

**BUSINESS SUPPORT  
OVERVIEW AND SCRUTINY COMMITTEE  
30 JANUARY 2018  
HOUSING REVENUE ACCOUNT  
CAPITAL AND REVENUE BUDGETS 2018/19**

Portfolio Member	Councillor Howard Doe, Deputy Leader and Housing and Community Services Portfolio Member.
Report From	Director of Regeneration, Culture, Environment and Transformation and Deputy Chief Executive
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### **Summary**

This report presents the Housing Revenue Account (HRA) capital and revenue budgets for 2018/19 and provides details of proposed rent and service charge levels for 2018/19.

The report also contains the latest revised forecasts of the HRA Business Plan.

The comments of this Committee will be collated for onward despatch to the Cabinet on 6 February 2018 and Council on 22 February 2018.

## **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 were then abolished. For the most part, at the time, this left 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 2018/19 including:

- Rent and Service Charges
- Performance Management – voids, welfare reform and debt collection
- Expenditure assumptions
- Housing repairs
- 3 Year Capital Budget
- Revised forecasts of the HRA Business Plan
- Borrowing and headroom
- New House Building Programme update
- Revenue Budget for 2018/19

### **3. Rent**

- 3.1 As members will be aware, the Government introduced new rent setting measures under the 'Welfare Reform and Work Bill 2015', for social housing landlords to reduce the rent payable by individual tenants each year between 2016 and 2019. This superseded Government's previous 10 year rent increase policy implemented in April 2015.
- 3.2 The main change was to move the annual weekly rent increase from the previous arrangement of Consumer Price Index (CPI), plus a maximum of 1% to reduce current weekly rent by 1%, starting from 2016/17 rent year and so on for the following 3 years.
- 3.3 The third year of the rent decrease will commence from April 2018. The 1% reduction results in a budgeted rent income loss against the current year's income from dwellings of £171,000.
- 3.4 The new directive above means, in essence a 4% reduction to rental income each year over the 4 years (as Business Plan assumed prior to rent reduction 3% rent increase each year). The impact of which would be a reduction in income of approximately £5.7million. Additionally, since the introduction of HRA Self-financing, the Government has introduced a number of other policy changes, which are set out in this report.
- 3.5 Appendix A has the details of the proposed average rent decrease by property type, which is based on social housing rent, and is in line with Government's current guidance as detailed above.
- 3.6 The proposed charges will give an average rent of £81.82 (1% reduction to 2017/18 proposed weekly rent) per week, based on 52 weekly payments.
- 3.7 Rents under this arrangement exclude service charges, which are charged separately and are based on actual expenditure. Details are set out in section 5 of this report.
- 3.8 As of 1 April 2018, with the proposed decreases implemented, Medway HRA will have moved 98.5% of their rent to formula rent. This will leave 1.5% or 46 properties below the formula rent.
- 3.9 In terms of future rent setting the Government has recently announced a return to CPI plus 1% rent rise for five years from 2020/21. This has been reflected in the revision of the HRA Business Plan.

## **4. Garage Rents**

- 4.1 The current rent charged for garages is £349.96 (£6.73 x 52 weeks) per annum for council tenants and £465.92 (£8.96 x 52 weeks) per annum, plus VAT for other residents.
- 4.2 As of 21 September 2017, the Council rented 158 garages to Council tenants. Traditionally council tenants have been charged a lower baseline rent than non council tenants.
- 4.3 It is proposed to realign this difference over the next three years on a cascade approach. Base line garage rents will be set to the same level regardless of residential tenure type. It is therefore recommended that for 2018/19 the baseline rent for Council tenants to be raised by £1 to £7.73. Following which for all residents renting a garage, a 5% garage rent increase is proposed to be applied see paragraph 4.4.
- 4.4 It is proposed that garage rents will increase by 5% from April 2018 and the new charge will be £422.24 (£8.12 x 52 weeks) per annum for council tenants and £489.32 (£9.41 x 52 weeks) per annum, plus VAT for non council tenants.
- 4.5 It is estimated that this will generate an additional income of approximately £17,440.28 based on current letting rates.
- 4.6 To address the issue of the rent charging difference for all void garage lettings regardless of residential tenure type it is proposed from 2 April 2018 they will be charged the same garage rent. This will be £9.41 for 2018/19 plus VAT for non residential Council tenants.
- 4.7 As part of this proposal, officers have undertaken analysis of the impact of this increase for tenants. This is included within the DIA attached to this report

## **5. Service Charges**

- 5.1 Service charges for 2018/19 have been calculated using estimated costs based on the actual charges for previous years and any known increases or decreases.
- 5.2 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.
- 5.3 It is acknowledged that Members preference has been 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. During 2016/17 it was necessary to upgrade and purchase new laundry machines at some of the sheltered schemes. To recover the full cost of these replacements, it is proposed to increase the laundry rooms' service charge for the schemes by 24p per week which is above the preferred percentage increase. However, a large number of tenants (209 out of 280 tenants) that are liable to pay this charge are eligible for housing benefit.
- 5.4 Overall the average service charge increase for 2018/19 (excluding housing related support eligible charges), is 5 pence per week. Appendix B details the percentage increase required against each type of projected weekly service charge in comparison to 2017/18.

- 5.5 Some charges for Sheltered Housing are funded through a Housing Related Support fund via a Service Level Agreement (SLA). If this fund is discontinued, the charges will be payable by the tenants. As at 29th November 2017, this would affect 210 tenants.
- 5.6 As per previous years it is proposed to continue the process of rounding service charges to the nearest 5p or 10p for 2018/19. This exercise saves approximately 24 hours of administration time.

## **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 The target for void property rent loss for 2017/18 was set at 0.46% of the rent debit, equating to £59,905. As at 15<sup>th</sup> November 2017, performance was actually at 0.28%, which would produce an improved financial rent loss than anticipated of around £36,554, if performance remains at this level for the remainder 2017/18.

