsidy system.

2.4 The Council has produced an asset management strategy detailing future stock investment requirements based on a series of components, replacement costs values and life-cycles for each individual property based on an external stock condition survey by Rand in 2010.

2.5 This survey data has been incorporated into an asset management database, Codeman, which has been updated internally based on additional surveys carried out and retrospective improvements made through the capital programmes. The database as been set to provide expenditure forecasts on a 'Just-In-Time' basis, to ensure that works are completed in the years when forecast to be at the end of their life-cycle.

2.6 The chart below shows the total level of expenditure required for each year for the current number of properties and at today's prices and excludes inflation and capitalised salaries.

Chart 2.1 Stock Investment Requirements



2.7 Years 1 (12/13) and 2 (13/14) in the above graph reflect the current capital programmes. From year 3 the data is derived from the stock condition survey allows for a forecast £1.342million investment backlog to be included within year 3. In addition, due to particular spikes in expenditure in certain years we have allocated the expenditure in five year block, which results in some works being brought forward a year or two earlier. However, this allows for improved planning when considering the resources available.

2.8 Excluded from the above chart are an annual provision for £252,000 for disabled adaptation works and £142,000 for estate improvement works, derived from the asset management strategy.

2.9 The required expenditure over 30 years, totals £104.024million or on a per unit basis £34,330. This level of expenditure is in-line with benchmarks from our experience for similar authorities, and does allow for component replacement on realistic basis and to a modern standard, above the minimum Decent Homes Standard. Therefore an appropriate and comparable level of investment as been assumed within the plan, but should not be considered for reduction in the future. The debt allocation formula applied by Government assumed expenditure of £31,735 per unit for the same period.

3. Government Initiative to Reinvigorate Right to Buy Programme

3.1 In late 2011 the Government announced the reinvigoration of the right to buy policy to encourage an increase in the take up of home ownership. To achieve this, the maximum level of discount available to tenants increased to £75,000 effective from March 2012.

3.2 With the expected increase in sales the Government anticipated that sufficient receipts nationally could be achieved to replace each home sold with the ability to fund the build (or acquisition) of another. However the newly arising receipt could only fund a maximum of 30% of the build cost, with authorities having to finance the remaining 70% from their own resources (excluding capital receipts or other Government funding) and the build must be completed within 3 years of the receipt arising, though accounted for in quarters.

3.3 Within the self-financing settlement an average of around 5 homes per year, for the first five years, where factored in the calculation arriving at the debt taken on in March 2012, for replacing the outgoing subsidy system. This reflected the mechanism where 75% of right to buy receipts were pooled by the treasury with the remaining 25% to be utilised by the authority for capital expenditure. Given that sales were expected to exceed this, the Government allowed for a first call from the receipt to allow the authority to reduce its debt for the attributable amount of the additional sales. There is also a deduction allowed to cover administration costs.

3.4 So, in summary, to arrive at the amount of right to buy receipts that can be reinvested in providing additional homes the initial receipt is subject to deductions for:

- attributable debt repayment (of additional sales)
- administration costs
- a capped (pre-determined) payment to the Government (reflecting the previous pooling arrangement)
- a capped (pre-determined) value that the Council can keep to spend on capital for either the General Fund (again as per the previous regime)

The results of higher sales have been further explored in section 6 of this briefing.

3.5 As the agreement required to keep and reinvest the resulting receipts was signed early in 2013, only the receipts accumulating from January 2013 can be retained for the provision of new homes. The Council has the options with these receipts to either use these receipts for up to 30% of the build costs of new HRA Council Housing, a grant to a registered provider (again restricted to 30% of the build cost) or up to 30% of an acquisition of an open market property for the HRA.

