

CABINET

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HOUSING REVENUE ACCOUNT CAPITAL AND REVENUE BUDGETS 2015/16

Portfolio Holder: Councillor Howard Doe, Housing and Community Services

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Summary

This report presents the Housing Revenue Account (HRA) revenue budgets for 2015/2016 and:

- contains details of the proposed 3 year capital programme budget;
- provides details of proposed rent and service charges levels for 2015/16;
- provides an update on the HRA Business Plan which is an integral part of the strategic planning and setting of priorities for the HRA Service.

These proposals will be submitted to the Business Support Overview and Scrutiny Committee on 3 February 2015.

1. Budget and Policy Framework

- 1.1 The Council is required by law to carry out a review of council rents from time to time and to ensure that the HRA does not fall into a deficit position.

2. Background

- 2.1 The 'self-financing' regime for the HRA came into place on the 1 April 2012 and the previous subsidy regime and the complex calculations that accompanied it have now gone. For the most part this leaves the HRA free of Government intervention and with the responsibility for managing and maintaining the Council's housing stock within the rental stream that the stock generates. This report concentrates on proposals for 2015/16 including:

- Rent and Services charges
- Performance management – voids, welfare reform and debt collection
- Expenditure assumptions
- Housing repairs
- Borrowing & Headroom

- New House Building Programme
- Proposed 3 year maintenance capital budget
- Revenue budget for 2015/16.

3. Rent

3.1 The Government has recently introduced a new rent setting formula for social housing landlords to follow for rent increases from April 2015. This policy and proposal was subject to Member consideration at the Business Support Overview and Scrutiny Committee on 26 August 2014 and 7 October 2014, and was approved by Cabinet on 30 October 2014.

The main changes are:-

- Bringing forward rent convergence a year early
- Moving the annual weekly rent increase from the current arrangements of RPI+0.5% + up to a maximum of £2 to Consumer Price Index (CPI) + a maximum of 1%.

Members also had the opportunity to consider whether to charge affordable rent for those households with incomes over £60,000. Member approval was given for **new** tenants from 1 April 2015 to be charged affordable rent where they have a taxable earned income in excess of £60,000.

3.2 The Government anticipates that this new policy will last ten years.

3.3 Appendix A, attached, has the details of the proposed rent increases by property type based on social housing rent, the proposals are in line with government guidance as detailed above.

3.4 The proposed increases, as set out above, will give an average rent increase of £1.89 per week or 2.2% (September 2014 CPI of 1.2% + 1%).

3.5 Rents under this arrangement exclude service charges, which are charged separately and based on actual expenditure.

3.6 As of 1 April 2015, with the proposed increases implemented, Medway HRA will have moved 98.2% of their rent to formula rent. This will leave 1.8% or 53 properties below formula rent.

4. Garage Rents

4.1 The rent charged for garages is £322.50 (£6.45 x 50 weeks) per annum for Council tenants and £430.00 (£8.60 x 50 weeks) per annum plus VAT for other residents. It is proposed that garage rents will increase by 1.2% from April 2015 and the new charge will be £326.50 (£6.53 x 50 weeks) per annum for Council tenants and £435.00 (£8.70 x 50 weeks) per annum plus VAT for other residents. It is estimated that this will generate an additional income of approximately £2,016 based on current letting rates.

4.2 Members were advised during last year's budget setting process that a garage strategy including options for future investment was being developed. Stage 1 of this appraisal has been completed and a report was considered at the Asset

Management Group on 26 June 2014. Members of that group agreed to prioritise individual garage sites for investment whilst considering the future development opportunities of others. A costing analysis is now underway in terms of investment needs and will be factored into future years' capital and planned maintenance budgets. This strategy links directly to the revised HRA Asset Management Strategy and revised HRA Business Plan.

- 4.3 In the past, in order to encourage the take up of some garages in what were perceived unpopular areas, a differential rent level had been set at less than the general rent levels for other garages managed by the HRA Service. This approach has clearly led to an inconsistent charging mechanism and there appears to be no evidence to suggest that take up of these sites has been any greater as a result. It is therefore proposed to raise these rents in line with the rest of the garage sites that the HRA Manages. Details of these sites can be found in Appendix B.

5. Service Charges

- 5.1 Service charges for 2015/16 have been calculated using estimated costs based upon actual charges for previous years and any known increases. Guidance states that, whilst increases should be confined to inflation plus 1%, they also state that providing charges are fair, transparent and set at a level where they cover costs for a particular service without profit or subsidising another, then the authority can use its discretion to charge a rate where costs are fully recovered whilst acknowledging Members preference not to increase any individual charge by more than 15% in any given year, even if a larger increase is needed to fully recover costs.
- 5.2 As part of the budget report for 2014/15 it was highlighted that there were several service charge areas where cost was not being fully recovered and therefore above inflation increases were applied. All service charges are now expected to fully recover costs with the exception of grounds maintenance, sheltered management and helpline.
- 5.3 It was agreed in the 2013/14 budget report that the sheltered management service charge requires above inflation increases of 15% for the next four years in order to fully recover costs. The proposed charges for 2015/16 are based on this principle. It is currently anticipated, as a result of the review of management arrangements, these costs now appear to break even. The same principle will apply to the grounds maintenance service charges and sheltered helpline charges to assist in fully recovering the costs.
- 5.4 An exercise was undertaken on the 2013/14 service charge to analyse the effect of rounding each service charge to the nearest 5p or 10p which was utilised again in 2014/15. It is proposed to continue this process for the 2015/16 service charge accounts. Appendix C details the projected percentage increases required against each type of service charge in 2015/16, and a comparison to the average weekly service charge levies from 2014/15 to those proposed for the next financial year.
- 5.5 This exercise resulted in a small yearly loss of less than £500, but saved 24 hours of administration time.

- 5.6 Some charges for Sheltered Housing are funded through a Housing Related Support fund via a Service Level Agreement. If this fund is discontinued the charges will be payable by the tenants.
- 5.7 The average service charge increase for 2015/16, excluding Housing Related Support eligible charges and charges for new properties, is 4.5% or £0.31 per week.

6 Performance Management

- 6.1 The financial management of the HRA is directly linked to key performance in a number of operational areas (void management, rent collection and arrears recovery).

6.2 Void Management

- 6.2.1 There is a direct correlation between the time a property remains void and the rent foregone.
- 6.2.2 For 2014/15 a target for void property rent and service charge loss was set at 0.54% of the rent debit, equating to £69,860. As at 14 November 2014 performance was at 0.52%, which would produce a reduced financial rent loss of around £66,437 if performance remains at this level for 2014/15.
- 6.2.3 For 2015/16 the provision for void rent and service charge loss has been set at 0.51% against the 2015/16 rent debit or in financial terms £67,601. This is based on a void turnaround target of 18 days and is broadly comparable with November 2014 performance as noted in paragraph 6.2.2.

6.3 Rent Collection/Bad Debt Provision

- 6.3.1 The collection rate for rent and service charges and the performance in managing rent debt is critical to the financial position of the HRA and has a direct impact on the amount of bad debt provision that has to be set aside.
- 6.3.2 It has been calculated, as at 14 November 2014, that the collection level of rent and service charges for 2014/15 will be £13,862,508, which will result in current tenant rent arrears at 1 April 2015 of around £244,745. However, it is projected that total arrears, both current and former tenants, will be in the region of £792,499. This is an improvement on last year.
- 6.3.3 As at 31 March 2015, the projected yearly requirement for bad debt provision will be £105,000.

6.4 Universal Credit

- 6.4.1 If implemented the impact of Central Government's plans to radically reform the welfare benefits system would have a direct impact on the income to the HRA and to its tenants in Medway. Some Kent Authorities are expected to be in phase 1 of the launch from Spring 2015, if implemented, which could impact on Medway's HRA Service if any of those tenants move to a tenancy within

our own stock. Tenants (private or social) who are in receipt of Universal Credit would continue to be paid under this regime if they migrate to a different area.