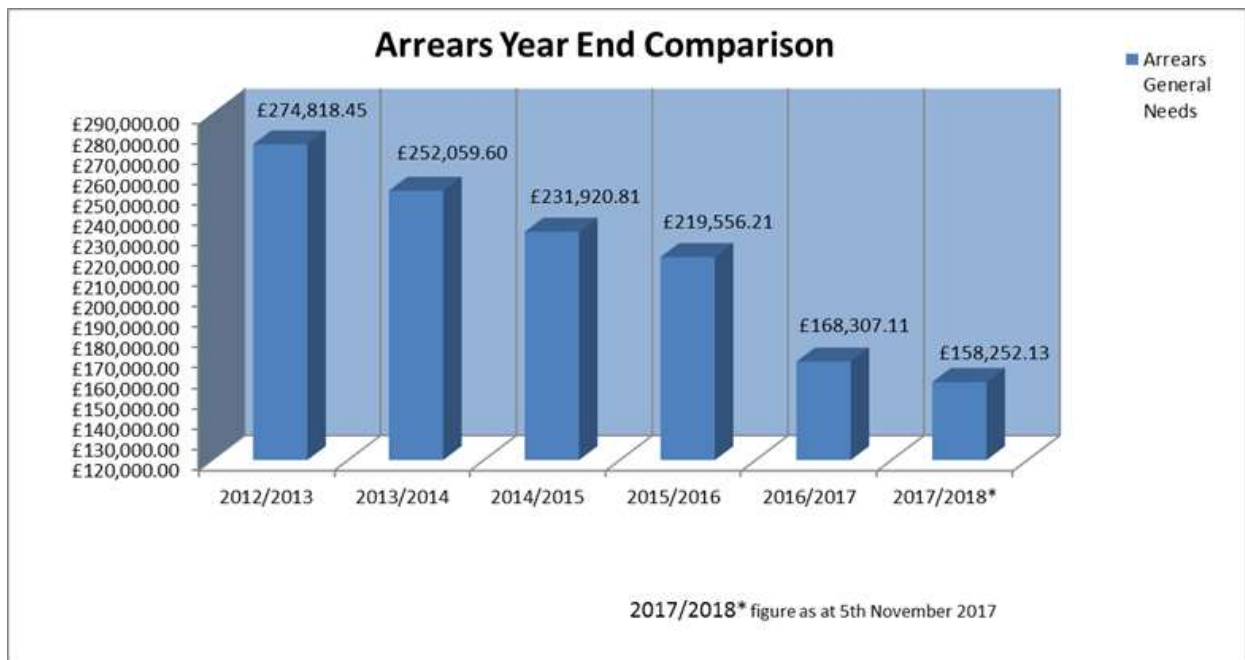
6.2.3 Provision for void rent loss for 2018/19 has been set at 0.37%, against the 2018/19 rent debit or in financial terms £47,337. This gives a slightly higher rent loss, comparable with November 2017 performance, as noted in the paragraph above, but lower than the current years target and remains in top quartile.

### **6.3 Rent Collection/Bad Debt Provision**

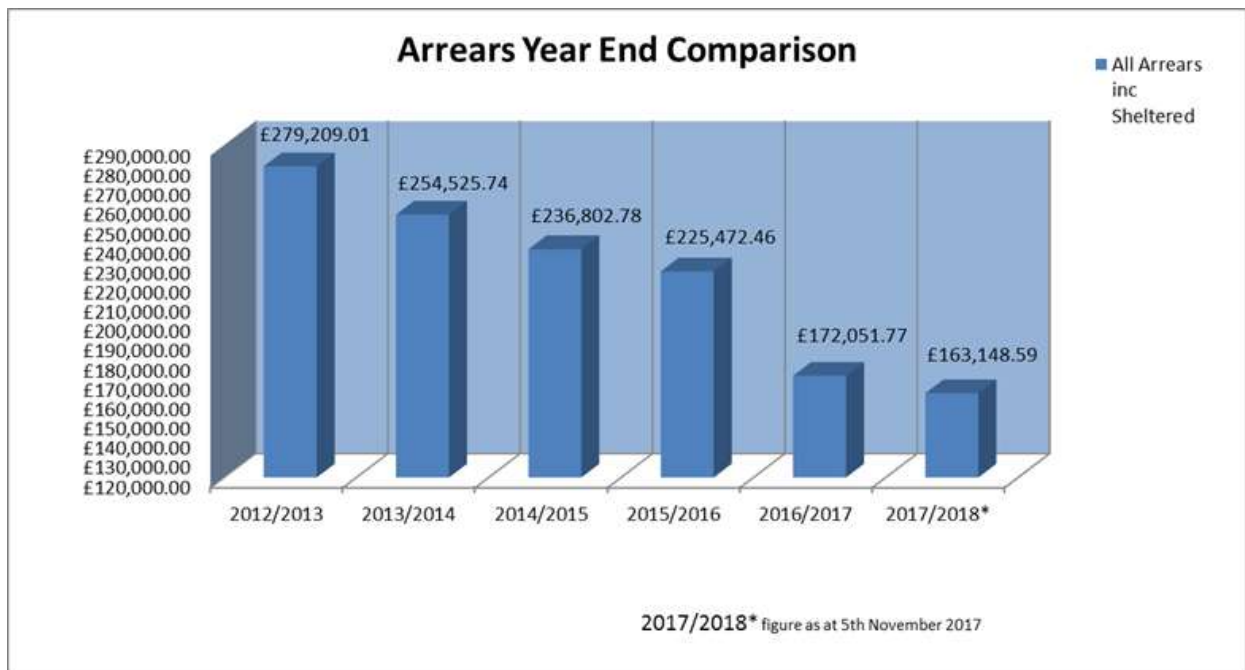
6.3.1 The collection rate for rent and service charges and the performance in managing rent debt is critical to the financial position of the HRA and has a direct impact on the amount of bad debt provision that has to be set aside.

6.3.2 The rent collection rates and current arrears position within the HRA is very favourable in terms of performance against other similar organisations. This is having a positive impact in terms of income.

6.3.3 The chart below shows the year on year decrease for arrears in the general needs stock.



6.3.4 The following chart shows the year on year decrease for arrears in the general needs stock and sheltered housing



6.3.5 It has been calculated, as at 5<sup>th</sup> November 2017 that the estimated collection level of rent (dwellings and non dwellings) and service charges for 2017/18 will be £14,236,000, which will result in estimated current tenant rent arrears at 1 April 2018 of approximately £163,000. However, it is projected that total arrears, both current and former HRA tenants, will be in the region of £532,000. This is an improvement compared to last year's forecast of £623,000.

6.3.6 It is estimated that as at 31 March 2018, the projected yearly requirement for bad debt provision will be £27,300. As a result of this current favourable collection rate and effective income management, the bad debt provisions budget for 2018/19 has been reduced to £55,000 from £75,000. This budget is set at higher than current bad debt provisions requirement to take into account the impact of Universal Credit being rolled out fully over the next 4 years.

## 6.4 Universal Credit (UC)

6.4.1 UC was introduced in Medway on a cascade approach on 12 October 2015. There has been a delay by the Department of Works and Pensions (DWP) in fully implementing UC. Members will be aware that the full roll out was due to commence in February 2018. However in his budget statement in November 2017 the Chancellor made a number of key announcements in terms of changes to the processes and administration for Universal Credit. As a result of this the Department of Work and Pensions has advised the full roll out of UC in Medway has been delayed until May 2018. The key changes announced, subject to passages of legislation were:-

- From January 2018 the period of payment for new advances against UC will be extended to 12 months. For those who need it, and who have an underlying entitlement to Universal Credit, will be able to access up to a month's worth of Universal Credit within five days via an interest-free advance.
- From February 2018 the 7 day waiting period (forfeit of benefit for all new claims) will be abolished. Claimants will now be eligible from the date of claim.
- From April 2018, those on Housing Benefit that transition to UC will receive two weeks (run on) of their Housing benefit claim.
- From April 2018 short term placements in temporary accommodation will continue to be paid for through Housing Benefit.