4. The HRA Business Plan Base Position

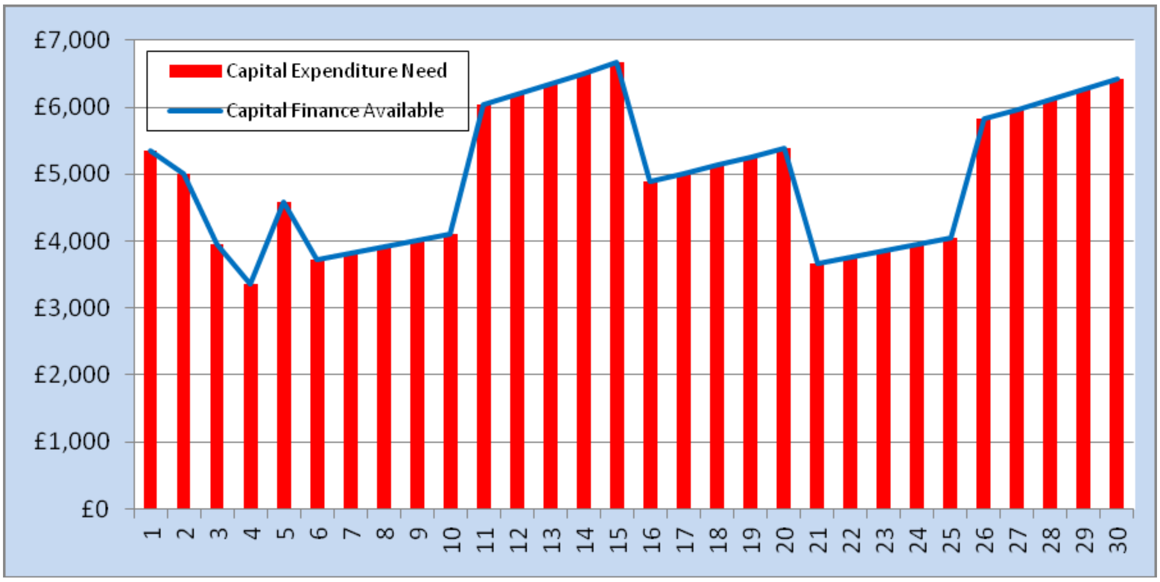
4.1 The financial projections use a model specifically designed for projecting forward the HRA and capital forecasts under HRA self-financing.

4.2 The model is launched using the budgets for the 2012/13 and proposed 2013/14 HRA and capital programme and the above stock investment requirements from year 3.

4.3 The model then uses a series of assumptions for both core inflation and real inflation factors to the base costs. These are covered in the appendices at the end of this note.

4.4 We have shown below in graphical format the key outputs of the base position of the HRA Business Plan.

Chart 4.1 Capital Expenditure and Resources



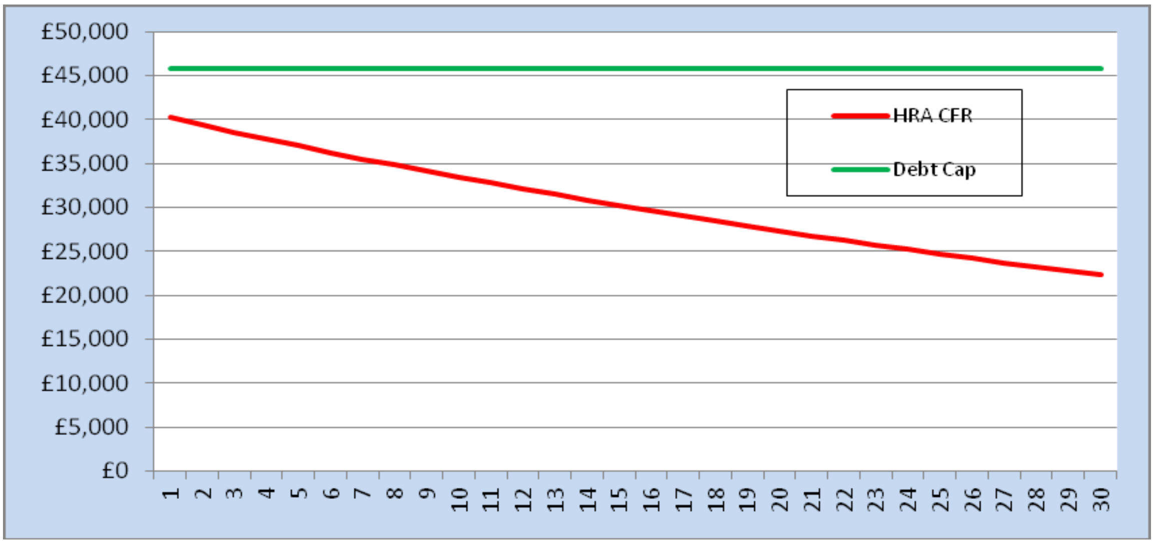
4.5 The above graph demonstrates the spend requirements for investing in the existing stock derived from the chart 2.1 above in the (red) vertical lines. It provides for future inflation and any salaries charged to the capital programme. Year 1 is 2012.13 and demonstrates the current £5.363million and propose £5.0million programme for 2013.14.