6.5 Direct Payments – Housing Benefit Payments

- 6.5.1 As part of these reforms it was expected that from April 2014, all new tenants of working age, claiming Housing Benefit (to be incorporated in Universal Credit), would receive their Universal Credit payment directly from the Department of Work and Pensions and would then have to pay the Council their rent directly. There are now delays due to the pilot projects being extended and the roll-out across the country has been delayed and it is unclear when Medway residents will be affected by these changes.
- 6.5.2 Currently all payments of Housing Benefit to HRA tenants are credited directly to rent accounts at no cost. The introduction of Universal Credit would include a gradual shift of payments of state assistance in respect of housing costs to tenants, which would then be collected by the HRA. Based on the current roll-out plans there is potential for a minimal impact through the 2015/16 financial year with an increasing impact from April 2016. Universal Credit in its current form would only affect working age claimants. Currently the HRA receives approximately 70.18% of rental income via Housing Benefit of which 43.8% is in respect of working age tenants and 26.38% of which is in respect of state pension age tenants or £5,748,655 and £3,462,358 respectively.
- 6.5.3 The proposed changes would result in Housing Benefit being paid directly to working aged tenants and it is estimated that the additional cost to the Council to collect this rent from tenants in terms of transaction payments, will be approximately £35,000 to Medway Council. This would be a new additional cost to the HRA. It is also quite likely that arrears and the consequent provision for bad debt will also increase but this has yet to be proven.
- 6.5.4 Work is underway by the HRA team to prepare both the service and tenants for these proposed changes.

7 HRA Expenditure

- 7.1 Generally, all expenditure will remain at 2014/15 levels for 2015/16 to reflect the current economic climate in line with the Medium Term Financial Plan. This includes any corporate determination of pay.
- 7.2 The only exceptions to this will be contracts that are subject to contractual annual uplifts and contracts which are due to be re-tendered.
- 7.3 A comprehensive review has been carried out of activities by other council services outside of the HRA Service which provide services to the HRA. This review has looked in detail at the time spent within various service level agreements between the HRA and the general fund services. This review has concluded that an increase of £86,646 is appropriate to reflect the level of service provided and the management support provided to ensure that the HRA operates effectively and receives the appropriate levels of management support. This increase excludes management fees for the planned and capital

maintenance programme which is an unchanged 12% charge, based on the actual programme delivery.

- 7.4 The cost of Housing Benefits under Rent Rebate Limitation is the responsibility of the HRA. For 2015/16 it is projected that the cost of this will be nil, however a provision of £50,000 has been made as the actual rent rebate limit information will not be available until the beginning of 2015.

8 Housing Repairs

- 8.1 Members will be aware that following formal tendering a new repair and maintenance contract was formally awarded to Mears Ltd for five years, from 1 September 2014. In some areas of the contract the repairs costs submitted were lower than the previous contract costs and savings are expected to be made. A review of budgets will be undertaken at the end of year 1 of this new contract. A profit share element within the contract intends to achieve further efficiency savings year on year. This is linked to a range of key performance indicators to ensure quality of the service is not at the detriment of cost savings.
- 8.2 Housing repairs expenditure covers both planned and responsive maintenance, some of which is capital funded. 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.
- 8.3 Based on the proposed draft combined capital and revenue work programmes the financial split in 2015/16 is likely to be:
- Responsive Maintenance £2.084m
 - Planned/Capital Maintenance £5.375m

This split will equate to a 28:72 spend ratio for 2015/16.

8.4 Responsive Repairs and Voids Budget

- 8.4.1 The revenue expenditure budget funds all general day to day repairs, emergency repairs, repairs to void properties, lift maintenance, estate improvements and repairs programme and central heating maintenance.

8.5 Three-Year Capital Works Budget

- 8.5.1 In previous years the capital works budget has been set on an annual basis. This approach leads to delays in the start on site of some projects as officers cannot formally instruct contractors or the Building and Design Team, who project manage works on behalf of the HRA Service, until formal budget approval has been obtained. This approach also leads to lost opportunity of not being able to produce contracts for longer periods of time for the same work streams which should otherwise lead to greater value for money in procurement terms if those tendering could bring savings via reduction in longer terms work programmes and overheads. It would also lead to savings in terms of administration if a three year budget work programme could be agreed. At present, the same administration processes for tendering have to

be followed annually. It is therefore proposed, given that the HRA Business Plan has been revised and identifies that the plan is financially robust a three-year capital works budget programme be approved.

- 8.5.2 Whilst the detailed plan for capital works for 2015/16 to 2017/18 is currently being finalised in conjunction with the asset management strategy, the table below shows the projected costs of the 3-year HRA capital works programme (including disabled adaptations, but excluding the house building programme). Any under-spend to the 2014/15 capital programme will be added to the 2015/16 capital programme and the same principle will apply to 2016/17 and 2017/18 capital programmes.

8.5.3 3-Year Capital Programme Budget

	15-16	16-17	17-18
Planned Maintenance	£4.630 million	£4.338 million	£4.648 million
Disabled Adaptations	£0.200 million	£0.250 million	£0.255 million
Total	£4.830 million	£4.588 million	£4.903 million

- 8.5.4 The 3-year projected capital programme expenditure will be funded by way of:

3-Year Capital Programme Projected Funding

	15-16	16-17	17-18
Depreciation through Major Repairs Reserves	£3.576 million	£3.630 million	£3.684 million
Contribution from HRA Working Balances	£1.254 million	£0.958 million	£1.219 million
Total	£4.830 million	£4.588 million	£4.903 million

9. House Building Development Programme

- 9.1 Council agreed to the council house building development programme on the 17 October 2013, which requires investment of £8.560 million over four years to be funded from borrowing and re-cycled capital receipts.
- 9.2 During the second year of this programme (2014/15), the estimated spend for the completion of 13 new properties is £1.972 million, of which £1.468 million will be funded via borrowing and £0.504 million from the use of retained capital receipts.
- 9.3 As at 1 April 2013 the maximum headroom available was £5.5 million and Council agreed to add this £5.5 million to the 2013/14 capital programme. The borrowing 'headroom' increases each year to the extent that the Council makes provision for the repayment of HRA debt. In the 2014/15 budget report, it was proposed to increase this capital programme by the 2013/14 Minimum Revenue Payment (MRP) payment made by the HRA, which was estimated to be £0.806 million thereby increasing the capital programme to £6.306 million for 2014/15.

- 9.4 It is again proposed to increase this capital programme by the 2014/15 MRP payment made by the HRA, which is estimated to be £0.790 million thereby increasing the capital programme to £7.096 million for the period from 2014/15 to 2015/16.
- 9.5 As new properties come on line the rents and service charges will be set in accordance with normal procedures via Cabinet and Council approval.

10. HRA Working Balance

- 10.1 There is a requirement to maintain a working balance to safeguard against unplanned and unavoidable increases in expenditure or losses of income. As at 1 April 2014, the working balance stood at £1.968 million. For a number of years the actual HRA balance has exceeded the recommended guideline of £450,000.
- 10.2 The monitoring for Quarter 3 predicts a balance at 31 March 2015 of some £1.745 million, which is similarly in excess of the guideline but given that the balance of reserves is also to cater for future investment, it is recommended a minimum reserve balance of £750,000 would be appropriate.
- 10.3 The draft 2015/16 HRA budget, as presented at Appendix D, produces a projected surplus of £0.986 million for the year and after allowing for a contribution to fund the capital programme of £1.254 million, the revenue balance is forecast to be £1.477 million at 31 March 2016.
- 10.4 The projected working balance is greater than the minimum required. However the 30-year HRA Business Plan is likely to require significant revenue support towards the capital programme, specifically within the next few years.
- 10.5 The business plan shows that following the first two years of the house building programme there is increased flexibility from April 2017 onwards for further investment.

11. New Self-Finance Arrangements - Borrowing & Headroom

- 11.1 Each year the Council is required to calculate the 'Capital Financing Requirement', which forms the council's ceiling for prudent borrowing. For the HRA, the government set each local authority a borrowing cap limit and in Medway's case this amounts to £45.846 million. The difference between the borrowing cap and the actual amount of borrowing is the 'headroom' for further borrowing which can only be used on creating, improving or maintaining HRA assets.
- 11.2 In 2012 the HRA began a programme of repaying its debt by a minimum revenue payment (MRP). This payment is calculated at 2% on the HRA outstanding debt and the 2015/16 MRP repayment is estimated to be £0.796 million.
- 11.3 At 1 April 2015 the 'headroom' available for borrowing is estimated to be £6.059 million, subject to repayment of MRP (as set out in paragraph 11.2).