6.4.2 As of 20th November 2017, there were 25 tenants receiving UC. Due to delays in payments by DWP, arrears of £5,324.82 (as at 22nd November 2017) have been identified for all of these tenants. The roll out of UC will have a direct impact on the income to the HRA and to its tenants in Medway.

6.4.3 UC will be paid directly to tenants in equal 12 monthly payments across the year.

## 6.5 Direct Payments – Housing Benefit (HB)

6.5.1 Currently all payments of HB (excluding 25 tenants in receipt of UC) for working aged HRA tenants are credited directly to rent accounts at no cost. The introduction of UC will include a gradual shift of the current arrangement of payments of state assistance in respect of housing costs directly to tenants, which will then have to be collected by the HRA. Based on the current roll-out plans, there is potential for an impact through the 2018/19 financial year.

6.5.2 UC in its current form would only affect working age claimants. Currently the HRA receives approximately 64.83% of rental income via Housing Benefit, of which 39.42% is in respect of working age tenants, and 24.78% of which is in respect of state pension age tenants resulting in £5,023,363 and £3,157,059 respectively for 2018/19 budgeted income.

6.5.3 As described above, the proposed changes would result in housing benefit being paid directly to working aged tenants and it is estimated that in 2018/19, the additional cost to the Authority to collect this rent from tenants, in terms of transaction processing costs, will be approximately £10,000. This would be a new additional cost to the HRA. These costs will increase as UC is fully rolled out over the next 4 years. It is also likely that arrears and the consequent provision for bad debt will increase.

6.5.4 Work is continuing by the HRA team to prepare both the service and tenants for these proposed changes. This includes the HRA housing team being a prominent member of the corporate Welfare Reform Steering Group where partnership working has been developed with DWP, work streams agreed around communication, identifying vulnerable customers, and the development of digital inclusion initiatives. Weekly UC advice surgeries for tenants have been launched at the Twydall Hub. Roadshows to publicise the roll out of UC are also planned in the Spring.

## **7. HRA Expenditure**

7.1 Generally, all expenditure will remain at 2017/18 levels for 2018/19 to reflect the current economic climate and reduction in rental income, in line with the Medium Term Financial Plan, including any corporate determination of staff salaries. Where through streamlining and service improvement some budgets have regularly underspent these have been revised down. No services or staffing levels have been reduced, as these budget reductions have been achieved through genuine savings.

7.2 The main exceptions in terms of budget increases are generally due to contracts that are subject to contractual annual uplifts and contracts which are due to be re-tendered.

7.3 For 2018/19, it has been agreed that generally there will be no uplift to the existing SLA recharges between the HRA and the General Fund (GF) services. This is as a result of a comprehensive review in 2015/16, that looked in detail at the time spent on various SLAs' between the HRA and the GF services to reflect the level of service and the management support provided to ensure that the HRA operates effectively. This increase excludes management fees for the planned decorating and capital maintenance programme, which is currently an 8% and 12.5% respectively on the actual programme delivery. These charges are reviewed annually internally.

7.4 The cost of Housing Benefits under Rent Rebate limitation is the responsibility of the HRA. Based on an estimated Rent Rebate limit for 2018/19, it is projected that the cost of this will be nil, however as the actual Rent Rebate Limit cap (set by the Government) will not be available until the beginning of 2018, a provision of £30,000 has been made in the budget. This is a reduction of £20,000 from the previous year's budget and is due to nil use of this budget for the past few years.

## **8. Housing Repairs**

8.1 Members will be aware that following formal tendering, a new repairs and maintenance contract was formally awarded to Mears Ltd for five years, from 1 September 2014. The third year of the contract, which concluded in August 2017, has performed well both in terms of financial benefit to the Council and service delivery to residents. One of the main reasons for the financial benefits is the fixed price per property model with Mears which brings savings to both the repairs service and voids.

8.2 As a result of the fixed price model and a reduction in the number of voids, the voids budget, for works to bring properties to the lettable standard, has been reduced by £85,000 for 2018/19.

8.3 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.

8.4 Based on the proposed combined capital and revenue work programmes, the financial split in 2018/19 is anticipated as follows:

- Responsive maintenance £2.117million
- Planned/Capital maintenance £5.522million

This split will equate to 28:72 spend ratio for 2018/19. This meets good practise guidelines of 30:70.

#### 8.5 Responsive Repairs and Voids Budget

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

#### 8.6 Three-Year Capital Works Budget

8.6.1 Prior to 2015/16, the capital works budget was set on an annual basis. This approach led to initial on site delays of some projects, as officers could not formally instruct contractors or the Building and Design Team (who project manage works on behalf of the HRA Service) until formal budget approval was obtained. This approach also led to lost opportunities of not being able to produce contracts for longer periods of time for the same work streams, which should otherwise give a greater value for money in terms of procurement for those tendering, to bring savings via reduction in longer term work programmes and overheads, as well as reduction in administrative costs. The current 3-year capital works budget will be complete at the end of 2017/18. It is proposed for the reasons set out above and that the current revised HRA Business Plan is sustainable that a new three year capital works programme be approved.

8.6.2 The table below shows the projected 3-year (2018/19 to 2020/21) HRA capital works programme budget (including disabled adaptations and the new house building programme). Any under-spend on the 2017/18 planned maintenance and adaptations capital programme will be added to the 2018/19 capital programme. Round 2 capital budget monitoring forecast for 2017/18 predicts savings of £123,000 on the capital programme, mainly due to residents declining kitchen and bathroom works and signing disclaimers (waivers) as well as a proposed boiler programme not being required on further investigation. This will be carried forward and will be in addition to the budget provisions detailed below for 2018/19.