4.6 The (blue) horizontal line demonstrates the resources available to fund the in-year capital expenditure. The resources available to fund the above works are:

- Depreciation Charge to the HRA: £3.215m 2012.13
- RCCO (Revenue Contribution from the HRA): £1.800m 2012.13
- Balances within the Major Repairs Reserve: £0.348m 2012.13
- Usable Right to Buy Receipts (from the existing pooling regime of 25%): Nil within this plan
- HRA Borrowing (through the HRACFR): Nil within this plan
- External Grants: Nil within this plan

4.7 The graph demonstrates the HRA can fully fund the required capital investment in each year of plan without the need for additional borrowing, nor capital receipts from Right to Buys.

Chart 4.2 HRA Capital Financing Requirement (HRACFR)



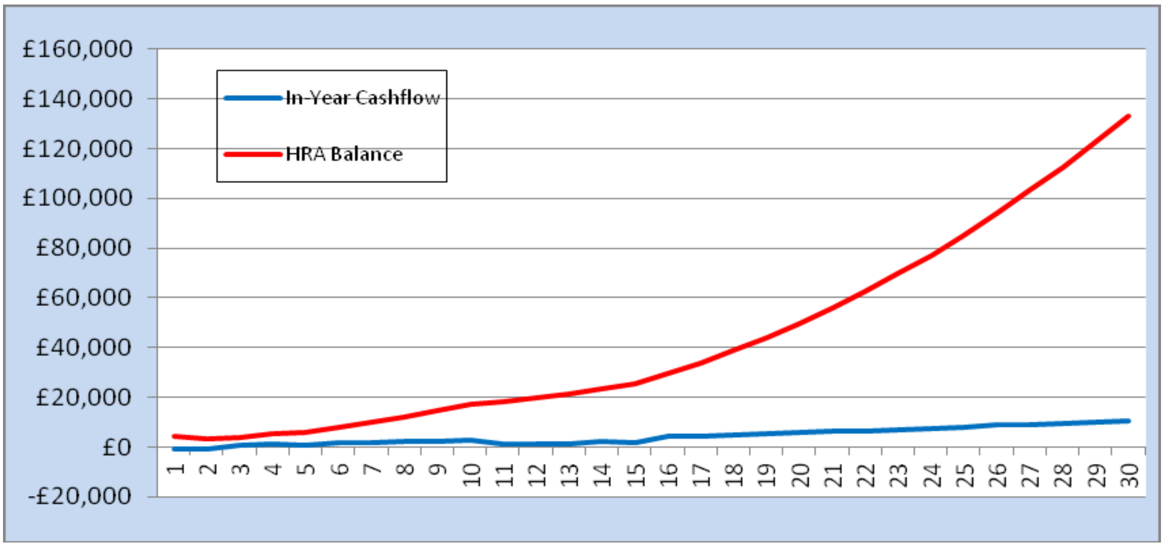
4.8 In summary the HRACFR is recognised as the HRA's accountable debt as part of the Council's overall financed position.

4.9 The opening HRACFR for 2012.13 is £41.146million as is inclusive of the self-financing transaction, replacing the outgoing subsidy payments that used to be made to Government. In order to protect the public finances, the Government have imposed a debt cap on local authorities, set at the debt settlement value, this being £45.846million for Medway. Given the actual debt (HRACFR) is £41,146 there is therefore is initial borrowing headroom of £4.7million which can be utilised to fund future capital expenditure as is discussed later in this note.

4.10 There is currently no statutory requirement for Councils to reduce their HRACFR, unlike the General Fund CFR. The Council, as part of its treasury management policy, is to reduce the HRA CFR, resulting in a charge to the HRA, which is termed a Minimum Revenue Provision (MRP). This is calculated as 2% of the opening HRACFR for each year.

4.11 The chart therefore demonstrates a slowly reducing HRACFR from the opening position of £41.146milllion to a closing balance of £22.334 in year 30. As no borrowing is required to fulfil the capital requirements, as described above, the available borrowing headroom increases year on year.

Chart 4.3 HRA Balances



4.12 The HRA commences in 2012.13 with an opening balance of £4.835million. The forecast net cash-flow position for the current year within the model is a deficit of £0.730million, as according to the revised budget for 2012.13 is a surplus of £1,070m but after utilising balances of £1,800m to fund capital expenditure the model shows a deficit of £0.730million. The model shows a slight variation to this due to a higher number of right to buy sales expected than predicted when producing the budgets.

4.13 As rents continue to increase above the rate of inflation (and converge with formula rent by April 2015) throughout the plan and interest rates remain relatively static (at 4.15%), the plan can begin to develop in-year surpluses, even after funding the required capital works. We estimate that from year 3, the HRA could make surpluses of c£0.530million and increase through the plan, dependant on the requirements of the capital programme.