- 11.4 However for the next few years this 'headroom' has been allocated to finance the house-building programme.
- 11.5 Work is underway to consider options for future use of the 'headroom' and will be reported to the Asset Management Board in 2015. These options will include consideration for more new build HRA stock or use for investment in existing stock.

12. HRA Business Plan Update

- 12.1 The HRA Business Plan was last revised as an immediate result of the new self-financing arrangements being introduced in April 2012 which was the subject of a report to Members of Regeneration, Community and Culture Committee on 27 June 2013 and adopted by Cabinet on 9 July 2013. Since this time there have been further financial changes which has necessitated the need for a further revision, not least the introduction of the new formula for rent increase from April 2015.
- 12.2 The recently revised HRA Business Plan is a strategic update of the 2012-42 HRA Business Plan.
- 12.3 The HRA Business Plan supports the Council's Housing Strategy, is consistent with the Council Plan in respect of housing, and in-line with the Council's budgetary framework.
- 12.4 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 the 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.
- 12.5 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.
- 12.6 Since the 1 April 2012 the new self-financing arrangement for the HRA have 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.
- 12.7 The HRA Business Plan has been revised with the assistance of the Chartered Institute of Housing and a copy of the plan can be found at Appendix E of this report
- 12.8 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

2010 Decent Homes standard and allows for additional investment and to repay debt.

- 12.9 The Business Plan links to the Asset Management Strategy which sets out priorities, agreed with tenants and leaseholders, for modernising the housing stock and providing a continuously improving service to customers. This is monitored and agreed on a regular basis at the Asset Management Group meetings.
- 12.10 This Business Plan is also a statement of the viability of Medway Council's HRA. It does not set the budget for the HRA but reports on the plans already agreed, including those reported to Members in this HRA Capital and Revenue Budgets report.
- 12.11 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. Not adopting the Business Plan would mean that the Council would not be meeting this requirement.

13. Engagement and Information

- 13.1 The Housing Act 1985 requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that the increase becomes operative. For 2015/16 the latest date for posting the notices is 3 March 2015.
- 13.2 The council has developed a resident engagement strategy detailing how officers consult and engage with tenants in partnership with tenants' forums. In order to support this commitment, a meeting to present the proposals within this report to tenants was held on 20 January 2015. At the meeting tenants were given a presentation and officers responded to questions raised.

14. Business Support Overview and Scrutiny Committee

- 14.1 The Business Support Overview and Scrutiny Committee will consider this report on 3 February 2015. The views of the Committee will be submitted to Cabinet in an addendum report.

15. Risk Management

Risk	Description	Action to avoid or mitigate risk
HRA Balance.	There is a requirement to ensure that the balance on the HRA does not fall into deficit and a business plan is required to model this need over a thirty-year period. The major factor with the potential to impact on this requirement is the level of expenditure required for housing repairs.	A stock condition survey has been undertaken that will provide a sound basis on which to model future repairs investment. Regular monitoring by senior officers of the budgets take place and actions agreed to avoid deficit occurring.
Changes brought about by Welfare Reform.	If implemented government proposals to introduce Universal Credit would mean approximately £5.7million being paid direct to tenants that is currently paid via Housing Benefit directly to the HRA rent account. This may mean a significant increase in arrears and also additional transaction costs for the HRA of around £35,000 to recoup this income.	Welfare reform team in place who are working with most vulnerable residents. Key partners being engaged in process. Money management training being organised for Tenants and Debt Advice sign posting in place.
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 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 or Strategies to review stock retention and assets such as garages.	Significant changes will be monitored and Business Plan refreshed As necessary.

16. Financial and Legal Implications

- 16.1 The financial implications are contained within the body of this report and the appendices.
- 16.2 Under Section 76 of the Local Government and Housing Act 1989, the council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that, on certain stated assumptions the HRA for that year does not show a debit balance. The council is obliged to implement those

proposals and from time to time to determine whether the proposals satisfy the 'break even' requirement. If not, then the Council shall make such provisions as are reasonably practicable towards securing that the proposals, as revised, shall satisfy the requirement.

- 16.3 Under Section 24 of the Housing Act 1985, the council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. This is a decision for Full Council as it forms part of the Council's budget and policy framework.
- 16.4 A decision to increase rent constitutes a variation of the terms of a tenancy. Under Section 103 of the Housing Act 1985, in respect of secure tenancies, a notice of variation (specifying the variation and date on which it takes effect) must be served on each tenant. For non-secure tenancies (excluding introductory tenancies), a notice must be served that complies with Section 25 of the Housing Act 1985.
- 16.5 In considering the recommended rent increases and other matters proposed in this report, and making its recommendations to Council, Cabinet is exercising a public function. It must therefore comply with the duties in section 149 Equality Act 2010 to have 'due regard' to the need to eliminate discrimination, advance equality, and foster good relations between those with a protected characteristic (pregnancy and maternity, age discrimination, disability, gender reassignment, marriage and civil partnerships, race, religion or belief, sex and sexual orientation) and those who do not share it. A Diversity Impact Assessment is annexed to the report to assist Cabinet Members to fulfil these duties (Appendix F).
- 16.6 The Cabinet must consider tenants' human rights, in particular Article 8 of the European Convention on Human Rights (right to respect for a person's home) and Article 1 of the First Protocol (right to peaceful enjoyment of possessions) when considering what recommendations to make to Council. Members will need to consider whether the proposals strike a fair balance between the rights of the individuals who may be adversely affected by them, and the legitimate aims of the Council (setting a balanced budget, targeting social housing at those who are most in need and of generating income that can be invested back into social housing so that more people in need can benefit from it).

17. Recommendations

- 17.1 That Cabinet considers the recommendations from the Business Support Overview and Scrutiny Committee.
- 17.2 The Cabinet recommends to Council
 - a) A proposed average rent increase of 2.2% for the housing stock as set out in Appendix A (based upon 50 collection weeks) and a rent increase of 1.2% for garages.
 - b) To approve the harmonisation of all garage rents, charging across all garage sites managed by the HRA Service specifically those as set out as per Appendix B.

- c) That the service charges and increases as set out in appendix C of the report for 2015/16 be approved
 - d) That the revenue budget for the HRA Service for 2015/16 as per Appendix D be approved.
 - e) That the provision for the repayment debt continues to be based on a minimum revenue payment of 2% on the 2015/2016 HRA opening outstanding debt.
 - f) That a three year capital programme as set out in paragraph 8.5 of this report be agreed.
 - g) To increase the 2015/16 HRA housing building development programme amount by the 2014/2015 MRP payment as set out in paragraph 9.4.
- 17.3 That Cabinet adopts the attached HRA Business Plan 2014 – 2044 as at Appendix E.

18. Suggested Reasons for Decisions

- 18.1 The Council is required to carry out an annual review of rents and notify tenants not less than 28 days prior to the proposed date of change. The Council is required under the Local Government and Housing Act 1989 to ensure that the Housing Revenue Account does not fall into a deficit position.
- 18.2 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.

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Background papers

Housing Revenue Account Business Plan 2012-2042 and Asset Management Strategy Report to Cabinet 9 July 2013
<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=20686>

Average rent increases by property type (50 weeks)

AVERAGE RENT INCREASES BY PROPERTY TYPE (50 WEEKS)

Property Type	No of Properties	Actual Rent 2014/15	Actual Formula Rent 2014/15	Proposed Rent 2015/16	Formula Rent 2015/16	Average Increase 2014/2015 to 2015/2016	Average Percentage Increase 2014/2015 to 2015/2016
Bedsit Bungalow	45	£68.08	£68.17	£69.58	£69.67	£1.50	2.2%
Bedsit Flat	67	£64.54	£64.54	£65.95	£65.95	£1.42	2.2%
1 Bedroom Bungalow	173	£77.09	£77.43	£78.78	£79.14	£1.70	2.2%
1 Bedroom Flat	491	£74.81	£74.83	£76.46	£76.48	£1.65	2.2%
2 Bedroom Bungalow	11	£86.48	£86.48	£88.38	£88.38	£1.90	2.2%
2 Bedroom House	506	£90.79	£90.79	£92.79	£92.79	£2.00	2.2%
2 Bedroom Flat	535	£83.52	£83.52	£85.36	£85.36	£1.84	2.2%
3 Bedroom Bungalow	2	£97.06	£97.06	£99.20	£99.20	£2.14	2.2%
3 Bedroom House	763	£101.25	£101.28	£103.48	£103.50	£2.23	2.2%
3 Bedroom Flat	110	£93.97	£94.28	£96.04	£96.36	£2.07	2.2%
4 Bedroom House	28	£109.69	£109.69	£112.10	£112.10	£2.41	2.2%
5 Bedroom House	1	£117.71	£125.29	£120.30	£128.04	£2.59	2.2%
Sheltered Bedsit for the Disabled	9	£62.59	£62.59	£63.96	£63.96	£1.37	2.2%
Sheltered Bedsit	183	£62.59	£62.59	£63.96	£63.96	£1.37	2.2%
1 Bedroom Sheltered	71	£70.59	£70.60	£72.15	£72.16	£1.56	2.2%
2 Bedroom Sheltered	5	£81.61	£81.98	£83.41	£83.78	£1.79	2.2%
3 Bedroom Sheltered	1	£90.62	£90.62	£92.61	£92.61	£1.99	2.2%
1 Bedroom Sheltered Bungalow	17	£73.26	£73.36	£74.88	£74.97	£1.61	2.2%
Overall Average*	3,018	£85.75	£85.79	£ 87.63	£ 87.68	£1.89	2.2%
*(Total rental income / total number of properties)							