#### 8.6.3 Three-Year proposed Capital Programme Budget

	2018/19 £000	2019/20 £000	2020/21 £000
<b>Planned Maintenance</b>	£4,660	£4,497	£4,488
<b>Disabled Adaptations</b>	£200	£200	£200
<b>New build programme</b>	£1,000	£0	£0
<b>Total</b>	<b>£5,860</b>	<b>£4,697</b>	<b>£4,688</b>



#### 8.6.4 Three-Year proposed Capital Programme Funding:

	2018/19 £000	2019/20 £000	2020/21 £000
<b>Major Repairs Reserves</b>	£3,781	£3,875	£3,972
<b>Revenue Contribution to Capital</b>	£1,080	£821	£716
<b>Contribution from Revenue Reserves for new build programme</b>	£700	£0	£0
<b>Contribution from 1-4-1 RTB Capital Receipts for new build programme</b>	£300	£0	£0
<b>Total</b>	<b>£5,860</b>	<b>£4,697</b>	<b>£4,688</b>

### 9. House Building Development Programme

- 9.1 The first and second phase of development programme of building 56 new council homes was successfully completed at the end of 2016/17 costing a total of £7.59m against a budget of £8.56m which was agreed by the Council on the 17 October 2013. This was funded from borrowing by making use of available headroom and ring fenced Right to Buy (RTB) 1-4-1 capital receipts.
- 9.2 As set out in section 12 of this report the recent review of the HRA Business Plan shows that the HRA has the capacity to deliver a small third phase development programme of new council homes. It is proposed to fund this from Revenue Reserves as well as utilising 30% cost of this from the retained 1-4-1 RTB Capital Receipts. Officers are currently instructing architects to devise a small bungalow development scheme in anticipation of the availability of the above mentioned funding.

### 10. HRA Working Balances

- 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 of April 2017, the working balance stood at £3.618million. For a number of years the actual HRA balance has exceeded the recommended good practice guideline of £450,000.
- 10.2 Round 2 (2017/18) budget monitoring predicts a balance as at 31 March 2018 of £4.447million, which is similarly in excess of the guidelines, however, given that the balance of reserves is also to cater for future investment and possibly the HVA subsidy, it is recommended that a minimum reserve balance of £750,000 would be appropriate. The Business Plan has been amended to take account of these forecasted reserves.
- 10.3 The proposed 2018/19 HRA Budget as presented at Appendix C, produces a projected surplus of £0.191million for the year, leaving the forecasted revenue working balances (which includes contribution to fund the new build capital programme of £0.7million) of £3.938million as at 31 March 2019.

## **11. New Self-Finance Arrangements - Borrowing and 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 £45.846million. 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 or services.
- 11.2 In 2012 the HRA began a programme of repaying its debt by a minimum revenue payment (MRP). This payment was calculated at 2% on the HRA opening outstanding debt, however to be in line with Medway Council's provisions for debt repayment policy, since 2017/18, the HRA debt repayment is made on annuity basis, therefore 2018/19 estimated MRP repayment will be £0.313million.
- 11.3 As at 1 April 2018, the estimated 'headroom' for the HRA will be £3.029million, subject to repayment of 2017/18 MRP payment of £0.3million.
- 11.4 In terms of the current HRA Debt, the Chancellor announced in his Autumn Budget that some Local Authorities may be able to have their debt cap raised. Officers have contacted the DCLG to establish the mechanisms to achieve this in Medway. At the time of writing this report, Officers have been advised guidance will be issued shortly on how to submit a proposal and the requirements. However Local Authorities, if successful will not be permitted any additional borrowing until at least 2019. A verbal update will be provided to members at the meeting if there are any further developments.

## **12. HRA Business Plan Update**

- 12.1 Local authorities are required to produce and maintain a HRA Business Plan that meets the Government's 'fit for purpose' criteria. The Business Plan is also a statement of the viability of the 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 Budget Report.
- 12.2 The housing stock represents one of Council's highest value assets and its repairs and maintenance is a significant liability, therefore planning for its sustainable future is important.
- 12.3 Effective and efficient management of the housing assets play an important part in delivering many of Council's corporate priorities and strategic objectives and the Asset Management Strategy (AMS) provides the long term planning, provision and viability of assets.
- 12.4 The Council maintains a set of long term financial forecasts for its Housing Revenue Account. These forecasts inform the HRA Business Plan, and enable the Authority to model the impact of potential changes on Authority's ability to manage its housing stock as well as identifying and helping to mitigate the potential risks it faces.
- 12.5 The HRA Business Plan was last approved by Members of Council in February 2017. The last plan included an assumption that a Higher Value Subsidy payment would need to be made in the region of £1.5million per annum. However, whilst legislation remains in place for this, there is still no clear guidance or direction as to when or if this might be introduced. The decision has,

therefore, been made that until such time as there is a clear way forward that the assumption of a subsidy payment being made is removed from the Business Plan. In the event, this is ever introduced then a review on the impact of this on the Business Plan and Operational Service delivery will then be undertaken.

12.6 The HRA Business Plan has recently been revised and details of the 30 year business Income and expenditure charts can be found at Appendix D. The assumptions are:

- Rent will rise (at the end of the current 4 year rent decrease period) from 2020/21 by CPI plus a maximum of 1%.
- Higher value asset subsidy will not be introduced.
- Repayment of debt (MRP) is made on annuity basis.
- Current HRA operational front line service model to be sustained.
- Baseline rents for garages for Council tenants rise by £1 per week.
- Increase in garage rents for 2018/19 by 5%.
- Service charge levies set out in this report will be approved.
- The financial Asset Management data is based on known data within the Planned Maintenance Module of future stock investment requirements with data continually being improved upon.

12.7 As can be seen the Business Plan shows the HRA balances from year 9 start to grow and the capital works programme can be sustained as can the service over the next 30 years. This is all based on the fact that the Government does not introduce the higher value subsidy.

### **13. Nationwide Benchmarking**

13.1 As part of the HRA business plan review, the HRA service took part in a nation wide benchmarking exercise with Housemark, a well known and respected benchmarking organisation. The purpose was to understand costs and performance levels against other similar sized housing organisations as at year end 2016/17, a summary of results is as follows:

13.2 Medway results were compared with other similar sized organisations and a summary of results is as follows:

1. Average void time for standard relets – 12.62 days – top quartile
2. Average void time for all relets (including time spent in works) – 16.5 days – top quartile
3. Percentage of rent lost through dwellings being vacant – 0.41% – top quartile
4. Current tenant arrears as a percentage of the annual rent debit – 1.22% - top quartile
5. Customer Satisfaction with repairs - 99.4% – top quartile.
6. Percentage of properties vacant and available to let – 0.2% - top quartile
7. Percentage of repairs calls answered – 98.5% - top quartile
8. Percentage of properties that are non decent at the end of the year – 0% – top quartile.

### **14. Engagement and Information**

14.1 The Housing Act 1985 requires the issue of written notification to each tenant, a minimum of four weeks in advance of the date any rent charge adjustments become operative. For 2018/19 the latest date for posting the notices is 1 March 2018.

14.2 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 15 January 2018 and feedback from residents at the meeting will be provided to members.