4.14 The above chart demonstrates that according to the base assumptions used within the model, the HRA could achieve balances in the region of £133million by year 30, though with a debt (HRACFR) of £22million.

4.15 In addition the depreciation contribution from the HRA to fund capital works is higher than forecast expenditure which results in a positive balance of c£8million by year 30.

4.16 In summary, the base position projects a healthy and viable HRA in being able to:

- Meet its investment requirement in the stock
- Reduce immediately its level of debt and effectively halve it over the 30 year period
- Retain substantial balances within the HRA, higher than the level of debt
- Balances within the Major Repairs Reserve

5. Options Available to Medway

5.1 The production of a base HRA Business Plan Model has identified the HRA is viable based on the assumptions made, can meet it's investment obligations, reduce it's debt partially and retain significant balances at the end of 30 years.

5.2 However with this position it provides the opportunity to invest additional resources within the Housing service. We have summarised these additional resources over the next five years from April 2013:

- Borrowing headroom of £5.5m from 2013.14 and will have increased to £9.6 million over 5 years, due to the voluntary reduction of the HRA CFR and right to buy sales – as a one-off investment
- Use of up to £6.8million from existing (£2.5million) and future escalating HRA balances (based on keeping £1million as a minimum balance) – as a one-off investment

5.3 Due to strict accounting regulations any capital expenditure financed by the HRA must be on existing HRA assets by improving them or creating them.

5.4 We have summarised areas below areas of Investment that Medway could consider for investing these additional resources:

5.5.1 Investment in Existing Stock

The Council could consider increasing the standard it has set for its investment programme on its asset management database. For example, kitchens could be specified to a higher standard or life-cycles could be reduced. In addition redecoration could be considered after major works adding to tenant satisfaction.

By increasing the standard and or introducing additional aspirational items like security lighting and alarms for example, the investment cost would increase and if particularly upfront would result in using the borrowing headroom and potentially the HRA reserves. Future HRA surpluses could be used to replace these items at the end of their life-cycle.

For example if an extra £3,000 per unit (totalling £9.1million) was investment over the next five years and repeated 15 years later, £3.6million of borrowing would be required and HRA reserves would be used initially. The HRACFR at the end of 30 years would stand at £24.4million and HRA balances reduced to £109.2million.

5.5.2 New Build

The Council could consider using its borrowing headroom to fund the cost of new build with or without the support of grant or the usable new build receipts available from the reinvigoration of right to buys.

On the basis of 6 sales this year and 8 per year for next year we estimate that approximately £198,000 will be available to part fund (30%) of new build. From year 3 onwards sale levels, based on average values, would have to increase above 5 per year to achieve future useable receipts.

In practice Councils have commissioned support from registered providers to act as agents in the development of new build, rather than using their own staff, as they currently spare capacity within the sector.

As an example if HRA land could be used, we estimate that 90 units over three years could be built at an all-in build cost of £125,000, utilising the borrowing headroom and useable right to buy receipts. This is without any external support and the HRA fully funding the build costs. Using rental income at £90 per week (assumed at the higher-end of social rents) and allowances for management and maintenance the HRA Business Plan remains viable with closing debt of £26million and HRA balances of £129million at the end of 30 years.

If the HRA has no available land it could consider ‘purchasing’ from the General Fund, would result in a transfer between the two respective CFRs rather than a revenue balance transaction. Again by doing this the HRA headroom would be utilised.

Many Council’s are looking to cross-subsidise their new build developments with private sector or shared ownership as part of the overall development of affordable housing. Many options range as to the Council benefiting from a share of the profit of the private market sale properties direct from the developer. In addition shared ownership presents an option for also receiving part subsidy towards the development costs, with the HRA benefiting from a share in the property and rental income with no maintenance liability.

5.5.3 Regeneration

The baseline HRA business plan includes an annual provision for £0.142million for estate works. This budget could be enhanced to provide for more aspiration works such as off-street car parking, improved playground areas, works to communal paths, areas and unadopted roads. Improvements could be made to non-dwelling assets such as garages, for example. Such expenditure could be funded from the borrowing headroom or HRA reserves.

Through asset management strategies, Councils are considering the need and viability of its various assets with in appropriate sheltered housing becoming a priority. The Council could reconsider its own stock and establish whether it is best to improve the existing sites or redevelopment with a mix of tenures. It is difficult to assess such an impact to the HRA without having such a scheme to model.