Garage Irregular Charges

	Garage Address	Basic	VAT	Total	Rent Charge April 2015	Overall increase per week
375	ALLINGTON ROAD	£3.37		£3.37	£6.53	£3.16
770	BRABOURNE AVENUE	£3.37		£3.37	£6.53	£3.16
652	NORTHBOURNE ROAD	£3.37		£3.37	£6.53	£3.16
295	TWYDALL GREEN	£3.37		£3.37	£6.53	£3.16
356	EASTCOURT LANE	£3.59		£3.59	£6.53	£2.94
450	BARON CLOSE	£3.07	£0.61	£3.68	£10.44	£6.76
387	CHILHAM ROAD	£3.07	£0.61	£3.68	£10.44	£6.76
894	WALTHAM ROAD	£3.07	£0.61	£3.68	£10.44	£6.76
896	WALTHAM ROAD	£3.07	£0.61	£3.68	£10.44	£6.76

Housing Revenue Account – Service Charges Summary (50 weeks)

HOUSING REVENUE ACCOUNT - SERVICE CHARGES SUMMARY (50 Weeks)

	Average Weekly Service Charge 2014/2015 £	Proposed Percentage Increase for 2015/2016 %	Proposed Average Weekly Service Charge 2015/2016 £	Projected Weekly Variation 2014/2015 to 2015/2016 £	Projected (Surplus)/ Deficit 2015/2016 £'000
a) Eligible for Housing Benefit					
Adult Services Facilities	0.00	0.0%	0.00	0.00	0
Estate Services (Caretaking)	5.59	6.4%	5.94	0.36	0
Communal Electricity	0.99	5.0%	1.03	0.04	0
Grounds Maintenance	0.61	14.4%	0.70	0.09	22
Sheltered Helpline	2.53	15.0%	2.91	0.38	3
Sheltered Management	18.34	15.0%	21.09	2.75	0
Window Cleaning	0.32	(3.3%)	0.31	(0.01)	0
Council Tax	9.19	2.0%	9.37	0.18	0
b) Not Eligible for Housing Benefit					
Cooker	0.36	0.0%	0.36	0.00	0
Fridge	0.41	(0.0%)	0.37	(0.04)	0
Communal Heating	8.58	0.0%	8.58	0.00	0
Water Rates	3.82	(0.3%)	3.81	(0.01)	0
Average sections a & b	4.23	4.5%	4.54	0.31	25
c) Housing Related Support Eligible Charges					
Community Alarm	8.97	0.0%	8.97	0.00	0
SP Helpline	2.46	0.0%	2.46	0.00	0
Sheltered Support	5.61	0.0%	5.61	0.00	0
Average sections c	5.68	0.00%	5.68	0.00	0
Average all sections	4.52	3.6%	4.77	0.25	25

N.B. - Cells with an entry of N/a denote services where there is no specific attributable expenditure against which a surplus/deficit can be assessed. The levels for these charges have been set using the best information relating to anticipated costs.

HRA working balance B/F

Description	Budget 2014/15			Q3 Forecast 2014/15			Proposed Budget 2015/16		
	Exp	Income	Net	Exp	Income	Net	Exp	Income	Net
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
HRA Working Balance B/F			(1,901)			(1,969)			(1,746)
Housing Management Total	0	0	0	0	0	0	0	0	0
Service Improvement Total	253	0	253	205	0	205	253	0	253
HRA Development Team	168	0	168	166	0	166	173	0	173
Client Side Team Total	1,829	(96)	1,732	1,746	0	1,746	1,766	0	1,766
Community Development Total	67	0	67	48	0	48	198	0	198
Tenancy Services Total	1,543	0	1,543	1,660	0	1,660	1,577	0	1,577
Housing Maintenance Total	2,156	0	2,156	2,247	0	2,247	2,192	0	2,192
Homes for Independent Living Total	622	(2)	619	607	(2)	605	642	(2)	639
Estate Services Total	572	(4)	568	526	(4)	522	574	(4)	570
Housing Benefits Total	150	0	150	10	0	10	50	0	50
Capital Financing Costs Total	6,117	(13)	6,104	5,999	(12)	5,987	6,166	(12)	6,154
Rent Income Total	0	(14,077)	(14,077)	0	(14,044)	(14,044)	0	(14,378)	(14,457)
Other Income Total	0	(105)	(105)	0	(236)	(236)	0	(101)	(101)
Total Housing Revenue Account	13,476	(14,298)	(821)	13,215	(14,298)	(1,083)	13,590	(14,497)	(986)
Revenue Contribution to Capital Expenditure			1,306			1,306			1,254
Transfer Reverse to the general Fund			0			0			0
HRA Working Balance C/F			(1,416)			(1,746)			(1,477)



Medway Council

HRA Business Plan Financial Projections

December 2014 Review

1. Introduction

- 1.1 CIH consultancy have been commissioned to update the Council's HRA Business Plan and report on the latest projections arising and how the position has changed from the last review of the model.
- 1.2 This review, specifically for officers and members makes reference to any significant changes to the previous version of the business plan model (December 2013).
- 1.3 This review of this model incorporates the latest estimates for this financial year and for next, which differ from last review where inflated budgets were used based on the 2013.14 position. The plan starts from 2014.15 with actual opening balances for 2014.15 for the HRA and Major Repairs Reserve and the '1-4-1' right to buy re-investment reserve. The changes are noted below:

	Dec 2013 HRA BP Projected Balances	Actual Opening Balances	Variance	Notes
HRA	£1.962m	£1.969m	£0.007m	1
MRR	£0.0m	£0.138m	£0.138m	2
1-4-1 Reserve	£0.228m	£0.268m	£0.040m	3

- 1.4 Note 1: There was a very minor variance from what was projected when compared to the actual out-turns in terms of net expenditure within the HRA.
- 1.5 Note 2: The final accounts for capital expenditure was lower than forecast resulting in the reduced utilisation of the Major Repairs Reserve therefore having a beneficial effect on the Major Reserves Balance.
- 1.6 Note 3: The '1-4-1' reserve is the net balance from right to buy sales which is required to be re-invested in providing additional affordable housing –

within a required timescale. The balance increased over projections due to higher right to buy sales in the later stage of the last financial year.

2. Future Assumptions

- 2.1 The model currently uses the latest estimates for 2014.15 and 2015.16 for forecasting expenditure and income forward whilst adding general CPI (inflation) increases to the 2015.16 estimates. There are exceptions to these and detailed further in this report.
- 2.2 In this section of the report we briefly detail how the above expenditure and income will differ from any other variance than CPI (inflation being applied). We have applied a CPI of 2.0% throughout the plan.

Rental Income

- 2.3 As part of the business planning process we have accurately forecast forward each individual property's rent to estimate future increases and assess the impact of the £2 cap above RPI plus 0.5% in the past. However the recently produced social rent policy from April 2015 now replaces RPI with CPI and the real increase of 0.5% is replaced by 1%. Furthermore the final guidance confirmed the withdrawal of rent convergence, therefore suggesting that the rent levels set in April 2014 will form the basis for future inflationary increases of CPI plus 1%.
- 2.4 The actual CPI was published in October at 1.2% and the modelling has been balanced to latest rental income estimates.
- 2.5 Void levels are estimated to remain at 0.54% for year 1 and 0.51% for year 2. In year 3 we have increased this to 0.6% throughout the plan as a prudent assumption based on high demand for the stock, the impact of new build and quick turnaround times.