## 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.	Ongoing stock condition surveys undertaken to provide a sound basis on which to model future repairs investment.  Regular monitoring by senior officers of the budgets and actions agreed to avoid deficit occurring.
Changes brought about by Welfare Reform.	If fully implemented Government proposals to introduce UC would mean approximately £5.023 million (based on current figures) 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 £10,000 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 the business plan following the full implications of the housing and planning bill, as understood, 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.  The reduction by 1% each year from 2016/17 until 2019/20 for rent charging will reduce previously predicted income to the HRA business plan. Along with any significant increase in arrears, this may impact on the ability to deliver current services or staffing structural	Dedicated team in place to manage income.  Weekly reports produced to robustly monitor performance and take prompt and effective action.  Weekly and monthly reporting in place for arrears and other income.  HRA business plan reviewed annually.

	models.	Regular reviews undertaken of alternative methods of delivery, which may improve customer service and value for money.
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.
Subsidy payment for high value assets is implemented.	High value assets above defined threshold will be subject to a subsidy payment back to Central Government.	<p>A review of affected stock to be undertaken with a strategic decision on retention of high value assets, once the regulations are published.</p> <p>Revision of HRA Business Plan undertaken to ensure all statutory function can be maintained and review of capital programme undertaken.</p> <p>Review any future new build programme plans.</p>

## 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 'breakeven' 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 adjust 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 adjustments and other matters proposed in this report, and making its recommendations to the Cabinet, this Committee 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 this report at appendix E to assist committee members to fulfil these duties.

- 16.6 The Committee 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 Cabinet. 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 generating income that can be invested back into social housing so that more people in need can benefit from it.

## **17. Recommendations**

17.1 The Committee is asked to recommend to the Cabinet:

- a) A proposed rent decrease of 1% for the housing stock as set out in Appendix A (based upon 52 collection weeks) with effect from 2 April 2018.
- b) The baseline garage rent for Council tenants be increased by £1 from £6.73 to £7.73 with effect from 2 April 2018 per week.
- c) A rent increase for all garage tenure types of 5% will be applied with effect from 2 April 2018 per week.
- d) With effect from 2 April 2018 it is proposed that all new void garage lettings will be charged the same baseline rent regardless of residential tenure type (this will be £9.41 per week) for 2018/19.
- e) That the service charges and increases as set out in Appendix B of the report for 2018/19 be approved.
- f) That the revenue budget for the HRA Service for 2018/19 as per Appendix C be approved.
- g) That the provision for the repayment debt based on annuity based payment on the HRA outstanding debt to be £0.313 million for 2018/19 be approved.
- h) That the proposed three year Planned Maintenance Capital Programme as set out in paragraph 8.6.3 be approved.
- i) To use 30% of allowable expenditure of small third phase of new build programme from the retained 1-4-1RTB capital receipts as set out in section 8.6.4 to be approved.
- j) To use funds for a further small third phase of new build programme from revenue reserves as set out in section 8.6.4 to be approved.
- k) That members approve the revised 30 year HRA Business Plan model as attached at appendix D.

**18. Lead officer contacts**

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**19. Background Papers**

None

**20. Appendices:**

Appendix A – Average Rent Decreases by Property Type

Appendix B – HRA Service Charges Summary

Appendix C – Revenue Budgets for HRA Service for 2018/19

Appendix D – Summary of HRA Business Plan

Appendix E – Diversity Impact Assessment





## AVERAGE RENT DECREASES BY PROPERTY TYPE (52 WEEKS)

### AVERAGE RENT BY PROPERTY TYPE 2018/19

Property Type	No of Properties	Proposed Rent 2017/18	Formula Rent 2017/18	Proposed Rent 2018/19	Formula Rent 2018/19	Average Decrease 2017/2018 to 2018/2019	Average Percentage Decrease 2017/2018 to 2018/2019
Bedsit Bungalow	45	£65.57	£65.66	£64.92	£65.00	(£0.65)	-1.0%
Bedsit Flat	67	£62.15	£62.15	£61.54	£61.54	(£0.62)	-1.0%
1 Bedroom Bungalow	199	£76.15	£76.44	£75.39	£75.68	(£0.76)	-1.0%
1 Bedroom Flat	481	£72.09	£72.10	£71.37	£71.37	(£0.72)	-1.0%
2 Bedroom Bungalow	20	£93.12	£93.12	£92.19	£92.19	(£0.93)	-1.0%
2 Bedroom House	502	£87.52	£87.55	£86.65	£86.68	(£0.87)	-1.0%
2 Bedroom Flat	538	£80.43	£80.43	£79.62	£79.62	(£0.80)	-1.0%
3 Bedroom Bungalow	2	£93.49	£93.49	£92.56	£92.56	(£0.93)	-1.0%
3 Bedroom House	736	£97.54	£97.55	£96.56	£96.57	(£0.98)	-1.0%
3 Bedroom Flat	110	£90.58	£90.81	£89.67	£89.90	(£0.90)	-1.0%
4 Bedroom House	29	£105.96	£105.96	£104.90	£104.90	(£1.06)	-1.0%
5 Bedroom House	2	£118.41	£122.06	£117.23	£120.84	(£1.18)	-1.0%
Sheltered Bedsit for the Disabled	8	£60.28	£60.28	£59.68	£59.68	(£0.60)	-1.0%
Sheltered Bedsit	187	£60.33	£60.33	£59.73	£59.73	(£0.60)	-1.0%
1 Bedroom Sheltered	71	£68.00	£68.01	£67.31	£67.32	(£0.68)	-1.0%
2 Bedroom Sheltered	6	£78.66	£78.95	£77.87	£78.16	(£0.79)	-1.0%
3 Bedroom Sheltered	-	£0.00	£0.00	£0.00	£0.00	£0.00	0.0%
1 Bedroom Sheltered Bungalow	17	£70.57	£70.66	£69.86	£69.95	(£0.71)	-1.0%
<b>Overall Average*</b>	<b>3,020</b>	<b>£82.64</b>	<b>£82.68</b>	<b>£ 81.82</b>	<b>£ 81.86</b>	<b>(£0.83)</b>	<b>-1.0%</b>
*(Total rental income / total number of properties)							