5.5.4 Service Improvements

With the additional surpluses that the HRA will generate the Council could consider increasing its service provision in line with tenant aspirations. Examples of this could be improved void standards or additional staff to cope with the demands welfare reform will bring on the service.

6. Conclusion

6.1 This briefing note has identified that according to the assumptions adopted that Medway has viable HRA Business Plan in that it can meet its current investment standard, partially repay the HRACFR and retain significant HRA balances. Therefore the plan is not particularly susceptible to changes in inflation.

6.2 We have laid out some examples of how the additional resources within the plan could be utilised.

Simon Smith

February 2013

The key assumptions underlying the base HRA Business Plan forecasts are:

- 2012.13 and 2013.14 Inputs are based on the current HRA forecasts
- For 2014.15 beyond the original budgets for 2013.14 and be used and have been uplifted by a 2.5%RPI factor throughout
- Rents are set to increase to achieve convergence in April 2015
- The plan balances the 2012.13 and proposed 2013.14 capital programme and the Just-In-Time (JIT) cost projections have been used from 2014.15 onwards – with re-profiling to five year segments and allocation of and estimated £1.3million backlog to year 3, as per paragraph 2.7.
- The Council has taken a One Pool approach to its financing of both the HRA and General Fund. The interest charged to the HRA remains at 4.15% throughout the plan. The 4.15% rate is a safe assumption given the current loan portfolio the Council holds with relatively long-term facilities incorporated, some beyond the 30 years of the plan.
- We have included the Minimum Revenue Provision (MRP) of 2% of opening debt balance to reduce the HRA's debt (HRA CFR) over the plan. This results in an annual charge to the HRA of c£0.82m (and reducing) but reduces the HRA CFR and therefore increases borrowing potential up to the debt cap imposed by CLG. In addition the attributable debt, from the right to by sales over and above the self-financing settlement, has reduced the HRACFR in years 1 and 2.
- We have assumed Right to Buys of 8 per year in year 2 then reducing to 4 and gradually phasing out, with the HRA not benefiting from the capped allowance for retention (which will go to the General Fund). We have assumed that should any receipts be raised for investment in new homes that these are returned to the Government. In additional we have assumed that the HRA does not benefit from any additional debt write-off
- No demolitions or disposals of existing HRA stock are assumed, apart from RTB Sales
- No HRA new build is assumed
- The model allocates Revenue Contribution to Capital Outturn (RCCO) on a as-needed basis with keeping a minimum balance of £1million and if required borrowing is enabled
- We have doubled the current provision for bad debts ahead of the Government's welfare reform
- Inflation is assumed at 2.5% throughout with no costs of income other than rents increasing above this.