Welfare Reform

- 2.6 The total impact of welfare reform to the plan and how to profile it into future projections will be progressed with officers but for the time being we have kept the provisions for bad debts as before, which will peak at 2% and then reduce to 1%, again being prudent.

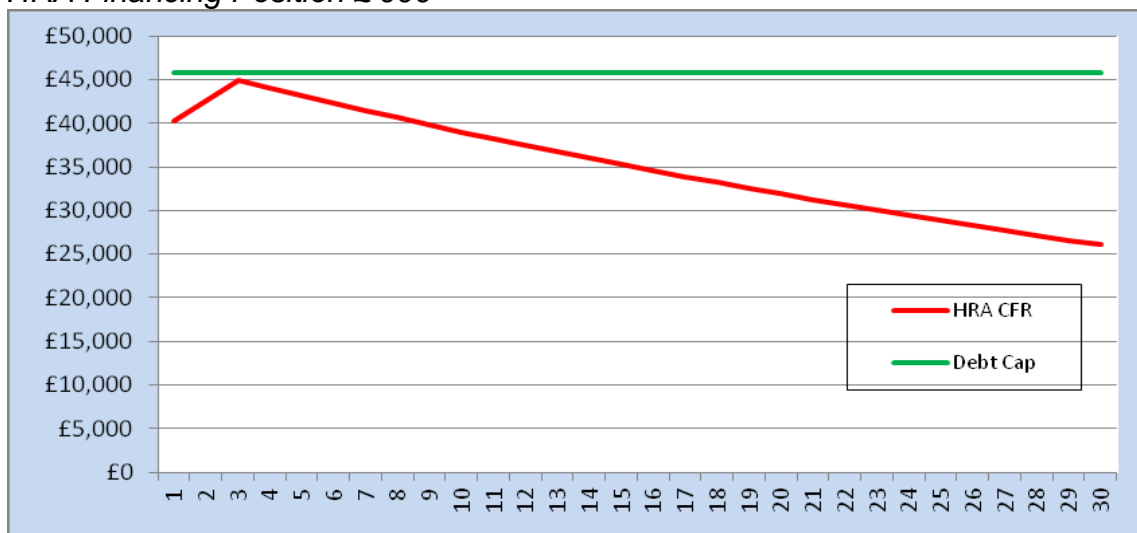
Treasury Management

- 2.7 The Council is maintaining a 'one-pool' approach which means that loans are not split between the HRA and General Fund and therefore there is an average rate of interest charged and no prescript loan repayment strategy for the HRA.
- 2.8 The interest charged to the HRA is based on the mid-year HRA CFR balance at an interest rate of 4.17% which is not forecast to change through the duration of the plan.

2.9 The Council does however make provision for debt repayment through a voluntary payment of 2% of the opening HRA CFR from the HRA, which in effect reduces debt and increases borrowing headroom.

2.10 The graph below shows the financing position of the HRA:

HRA Financing Position £'000



2.11 The actual accounting debt of the HRA (HRA CFR) starts at £39.516m and increases despite the debt repayment in the early years in order to finance the Council's new build programme which is discussed later.

2.12 The reader will note that once the initial new build programme is complete the borrowing reduces on a steady basis, thus increasing capacity through available headroom.

2.13 No actual loans have been attributed to this additional borrowing and this is therefore treated at the same interest rate as before.

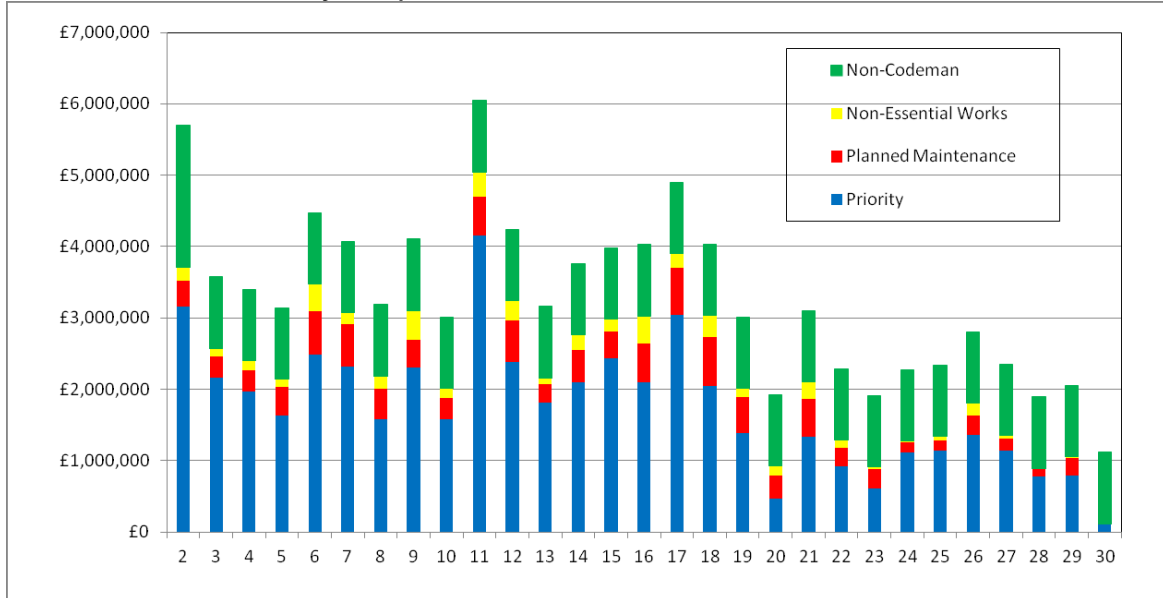
3. Capital Projections

3.1 The capital expenditure for 2014.15 has been amended to take account of slippage from 2013.14 and latest estimates. This is funded from the higher balances carried for the HRA as identified in section 1.3.

3.2 The Council uses Codeman to forecast capital expenditure is based on the outputs from the latest stock condition survey. The average expenditure per unit equates to £33,160 per unit over a 30 year period (excluding disabled adaptation, fees and inflation for comparison) which put the investment requirement very much within expected benchmarks for the type of stock within Medway.

3.3 The graph below demonstrates the required capital expenditure (which excludes disabled adaptation, fees and inflation).

Stock Condition Survey Outputs



3.4 The costs do allow for an annual £1million for estate improvements, surveys (including asbestos) and void contributions.

3.5 The modelling has taken into account the latest capital spend projections for years 1 to 3 (2014.15 to 2016.17) rather than the spend projections above for the same period. They are as follows:

	2014.15	2015.16	2016.17
Estimated Capital Programme	£4,510,631	£5,236,049	£4,587,560

3.6 When comparing the above estimated expenditure against the forecast expenditure within Codeman there is a £1.260million shortfall. This has been allocated evenly to years 4 and 5 of the plan.

New Build

3.7 In addition to the above estimated capital expenditure there are two new build schemes included with the plan's projections:

- Phase 1 of 23 units at £3,265,575
- Phase 2 of 32 units at £5,294,425 (estimated)

Right to Buy Receipts

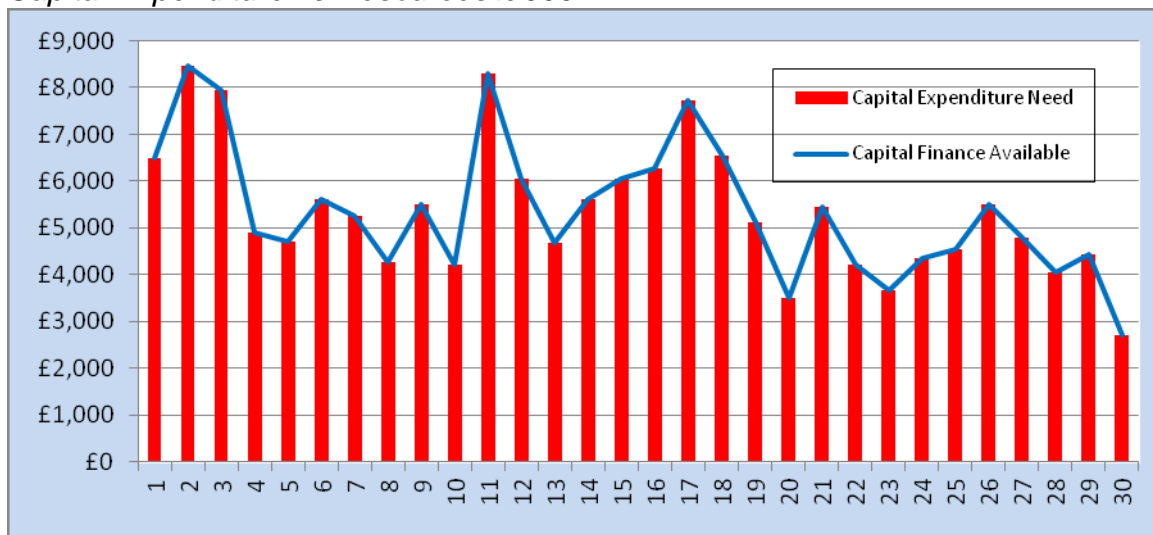
3.8 With the reinvigoration of the right to buy policy Medway has seen sales in 2012.13 to 2014.15 exceed those witnessed over the prior three years (and those assumed within the self-financing settlement).