## Appendix B

### HOUSING REVENUE ACCOUNT - SERVICE CHARGES SUMMARY (52 Weeks)

	Average Weekly Service Charge 2017/18	Proposed Percentage Increase for 2018/19	Proposed Average Weekly Service Charge 2018/19	Projected Weekly Variation 201718 to 2018/19	Projected (Surplus)/ Deficit 2018/19
	£	%	£	£	£'000
<b>a) Eligible for Housing Benefit</b>					
Adult Services Facilities	0.00	0.0%	0.00	0.00	0
Estate Services (Caretaking)	5.05	(0.9%)	5.01	(0.04)	0
Communal Electricity	1.03	0.0%	1.03	0.00	0
Grounds Maintenance	0.73	(0.1%)	0.73	(0.00)	0
Sheltered Helpline	3.14	1.9%	3.20	0.06	0
Sheltered Management	21.58	0.0%	21.58	0.00	0
Window Cleaning	0.30	0.0%	0.30	0.00	0
Council Tax	9.73	5.0%	10.22	0.49	0
Laundry Room Sheltered	0.50	48.0%	0.74	0.24	0
Laundry Room General	0.77	(0.0%)	0.77	(0.00)	0
Communal Lifts	0.36	0.0%	0.36	0.00	0
Communal TV Aerials	0.07	(28.6%)	0.05	(0.02)	0
CCTV	1.40	0.0%	1.40	0.00	0
<b>b) Not Eligible for Housing Benefit</b>					
Cooker	0.35	0.0%	0.35	0.00	0
Fridge	0.36	0.0%	0.36	0.00	0
Communal Heating	6.71	0.0%	6.71	0.00	0
Water Rates	3.89	2.8%	4.00	0.11	0
<b>Average sections a &amp; b (52 Weeks)</b>	<b>3.29</b>		<b>3.34</b>	<b>0.05</b>	<b>0</b>
<b>c) Housing Related Support Eligible Charges</b>					
Community Alarm	8.63	0.0%	8.63	0.00	0
SP Helpline	2.37	0.0%	2.37	0.00	0
Sheltered Support	5.40	0.0%	5.40	0.00	0
<b>Average sections c (52 weeks)</b>	<b>5.47</b>		<b>5.47</b>	<b>0.00</b>	<b>0</b>
<b>Average all sections (52 Weeks)</b>	<b>3.62</b>		<b>3.66</b>	<b>0.04</b>	<b>0</b>

HRA working balance B/F & 2018/19 Budget

Appendix C

Description	Budget 2017/18			R2 Forecast 2017/18			Proposed Budget 2018/19		
	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
<b>HRA Working Balance B/F</b>			<b>(3,304)</b>			<b>(3,618)</b>			<b>(4,447)</b>
HOUSING MAINTENANCE	2,293	0	2,293	2,308	0	2,308	2,351	0	2,351
HOMES FOR INDEPENDANT LIVING	603	(2)	601	577	(2)	575	604	(3)	601
TENANCY SERVICES	1,578	0	1,578	1,341	0	1,341	1,488	0	1,488
ESTATE SERVICE	540	(4)	536	502	(4)	498	556	(4)	552
COMMUNITY DEVELOPMENT	120	0	120	116	0	116	125	0	125
CENTRALISED ACCOUNTS	197	0	197	191	0	191	219	0	219
CLIENT SIDE	1,895	0	1,895	1,814	0	1,814	1,774	0	1,774
CAPITAL DEVELOPMENT PROGRAMME	0	0	0	0	0	0	54	(54)	0
HOUSING BENEFITS	50	0	50	0	0	0	30	0	30
CAPITAL FINANCING	6,973	(12)	6,962	6,789	(12)	6,777	7,042	(12)	7,030
RENTAL INCOME	0	(14,239)	(14,239)	0	(14,264)	(14,264)	0	(14,082)	(14,082)
OTHER INCOME	0	(213)	(213)	0	(185)	(185)	0	(278)	(278)
<b>Total HOUSING REVENUE ACCOUNT</b>	<b>14,250</b>	<b>(14,470)</b>	<b>(221)</b>	<b>13,638</b>	<b>(14,467)</b>	<b>(829)</b>	<b>14,242</b>	<b>(14,433)</b>	<b>(191)</b>
Revenue Contribution to Capital Expenditure			<b>0</b>			<b>0</b>			<b>700</b>
<b>HRA Working Balance C/F</b>			<b>(3,525)</b>			<b>(4,447)</b>			<b>(3,938)</b>





## APPENDIX D

### HRA BUSINESS PLAN

#### Medway Council

#### HRA Business Plan Financial Projections

##### December 2017 Review

#### 1. Introduction

- 1.1 This report shows the current projections arising from the latest review of the HRA Business Plan.

#### 2. Future Assumptions

- 2.1 The model uses the R2 2017/18 forecasts and 2018/19 proposed budget for forecasting expenditure and income forward whilst adding general inflation increases (gradually RPI rising to 2.5% and CPI to 1.5% in year 5 and remaining at that level for the remainder of the plan). There are exceptions to these and are detailed further in this report. CPI inflation is assumed to be consistently 1% below RPI.

##### Rental Income

- 2.2 As part of the business planning process, the rent is forecasted based on the 1% decrease from the Welfare Reform and Work Act 2016 for each year until 2019/20 with rents reverting to increase by CPI + 1% for 2020/21 and the following years throughout.

##### Higher Value Assets Determination

- 2.3 Assuming no high value asset levy in this model.

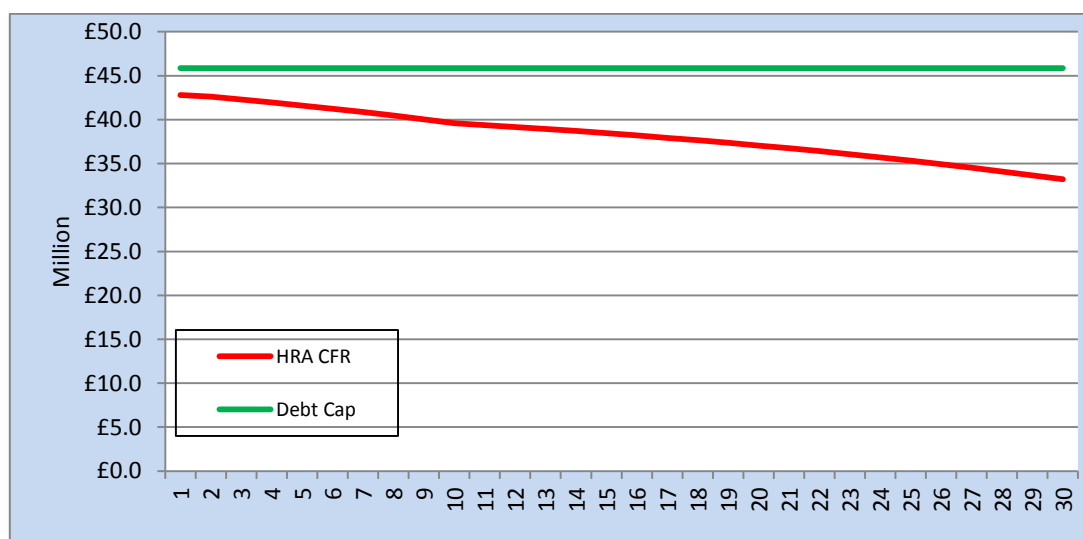
##### Bad debt

- 2.5 For 2018/19, budget decreased to £55,000 which equates to 0.43% of rental income, but increased back to £75,000 from 2019/20 which equates to 0.59% of the rental income due to roll out of Universal Credit from May 2018. This has been assumed to be stable for the years up until 2020/21 and then adjustments for inflation and stock changes for the remaining years.