HOUSING REVENUE ACCOUNT PROJECTIONS
Medway Council

Year	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
£'000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
INCOME:															
Rental Income	12,081	12,728	12,848	13,226	13,605	13,997	14,402	15,104	15,249	15,690	16,147	16,621	17,108	17,948	18,125
Void Losses	-75	-69	-70	-72	-74	-76	-78	-82	-83	-85	-88	-90	-93	-97	-98
Service Charges	1,029	1,088	1,115	1,143	1,172	1,201	1,231	1,262	1,293	1,326	1,359	1,393	1,428	1,463	1,500
Non-Dwelling Income	203	206	211	216	222	227	233	239	244	251	257	263	270	277	284
Grants & Other Income	62	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Total Income	**13,300**	**13,954**	**14,105**	**14,515**	**14,925**	**15,350**	**15,789**	**16,524**	**16,705**	**17,183**	**17,677**	**18,188**	**18,714**	**19,591**	**19,812**
EXPENDITURE:															
General Management	-3,348	-3,459	-3,545	-3,634	-3,725	-3,818	-3,913	-4,011	-4,111	-4,214	-4,320	-4,428	-4,538	-4,652	-4,768
Special Management	-1,109	-1,268	-1,300	-1,332	-1,365	-1,400	-1,435	-1,470	-1,507	-1,545	-1,584	-1,623	-1,664	-1,705	-1,748
Other Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent Rebates	-178	-167	-84	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-52	-76	-77	-79	-81	-84	-86	-90	-91	-94	-97	-99	-102	-107	-108
Responsive & Cyclical Repairs	-1,871	-2,168	-2,222	-2,278	-2,335	-2,393	-2,453	-2,514	-2,577	-2,641	-2,708	-2,775	-2,845	-2,916	-2,989
Total Revenue Expenditure	**-6,558**	**-7,138**	**-7,227**	**-7,323**	**-7,506**	**-7,694**	**-7,887**	**-8,086**	**-8,287**	**-8,494**	**-8,707**	**-8,925**	**-9,149**	**-9,380**	**-9,613**
Interest Paid	-1,687	-1,651	-1,616	-1,584	-1,552	-1,521	-1,490	-1,460	-1,431	-1,402	-1,374	-1,347	-1,320	-1,294	-1,268
Finance Administration	-45	-45	-52	-53	-55	-56	-58	-59	-60	-62	-64	-65	-67	-68	-70
Interest Received	92	71	39	74	87	103	130	163	199	237	265	283	303	330	359
Depreciation	-3,215	-3,336	-3,409	-3,489	-3,572	-3,657	-3,744	-3,834	-3,926	-4,020	-4,117	-4,217	-4,320	-4,425	-4,532
Net Operating Income	**1,887**	**1,855**	**1,840**	**2,139**	**2,328**	**2,525**	**2,740**	**3,247**	**3,199**	**3,441**	**3,679**	**3,916**	**4,162**	**4,754**	**4,688**
APPROPRIATIONS:															
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	-823	-805	-787	-771	-755	-740	-725	-711	-697	-683	-669	-656	-643	-630	-617
Revenue Contribution to Capital	-1,800	-1,664	-529	0	-890	-62	-67	-73	-79	-85	-1,921	-1,972	-2,025	-2,078	-2,133
Total Appropriations	**-2,623**	**-2,469**	**-1,316**	**-771**	**-1,645**	**-802**	**-793**	**-784**	**-775**	**-767**	**-2,591**	**-2,628**	**-2,667**	**-2,708**	**-2,750**
ANNUAL CASHFLOW	**-736**	**-614**	**524**	**1,368**	**682**	**1,723**	**1,947**	**2,463**	**2,424**	**2,673**	**1,089**	**1,288**	**1,495**	**2,046**	**1,938**
Opening Balance	4,835	4,099	3,485	4,009	5,377	6,060	7,782	9,729	12,192	14,617	17,290	18,379	19,667	21,161	23,208
Closing Balance	**4,099**	**3,485**	**4,009**	**5,377**	**6,060**	**7,782**	**9,729**	**12,192**	**14,617**	**17,290**	**18,379**	**19,667**	**21,161**	**23,208**	**25,145**

HOUSING REVENUE ACCOUNT PROJECTIONS

Medway Council

Year	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42
£'000	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
INCOME:															
Rental Income	18,656	19,203	19,766	20,345	21,344	21,558	22,198	22,856	23,534	24,231	25,429	25,689	26,451	27,235	28,043
Void Losses	-101	-104	-107	-110	-116	-117	-120	-124	-128	-131	-138	-139	-144	-148	-152
Service Charges	1,537	1,576	1,615	1,656	1,697	1,739	1,783	1,827	1,873	1,920	1,968	2,017	2,068	2,119	2,172
Non-Dwelling Income	291	298	305	313	321	329	337	345	354	363	372	381	391	401	411
Grants & Other Income	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Total Income	**20,385**	**20,974**	**21,581**	**22,205**	**23,247**	**23,511**	**24,199**	**24,906**	**25,635**	**26,384**	**27,633**	**27,950**	**28,768**	**29,609**	**30,476**
EXPENDITURE:															
General Management	-4,887	-5,009	-5,135	-5,263	-5,395	-5,529	-5,668	-5,809	-5,955	-6,103	-6,256	-6,412	-6,573	-6,737	-6,905
Special Management	-1,792	-1,836	-1,882	-1,929	-1,978	-2,027	-2,078	-2,130	-2,183	-2,238	-2,293	-2,351	-2,410	-2,470	-2,532
Other Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-112	-115	-118	-122	-128	-129	-133	-137	-141	-145	-152	-154	-158	-163	-168
Responsive & Cyclical Repairs	-3,063	-3,140	-3,218	-3,299	-3,381	-3,466	-3,553	-3,641	-3,732	-3,826	-3,921	-4,019	-4,120	-4,223	-4,328
Total Revenue Expenditure	**-9,854**	**-10,101**	**-10,354**	**-10,613**	**-10,881**	**-11,151**	**-11,431**	**-11,717**	**-12,011**	**-12,312**	**-12,623**	**-12,936**	**-13,260**	**-13,593**	**-13,933**
Interest Paid	-1,242	-1,218	-1,193	-1,169	-1,146	-1,123	-1,101	-1,079	-1,057	-1,036	-1,015	-995	-975	-955	-936
Finance Administration	-72	-74	-76	-77	-79	-81	-83	-85	-88	-90	-92	-94	-97	-99	-102
Interest Received	405	469	537	611	693	794	913	1,038	1,171	1,312	1,451	1,586	1,725	1,871	2,026
Depreciation	-4,643	-4,755	-4,871	-4,990	-5,111	-5,236	-5,365	-5,497	-5,633	-5,772	-5,914	-6,060	-6,209	-6,362	-6,519
Net Operating Income	**4,979**	**5,295**	**5,624**	**5,966**	**6,723**	**6,714**	**7,132**	**7,566**	**8,018**	**8,488**	**9,440**	**9,451**	**9,952**	**10,471**	**11,011**
APPROPRIATIONS:															
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	-605	-593	-581	-569	-558	-547	-536	-525	-515	-504	-494	-484	-475	-465	-456
Revenue Contribution to Capital	-244	-254	-263	-273	-283	0	0	0	0	0	0	0	0	0	0
Total Appropriations	**-849**	**-846**	**-844**	**-842**	**-841**	**-547**	**-536**	**-525**	**-515**	**-504**	**-494**	**-484**	**-475**	**-465**	**-456**
ANNUAL CASHFLOW	**4,130**	**4,449**	**4,780**	**5,124**	**5,882**	**6,167**	**6,596**	**7,041**	**7,504**	**7,983**	**8,946**	**8,967**	**9,477**	**10,006**	**10,555**
Opening Balance	25,145	29,275	33,724	38,504	43,629	49,510	55,678	62,274	69,315	76,819	84,802	93,748	102,716	112,193	122,199
Closing Balance	**29,275**	**33,724**	**38,504**	**43,629**	**49,510**	**55,678**	**62,274**	**69,315**	**76,819**	**84,802**	**93,748**	**102,716**	**112,193**	**122,199**	**132,754**