- 3.9 The result of the increased volume of sales affects the Plan not only with loss of income but also introduces the ability to retain the balance of the receipts (after some initial deductions).
- 3.10 After all eligible deductions the Council currently has £0.504million of net receipts termed as “1-4-1” for the direct contribution for new build as at 30 September 2014. This could easily increase if sales continue at their current level. Regulations state that this can be used for up to 30% of new build within 36 months of the receipt arising. These receipts can be reclaimed by DCLG if they are not utilised within 36 months with compounded interest.
- 3.11 Following member approval we have allocated 100% of these receipts against phase 1 of the new build programme which satisfies both level of expenditure but also timing requirements.
- 3.12 We have also forecast that there will be sufficient right to buy sales within the next two years to allow an additional £0.202million to be contributed to new build form “1-4-1” reserves.

4. Funding the Capital Projections

- 4.1 The graph below demonstrates the capital expenditure (in the thick red vertical bars) for each year including inflation. The available resources are shown (using the thin blue horizontal line). As expected the expenditure identified in section 3 can be fully funded.

Capital Expenditure vs Resources £'000



- 4.2 The key financial resources available for funding the capital expenditure have remained unchanged with the exception of borrowing which is forecast to be £7.853million.

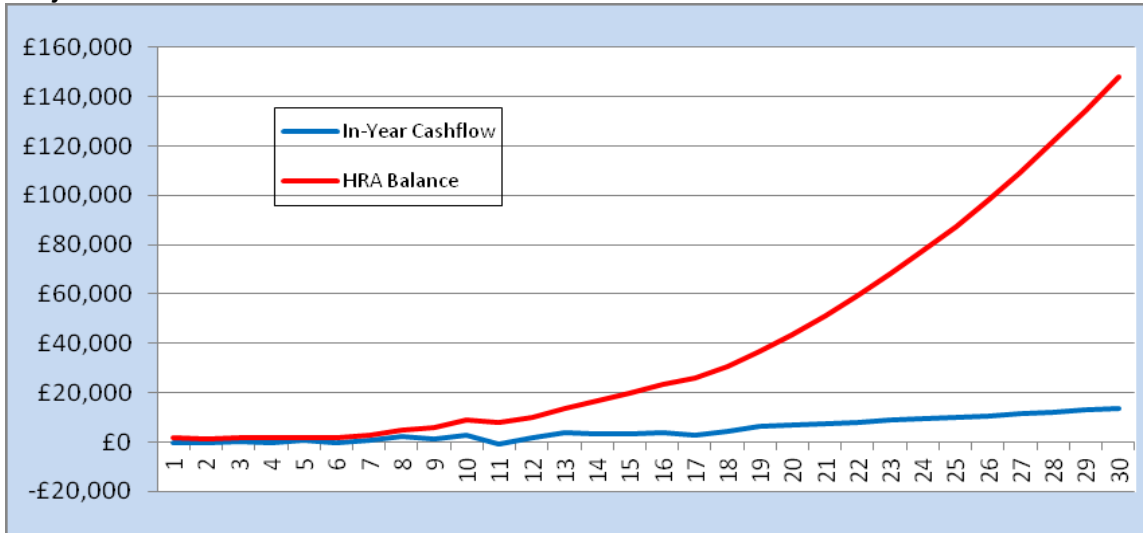
- 4.3 The reader will note that the expenditure in year 2 of £8.478million and £7.933million in year 3 is significantly higher than the expenditure highlighted from the stock condition survey in section 3.3 above on account it includes inflation and the new build expenditure.

4.4 The right to buy sales will be closely monitored including those applications within the pipeline to continually update the potential receipts.

5. HRA Revenue Balance Projections

5.1 The projected balances for the HRA are as follows:

Projected HRA Balances £'000

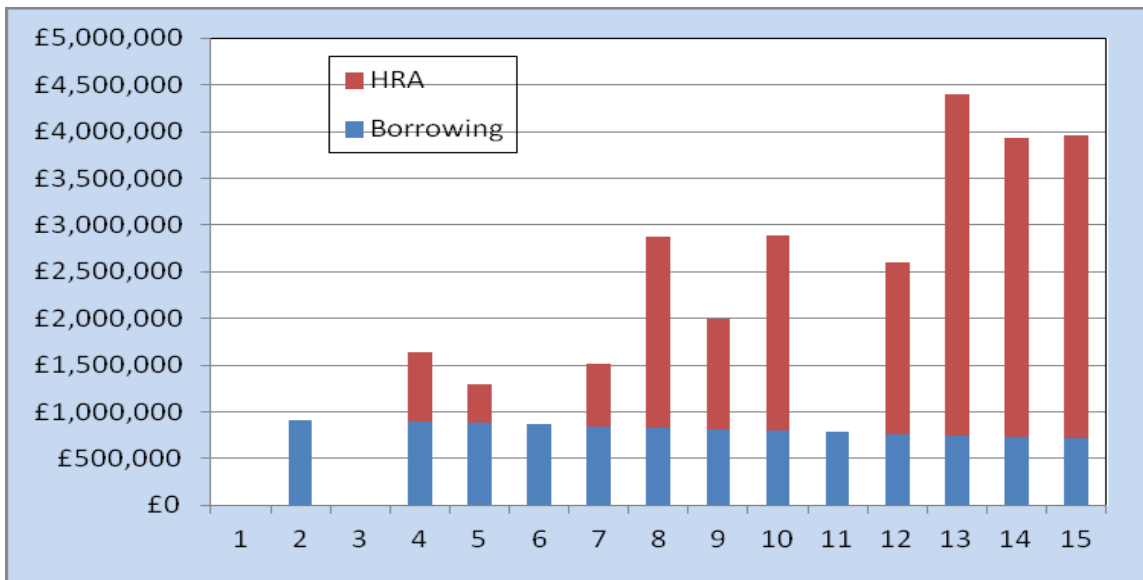


5.2 The HRA is set with a minimum reserve balance of £0.750million within the model, which increases with inflation. The reserve balance gradually starts to increase over the years, whilst meeting the demands of the capital programme, to a point where balances are projected to be c£148million against an HRA CFR of £26million.

6. Capacity

6.1 In future years, the capacity of the plan for additional expenditure increases. This is shown in the graph below for both the HRA and borrowing headroom over the next 15 years.

Projected Capacity Availability (in-year)



6.2 The above available resources may well be restricted in terms of the key risks that the HRA faces in terms of the impact of Welfare Reform and other factors such as costs increasing above CPI. However it demonstrates that there is sufficient capacity to fund future new build schemes or other estate regeneration schemes from year 4 (2017.18) onwards.

7. Summary

7.1 This review of the HRA Business Plan demonstrates that it remains viable over the 30 years with the ability to repay the HRA CFR at earlier stage if the Council so wished for.