## Treasury Management

- 2.6 This Authority maintains a 'one-pool' approach which means that loans are not split between the HRA and the General Fund. Therefore there is an average rate of interest charged for the HRA debt.
- 2.7 The interest charged to the HRA is based on the average of opening and closing HRA CFR balances at an interest rate of 4.22% which is not forecasted to change through the duration of the plan.
- 2.9 The Council does however make provision for debt repayment through a voluntary payment (Minimum Revenue Provision) calculated on an annuity basis, which in effect reduces debt and increases borrowing headroom.
- 2.10 The graph below show the financing position of the HRA, assuming HVA levy will not be implemented by the Government

### *HRA Financing Position £'m - Assuming no HVA Levy*



- 2.11 The accounting debt of the HRA (HRA CFR) is projected to be £42.817m at the end of 2017/18. Assuming no further borrowing and annual repayment of debt on annuity basis, at the end of 30 years, the debt will be £33.080m.

## **3. Capital Projections**

- 3.1 The forecast expenditure based on the latest stock condition survey has been used in the model. This equates to approximately £36,000 per unit over the 30 year period (excluding disabled adaptation, fees and inflation for comparison).

### New Build

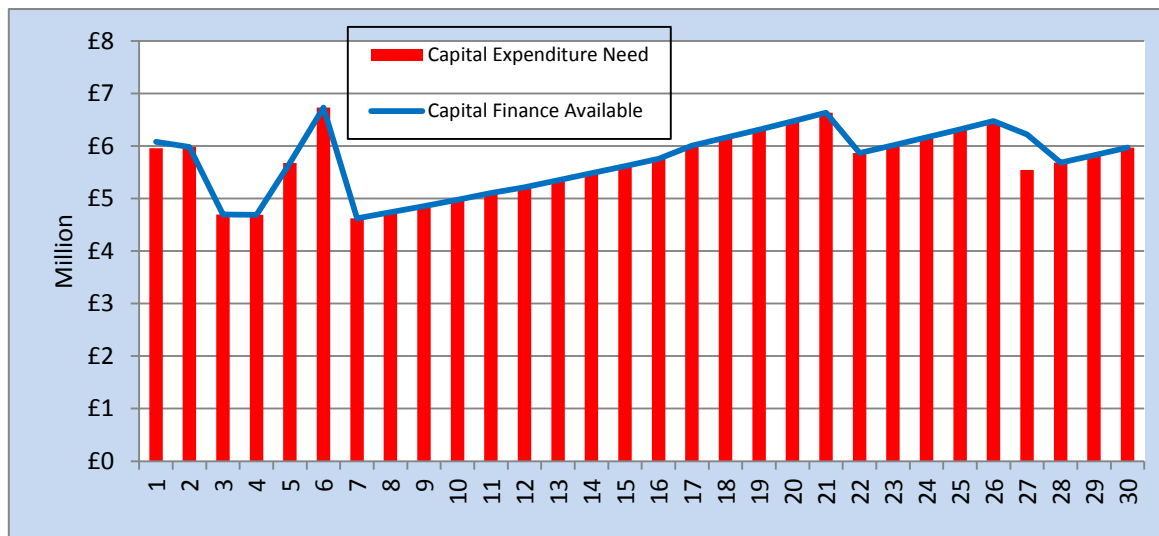
- 3.2 In addition to the investment in existing stock referred to above, the plan also includes a third phase of a small new build scheme in 2018/19 with an approximate cost of £1m.

This scheme will provide further 5 to 6 properties for the HRA to be rented on social rent.

## Right to Buy Receipts

- 3.3 The plan assumes 12 sales for 2017/18 and 10 sales per year from 2018/19 throughout the business plan.
- 3.4 These sales affect the Plan not only with loss of income but also enables the Council to retain the balance of the receipts (after some initial deductions).
- 3.5 During 2017/18, the Council will draw down £271,540 from the 1-4-1 RTB receipts for the remainder of eligible 1-4-1 RTB amount for the phase 1 of the new build programme. With this draw down and after all other eligible deductions, the Council is estimated to have £0.1m of net receipts available at the end of March 2018. Regulations state that this can be used for up to 30% of new build within 36 months of the receipt arising. If these receipts are not utilised within 3 years of the quarter they are retained, then they have to be paid back to DCLG with compounded interest.
- 3.6 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.

### *Capital Expenditure vs Resources £'m– Assuming no HVA Levy*

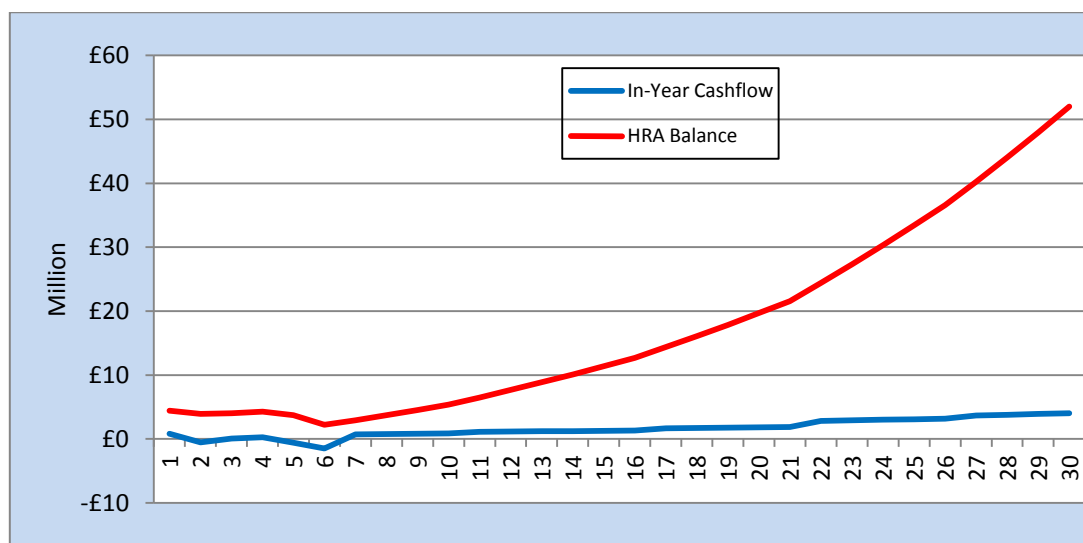


- 3.7 The above graph shows that the HRA has sufficient funds to be able to carry out the required capital works over the period of the business plan. Year two includes £1m for a small new build programme which will be funded from the reserves together with 30% of the cost from the retained 1-4-1 RTB capital receipts. Year 5 and 6 peaks in the capital programme are due to some of the capital works coming to the end of their REM life during these two years as well as increased costs due to increase in inflation from year 6 onwards.
- 3.8 One of the main reasons for the graph appearing to show increasing demand is because the plan has made assumptions about future inflationary and contractual uplifts hence the apparent increase, not that there is generally more work to be undertaken.