HOUSING CAPITAL PROJECTIONS
Medway Council

Year	2012.13	2013.14	2014.15	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
£'000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
EXPENDITURE:															
Planned Variable Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planned Fixed Expenditure	-5,005	-4,705	-3,641	-3,045	-4,274	-3,391	-3,476	-3,562	-3,652	-3,743	-5,668	-5,809	-5,955	-6,104	-6,256
Disabled Adaptations	-306	-250	-258	-265	-271	-278	-285	-292	-300	-307	-315	-323	-331	-339	-347
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Procurement Fees	-45	-45	-46	-47	-48	-50	-51	-52	-53	-55	-56	-58	-59	-61	-62
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-5,356**	**-5,000**	**-3,945**	**-3,357**	**-4,593**	**-3,719**	**-3,812**	**-3,907**	**-4,005**	**-4,105**	**-6,039**	**-6,190**	**-6,344**	**-6,503**	**-6,666**
FUNDING:															
Major Repairs Reserve	3,556	3,336	3,416	3,357	3,703	3,657	3,744	3,834	3,926	4,020	4,117	4,217	4,320	4,425	4,532
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	1,800	1,664	529	0	890	62	67	73	79	85	1,921	1,972	2,025	2,078	2,133
Total Capital Funding	**5,356**	**5,000**	**3,945**	**3,357**	**4,593**	**3,719**	**3,812**	**3,907**	**4,005**	**4,105**	**6,039**	**6,190**	**6,344**	**6,503**	**6,666**
In-Year Net Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

MRR Account:															
Opening Balance	348	7	8	0	132	0	0	0	0	0	0	0	0	0	0
Net Contribution (Depr)	3,215	3,336	3,409	3,489	3,572	3,657	3,744	3,834	3,926	4,020	4,117	4,217	4,320	4,425	4,532
Use of Reserve to Capital	-3,556	-3,336	-3,416	-3,357	-3,703	-3,657	-3,744	-3,834	-3,926	-4,020	-4,117	-4,217	-4,320	-4,425	-4,532
Contribution to HRACFR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	**£7**	**£8**	**£0**	**£132**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**