7.2 With the range of sensitivities modelled below the HRA still remains fully viable.

£'million	10 Year Forecast			30 Year Forecast		
	HRA Bal	HRA CFR	Capital Shortfall	HRA Bal	HRA CFR	Capital Shortfall
Base	8.8	39.0	-	148.0	26.0	-
RPI (2.5%) instead of CPI 2% as inflation	6.9	39.0	-	115.7	26.0	-
Repairs increase by 3% per annum	6.7	39.0	-	121.7	26.0	-
Bad Debts +1%	7.5	39.0	-	141.0	26.0	-
Repairs increase by 3% per annum + Bad Debts +1%	5.4	39.0	-	114.6	26.0	-

Simon Smith
 Director – Financial Consultancy
 December 2014

Appendix 1

Key Assumptions

1. General Inflation throughout CPI 2.0% from April 2016, CPI 1.2% for April 2015
2. Rents increasing by CPI plus 1%
3. Void levels 0.54%, 0.51% then 0.6% throughout
4. Bad Debts Provision increased from 0.8% to 2% in year 4 then 1%
5. Right to Buy levels reduce from 13 to 4 per year
6. Un-pooled Right to Buy Receipts utilised by General Fund
7. New Build – total expenditure of £8.560million
8. Service Charge income increasing by CPI only
9. Non Dwelling Rents (Garages) increasing by CPI only
10. Management Costs increasing by CPI only
11. Repair Costs increasing by CPI only
12. Capital Improvement Costs increasing by CPI
13. Interest rates set at 4.17% throughout
14. HRA CFR (debt) reduced by 2% per annum

Appendix 2

HOUSING REVENUE ACCOUNT PROJECTIONS Medway Council

Year £'000	2014.15 1	2015.16 2	2016.17 3	2017.18 4	2018.19 5	2019.20 6	2020.21 7	2021.22 8	2022.23 9	2023.24 10	2023-28 11-15	2028-33 16-20	2033-38 21-25	2038-43 26-30
INCOME:														
Rental Income	12,893	13,193	13,678	14,069	14,470	14,884	15,308	15,745	16,198	16,665	90,830	104,815	121,153	140,153
Void Losses	-70	-68	-83	-85	-87	-90	-92	-95	-98	-101	-548	-633	-731	-846
Service Charges	1,138	1,217	1,241	1,266	1,291	1,317	1,344	1,371	1,398	1,426	7,569	8,357	9,226	10,187
Non-Dwelling Income	180	180	184	187	191	195	199	203	207	211	1,119	1,236	1,365	1,507
Grants & Other Income	12	20	20	21	21	22	22	23	23	23	124	137	152	167
Total income	14,154	14,542	15,041	15,458	15,887	16,327	16,780	17,246	17,727	18,225	99,095	113,912	131,165	151,169
EXPENDITURE:														
General Management	-3,411	-3,491	-3,561	-3,632	-3,705	-3,779	-3,854	-3,931	-4,010	-4,090	-21,712	-23,971	-26,466	-29,221
Special Management	-1,180	-1,209	-1,233	-1,258	-1,283	-1,309	-1,335	-1,362	-1,389	-1,417	-7,519	-8,302	-9,166	-10,120
Other Management	-235	-371	-378	-386	-394	-402	-410	-418	-426	-435	-2,307	-2,548	-2,813	-3,105
Rent Rebates	0	-50	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-105	-105	-237	-278	-251	-221	-153	-157	-162	-166	-906	-1,045	-1,208	-1,398
Responsive & Cyclical Repairs	-2,168	-2,192	-2,236	-2,281	-2,326	-2,392	-2,466	-2,516	-2,566	-2,617	-13,892	-15,338	-16,935	-18,697
Total Revenue Expenditure	-7,099	-7,418	-7,645	-7,835	-7,958	-8,102	-8,218	-8,383	-8,552	-8,725	-46,336	-51,204	-56,588	-62,541
Interest Paid	-1,658	-1,725	-1,823	-1,855	-1,818	-1,781	-1,746	-1,711	-1,676	-1,643	-7,735	-6,992	-6,320	-5,713
Finance Administration	-56	-58	-65	-66	-67	-69	-70	-71	-73	-74	-394	-435	-480	-530
Interest Received	5	16	23	24	29	33	38	61	89	123	1,052	2,517	5,693	10,518
Depreciation	-3,472	-3,576	-3,629	-3,684	-3,739	-3,814	-3,890	-3,968	-4,047	-4,128	-21,914	-24,195	-26,713	-29,493
Net Operating Income	1,873	1,781	1,901	2,043	2,334	2,595	2,895	3,174	3,467	3,778	23,768	33,604	46,756	63,409
APPROPRIATIONS:														
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	-790	-796	-851	-899	-881	-863	-846	-829	-812	-796	-3,748	-3,388	-3,062	-2,768
Revenue Contribution to Capital	-1,306	-1,254	-958	-1,219	-959	-1,803	-1,359	-289	-1,460	-72	-8,821	-6,483	0	0
Total Appropriations	-2,096	-2,050	-1,809	-2,118	-1,840	-2,566	-2,205	-1,118	-2,272	-868	-12,569	-9,871	-3,062	-2,768
ANNUAL CASHFLOW	-223	-268	92	-75	494	-71	690	2,056	1,195	2,910	11,199	23,733	43,694	60,641
Opening Balance	1,969	1,746	1,477	1,570	1,495	1,989	1,918	2,608	4,664	5,858	8,768	19,967	43,700	87,394
Closing Balance	1,746	1,477	1,570	1,495	1,989	1,918	2,608	4,664	5,858	8,768	19,967	43,700	87,394	148,035

HOUSING CAPITAL PROJECTIONS
Medway Council

Year £'000	2014.15 1	2015.16 2	2016.17 3	2017.18 4	2018.19 5	2019.20 6	2020.21 7	2021.22 8	2022.23 9	2023.24 10	2023-28 11-15	2028-33 16-20	2033-38 21-25	2038-43 26-30
EXPENDITURE:														
Planned Variable Expenditure	0	0	0	0	0	-10	-25	-25	-26	-26	-261	-543	-521	-683
Planned Fixed Expenditure	-3,761	-4,407	-3,795	-4,134	-3,948	-4,748	-4,404	-3,517	-4,622	-3,455	-25,733	-23,924	-17,669	-16,651
Disabled Adaptations	-247	-200	-250	-255	-260	-265	-271	-276	-282	-287	-1,524	-1,683	-1,858	-2,052
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Build Expenditure	-1,973	-3,242	-3,346	0	0	0	0	0	0	0	0	0	0	0
Procurement Fees	-503	-630	-542	-514	-491	-593	-550	-440	-578	-432	-3,217	-2,990	-2,209	-2,081
Previous Year's B/F Shortfall	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Expenditure	-6,483	-8,478	-7,933	-4,903	-4,699	-5,617	-5,250	-4,257	-5,507	-4,201	-30,735	-29,140	-22,256	-21,468
FUNDING:														
Major Repairs Reserve	3,205	3,982	3,629	3,684	3,739	3,814	3,890	3,968	4,047	4,128	21,914	22,657	22,256	21,468
Right to Buy Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HRA CFR Borrowing	1,468	3,141	3,245	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
HRA Reserves/1-4-1 Reserve	505	101	101	0	0	0	0	0	0	0	0	0	0	0
Revenue Contributions	1,306	1,254	958	1,219	959	1,803	1,359	289	1,460	72	8,821	6,483	0	0
Total Capital Funding	6,483	8,478	7,933	4,903	4,699	5,617	5,250	4,257	5,507	4,201	30,735	29,140	22,256	21,468
In-Year Net Cashflow	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
MRR Account:														
Opening Balance	138	406	0	0	0	0	0	0	0	0	0	0	1,538	5,995
Net Contribution (Depr)	3,472	3,576	3,629	3,684	3,739	3,814	3,890	3,968	4,047	4,128	21,914	24,195	26,713	29,493
Use of Reserve to Capital	-3,205	-3,982	-3,629	-3,684	-3,739	-3,814	-3,890	-3,968	-4,047	-4,128	-21,914	-22,657	-22,256	-21,468
Loan Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	£406	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£1,538	£5,995	£14,020

Diversity impact assessment

TITLE <i>Name/description of the issue being assessed</i>	Budget Report 2015/16
DATE <i>Date the DIA is completed</i>	January 2015
LEAD OFFICER <i>Name of person responsible for carrying out the DIA.</i>	Michael Bull

1 Summary description of the proposed change

- *What is the change to policy/service/new project that is being proposed?*
- *How does it compare with the current situation?*

In setting its budget, the Council is exercising a public function and must therefore comply with the duties in section 149 Equality Act 2010. Complying with this duty does not prevent the council from making difficult decisions, which may affect one group more than another. The increase in charges is to ensure that the business plan is viable and the HRA can continue to provide services to our customers.

This DIA demonstrates that where there is potential for disproportionate impact that it is transparent and any appropriate mitigating actions have been considered before final decisions are made.

The Budget Report focuses on proposals for 2015/2016. Only the parts of the report that have a direct financial impact on existing tenants is included for comment in this DIA.

In accordance with government guidance, the increase in rent is based on the Consumer Price Index as oppose to the Retail Price Index – the change to a lower increase in inflation will be reflected in the lesser increase in rent. Rents for 2015/16 are set to increase by 2.2%, which averages £1.89 per week.

Garage rental

It is proposed that all garage rents will increase by 1.2% from April 2015 and the new charge will be £326.50 (£6.53 x 50 weeks) per annum for Council tenants and £435.00 (£8.70 x 50 weeks) per annum plus VAT for other residents. It is estimated that this will generate an additional income of approximately £2,016 based on current letting rates.

In the past, in order to encourage the take up of some garages in what were perceived unpopular areas, a differential rent level had been set at less than

Diversity impact assessment

the general rent levels for other garages managed by the HRA Service. This approach has clearly led to an inconsistent charging mechanism and there appears no evidence to suggest that take up of these sites has been any greater as a result. It is therefore proposed to raise these rents in line with the rest of the garage sites that the HRA manages.

Service Charges

It was agreed in the 2014 budget report that the sheltered management service charge requires above inflation increases of 15% for the next four years in order to fully recover costs. The proposed charges for 2015/2016 are based on this principle.

The same principle will apply to the grounds maintenance service charges to fully recover the costs due to the increase in service provided to tenants.

The average service charge increase for 2015/16, excluding Housing Related Support eligible charges and charges for new properties, is 4.5% or £0.31 per week.

The risk of not covering the cost of these services is the impact on other parts of the housing service as the HRA budget will be required to support these service charge related services of which not all residents receive and benefit from.

Capital spending

The 3-year disabled adaptations Capital programme budget has been set at £200'000 for 2015/16. This budget has been reduced due to an underspend over the past three years. This budget will rise to £250'000.

Despite this, the councils proposed capital spending exceeds the government guidance of overall revenue and capital spending of a ratio of 30:70.

2 Summary of evidence used to support this assessment

- *Eg: Feedback from consultation, performance information, service user records etc.*
- *Eg: Comparison of service user profile with Medway Community Profile*

Consultation

Consultation with residents on the proposed budget takes place on 20 January 2015. Invitations were sent to a 'bank' of customers that have expressed an interest in consultation with the HRA.

Diversity impact assessment

The Housing Act 1985 requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that the increase becomes operative. For 2015/16 the latest date for posting the notices is 3 March 2015.

Service Charges

Confirmation of figures for the increase in the Grounds Maintenance charges are yet to be calculated, however initial calculations are that it will be an increase of approximately £18'000 per annum. In 2015/16 1489 of our tenants are charged for this service and will receive an increase on average of approximately £0.24 per week however this cost will be covered if the tenant or leaseholder claims housing benefit. Consultation of this increase in charges took place at our Estate Services Forum in 2013.

The average service charge cost for in HfIL scheme residents in 2013/14 was £4.52. The increase of 3.6% for 2015/16 equates to an increase on average of £0.25 to £4.77 per week.

Housing benefit will cover the costs of all service charges, excluding weekly communal heating (£8.58), supply of a fridge and cooker (£0.41 and £0.36) and water rates (3.82). Currently 56 of our existing scheme residents do not claim housing benefit.

Rent

56 of our HfIL scheme tenants do not claim housing benefit and will incur the costs of increases in their service charge. The financial impact is minimal.

Currently we receive approximately 70.18% of rental income via Housing Benefit of which 43.8% is in respect of working age tenants and 26.38% of which is in respect of state pension age tenants or £5,748,655 and £3,462,358 respectively. Therefore a fair proportion of our tenants would have the costs of this increase in rent and service charges paid from their housing benefit claim or included in the 'housing costs' for any claimant that has had their claim transferred to Universal Credit.

According to our profiling in September 2014, approximately 29.22% of our tenants paid their rent without a contribution from housing benefit. Details of their age and disability are detailed below:

Age

20-29: 79

30-39: 124

Diversity impact assessment

40-49: 188
50-59: 155
60-69: 104
70-79: 67
80-89: 58
90-99: 7

Disability: 109 (based on the customers perception)

In 2013 we undertook a bi-annual postal survey to all of our tenants and leaseholders. In total 989 (863 general needs, 126 homes for independent living) surveys were returned, giving a response rate of 33%. 87.6% of respondents were very or fairly satisfied that their rent provides value for money. In comparison to our peers this performance is in median to upper quartile.

According to our bi-annual survey in 2013 79.3% were satisfied with the advice and support given with managing their finances and paying rent and service charges. 81.8% were satisfied with the advice given about claiming housing and other welfare benefits.

Garages

According to figures in January 2015, 148 of our garages are let at the price for council tenants and 240 for non-council tenants. Unfortunately we do not hold any further information as to whether these customers have a car registered for mobility purposes. In terms of the garages use, the license agreement states that it must not be used for general storage – restricted to accommodating a vehicle only.

3 What is the likely impact of the proposed change?

Is it likely to:

- Adversely impact on one or more of the protected characteristic groups?
- Advance equality of opportunity for one or more of the protected characteristic groups?
- Foster good relations between people who share a protected characteristic and those who don't?

(Insert ✓ in one or more boxes)

Protected characteristic groups	Adverse impact	Advance equality	Foster good relations
Age	*		
Disability			
Gender reassignment			

Diversity impact assessment

Marriage/civil partnership			
Pregnancy/maternity			
Race			
<u>Religion/belief</u>			
Sex			
Sexual orientation			
Other (eg low income groups)			

4 Summary of the likely impacts

- *Who will be affected?*
- *How will they be affected?*

Tenants and leaseholders that are working and receive no entitlement to housing benefit may be adversely impacted on in financial terms due to the average increase in service charges and rent. The financial impact is minimal.

The purpose of housing benefit is to prevent an income that is below the cost of living. Therefore if an increase in rent causes this income to be below this threshold, the resident will be entitled to a claim for housing benefit to 'top up' their income. Consequently there should be no adverse impact on the finances of customers that currently pay their rent from an alternative income.

5 What actions can be taken to mitigate likely adverse impacts, improve equality of opportunity or foster good relations?

- *Are there alternative providers?*
- *What alternative ways can the Council provide the service?*
- *Can demand for services be managed differently?*

In order to mitigate against any unintentional and unidentified impact of this report we will continue to monitor these and raise issues where relevant.

Continue to monitor the value for money that service charges provide.

6 Action plan

- *Actions to mitigate adverse impact, improve equality of opportunity or foster good relations and/or obtain new evidence*

Action	Lead	Deadline or review date
Undertake consultation with residents on proposed	Head of	20 January

Diversity impact assessment

report	Housing Management	2015
Monitor increase in costs in the Grounds Maintenance Contract	Neighbourhood Services Manager	March 2015
Continue to identify, support and prevent financial hardship	Income Manager	Ongoing
Monitor the disabled adaptations waiting list	Senior Adaptations Officer	Ongoing

7 Recommendation

The recommendation by the lead officer should be stated below. This may be:

- to proceed with the change implementing action plan if appropriate
- consider alternatives
- gather further evidence

If the recommendation is to proceed with the change and there are no actions that can be taken to mitigate likely adverse impact, it is important to state why.

To proceed with implementing the proposed budget.

8 Authorisation

The authorising officer is consenting that:

- the recommendation can be implemented
- sufficient evidence has been obtained and appropriate mitigation is planned
- the Action Plan will be incorporated into service plan and monitored

Assistant Director

Stephen Gaimster

Date

Contact your Performance and Intelligence hub for advice on completing this assessment

RCC: phone 2443 email: annamarie.lawrence@medway.gov.uk
 C&A: phone 1031 email: paul.clarke@medway.gov.uk
 BSD: phone 2472 or 1490 email: corppi@medway.gov.uk
 PH: phone 2636 email: david.whiting@medway.gov.uk

Send completed assessment to the Corporate Performance & Intelligence Hub (CPI) for web publication