HOUSING CAPITAL PROJECTIONS

Medway Council

Year	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42
£'000	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**
EXPENDITURE:															
Planned Variable Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Planned Fixed Expenditure	-4,467	-4,579	-4,693	-4,811	-4,931	-3,197	-3,277	-3,359	-3,443	-3,529	-5,286	-5,418	-5,553	-5,692	-5,834
Disabled Adaptations	-356	-365	-374	-383	-393	-403	-413	-423	-434	-445	-456	-467	-479	-491	-503
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Procurement Fees	-64	-65	-67	-68	-70	-72	-74	-76	-77	-79	-81	-83	-86	-88	-90
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	**-4,887**	**-5,009**	**-5,134**	**-5,263**	**-5,394**	**-3,672**	**-3,764**	**-3,858**	**-3,954**	**-4,053**	**-5,823**	**-5,968**	**-6,118**	**-6,271**	**-6,427**
FUNDING:															
Major Repairs Reserve	4,643	4,755	4,871	4,990	5,111	3,672	3,764	3,858	3,954	4,053	5,823	5,968	6,118	6,271	6,427
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Receipts/Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	244	254	263	273	283	0	0	0	0	0	0	0	0	0	0
Total Capital Funding	**4,887**	**5,009**	**5,134**	**5,263**	**5,394**	**3,672**	**3,764**	**3,858**	**3,954**	**4,053**	**5,823**	**5,968**	**6,118**	**6,271**	**6,427**
In-Year Net Cashflow	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cumulative Position	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

MRR Account:															
Opening Balance	0	0	0	0	0	0	1,564	3,166	4,805	6,484	8,202	8,294	8,385	8,477	8,568
Net Contribution (Depr)	4,643	4,755	4,871	4,990	5,111	5,236	5,365	5,497	5,633	5,772	5,914	6,060	6,209	6,362	6,519
Use of Reserve to Capital	-4,643	-4,755	-4,871	-4,990	-5,111	-3,672	-3,764	-3,858	-3,954	-4,053	-5,823	-5,968	-6,118	-6,271	-6,427
Contribution to HRACFR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	**£0**	**£0**	**£0**	**£0**	**£0**	**£1,564**	**£3,166**	**£4,805**	**£6,484**	**£8,202**	**£8,294**	**£8,385**	**£8,477**	**£8,568**	**£8,660**

Appendix B

Asset Management Strategy 2013 -14 Summary Action Plan				
Action Number	**Action**	**By whom**	**Target date (month end)**	**Progress to date**
1	**Annually appraise the housing portfolio including developing the Viability Model to continue to identify unsustainable properties (including detailed options studies where applicable)**	Asset Management	Mar-13	Appraisal undertaken during 2011-12 including input from Tenant Representatives. The stock viability template was refreshed in November 2012 and options for future feasibility will be assessed.
2	**Undertake phase 2 review of garage site and report to board on development opportunities arising.**	Stephen Gaimster	Oct-13	Initial feasibility studies have been carried out and the review of arrangements is on going.
3	**Undertake phase 2 review of sheltered housing - including options appraisal around remodelling of the three highlighted schemes and other options appraisal around the three schemes identified in phase 1 review - Longford Court, Marlborough House and Esmonde House**	Stephen Gaimster	Oct-13	Phase one of the review is now complete. The newly appointed Development Team will work on the 2nd phase of the review.
4	**Develop a risk evaluation and management matrix**	Asset Manager	Jun-13	A high level Asset Management Risk register is in place and will be monitored routinely.
5	**Review the Asset Management Strategy and associated documents regularly (not less than once a year) and with reference to the Business Plan**	Asset Manager	Mar-14	Updates the Asset Management Strategy were approved in April 2013. Further updates will be review as and when needed.
6	**Receive reports on outcome of ECO pilot projects and assess benefits to residents of Medway Council and for the Council itself.**	Asset Manager	Sep-13	ECO funded projects will commence in Medway from Summer 2013. Progress of these projects will be routinely presented to the Asset Management Group.

7	**Review schemes of work and developments and progress with these where utilisation of Headroom" and HRA reserves are utilised to develop new housing in Medway**	Stephen Gaimster	Sep-13	The newly appointed Development Team will consider options to develop new housing in Medway. Progress will be fed back to the Asset Management Group.
8	**Consider overall approach to Garage Management arrangements and options available to Medway Council**	Marc Blowers	Sep-13	
9	**Develop Energy Strategy for Housing Services and publish widely**	Asset Manager	Sep-13	The council has provided a statement to the Secretary of State for Energy and Climate Change informing or our plans for improving the energy efficiency of all residential accommodation in Medway. An Energy Strategy for council-owned stock will now be drafted and will take into account our work with ECO and Green Deal initiatives.
10	**Ensure Decent Homes Standard is maintained and exceeded**	AMG	Mar-14	The Decent Homes Standard and the Medway Standard were approved by the Asset Management Group in April 2013. This will be monitored as part of the delivery of the planned maintenance programme for 2013-14