## 4. HRA Revenue Balance Projections

4.1 The projected balances for the HRA are as follows:

### *Projected HRA Balances £'m - Assuming no HVA Levy*



4.2 The HRA is set with a minimum reserve balance of £0.750million within the model. The balance is impacted by the need to meet the demands of the capital programme. The graph above shows drops in cash flow in year 6 due to increase in capital programme as mentioned in paragraph 3.7. From year 10 onwards reserves are beginning to build up as a result of the assumption of increase in rent due to rise in inflation as well as steady expenditure for the capital programme.

## 5. Key Assumptions

1. Rent decrease by 1% for year 1 to 3, and from year 4 increasing by CPI of 1.5% plus 1% throughout the business plan.
2. Void levels 0.43% for year 2 and then 0.59% throughout
3. Bad Debts Provision decreased to £55,000 for year 2 then from year 3, £75,000 plus inflation throughout
4. Right to Buy sales 10 properties per year throughout
5. Service Charge income increasing by inflation only
6. Non Dwelling Rents (Garages) increasing by 5% each year
7. Management Costs increasing by inflation only
8. Repair Costs increasing by inflation only
9. Capital Improvement Costs increasing by inflation only
10. Interest rates set at 4.22 % (paid) and set at 1% (received) on reserve balances throughout.
11. HRA CFR (debt) reduced on annuity basis throughout.

## 6. Summary

6.1 This review of the HRA Business Plan demonstrates that it remains viable over the 30 years without the HVA levy implementation. Once the amount of the HVA levy is known, business plan will have to be revised to ensure that the HRA has sufficient funds to sustain its services over the period of the business plan.



## Appendix 1

### HOUSING REVENUE ACCOUNT PROJECTIONS

Medway Council

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
£'000,000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>INCOME:</b>															
Rental Income	13	12.8	12.6	12.9	13.2	13.5	13.8	14.1	14.4	14.7	15.0	15.3	15.6	16.0	16.3
Void Losses	0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Service Charges	1	1.4	1.2	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.6
Non-Dwelling Income	0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Grants & Other Income	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Income</b>	<b>14.412726</b>	<b>14.3</b>	<b>14.0</b>	<b>14.3</b>	<b>14.6</b>	<b>15.0</b>	<b>15.3</b>	<b>15.6</b>	<b>16.0</b>	<b>16.3</b>	<b>16.7</b>	<b>17.0</b>	<b>17.4</b>	<b>17.8</b>	<b>18.1</b>
<b>EXPENDITURE:</b>															
General Management	-3.4	-3.6	-3.6	-3.6	-3.7	-3.8	-3.9	-4.0	-4.1	-4.2	-4.3	-4.4	-4.5	-4.6	-4.7
Special Management	-1.1	-1.2	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.3	-1.4	-1.4	-1.4	-1.5	-1.5	-1.5
Other Management	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Rent Rebates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bad Debt Provision	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Responsive & Cyclical Repairs	-2.3	-2.4	-2.3	-2.3	-2.4	-2.4	-2.5	-2.6	-2.6	-2.7	-2.7	-2.8	-2.8	-2.9	-3.0
<b>Total Revenue Expenditure</b>	<b>-6.9</b>	<b>-7.1</b>	<b>-7.2</b>	<b>-7.2</b>	<b>-7.4</b>	<b>-7.6</b>	<b>-7.8</b>	<b>-8.0</b>	<b>-8.2</b>	<b>-8.3</b>	<b>-8.5</b>	<b>-8.8</b>	<b>-9.0</b>	<b>-9.2</b>	<b>-9.4</b>
Interest Paid	-1.8	-1.8	-1.8	-1.8	-1.8	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.6	-1.6	-1.6
Finance Administration	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Interest Received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Depreciation	-3.7	-3.8	-3.8	-3.8	-3.9	-4.0	-4.1	-4.2	-4.2	-4.3	-4.4	-4.5	-4.6	-4.7	-4.8
<b>Net Operating Income</b>	<b>2.1</b>	<b>1.6</b>	<b>1.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>
<b>APPROPRIATIONS:</b>															
FRS 17 /Other HRA Reserve Adj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Provision (HRACFR)	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2
Revenue Contribution to Capital	-1.0	-1.8	-0.9	-0.9	-1.8	-2.7	-0.6	-0.6	-0.6	-0.6	-0.7	-0.7	-0.7	-0.8	-0.8
<b>Total Appropriations</b>	<b>-1.3</b>	<b>-2.1</b>	<b>-1.2</b>	<b>-1.2</b>	<b>-2.1</b>	<b>-3.1</b>	<b>-0.9</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.1</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-0.9</b>	<b>-1.0</b>	<b>-1.0</b>
<b>ANNUAL CASHFLOW</b>	<b>0.8</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.3</b>	<b>-0.6</b>	<b>-1.5</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>
Opening Balance	3.6	4.4	3.9	4.0	4.3	3.7	2.2	2.9	3.7	4.5	5.4	6.5	7.7	8.9	10.1
<b>Closing Balance</b>	<b>4.4</b>	<b>3.9</b>	<b>4.0</b>	<b>4.3</b>	<b>3.7</b>	<b>2.2</b>	<b>2.9</b>	<b>3.7</b>	<b>4.5</b>	<b>5.4</b>	<b>6.5</b>	<b>7.7</b>	<b>8.9</b>	<b>10.1</b>	<b>11.4</b>

HOUSING REVENUE ACCOUNT PR  
Medway Council

Year	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47
£'000,000	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>INCOME:</b>															
Rental Income	16.7	17.5	17.8	18.2	18.6	19.0	19.4	19.8	20.2	20.7	21.1	21.6	22.0	22.5	23.0
Void Losses	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Service Charges	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2	2.3
Non-Dwelling Income	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Grants & Other Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Income</b>	<b>18.5</b>	<b>19.4</b>	<b>19.8</b>	<b>20.2</b>	<b>20.7</b>	<b>21.1</b>	<b>21.6</b>	<b>22.0</b>	<b>22.5</b>	<b>23.0</b>	<b>23.5</b>	<b>24.0</b>	<b>24.5</b>	<b>25.0</b>	<b>25.6</b>
<b>EXPENDITURE:</b>															
General Management	-4.8	-5.0	-5.1	-5.2	-5.4	-5.5	-5.6	-5.8	-5.9	-6.1	-6.2	-6.4	-6.5	-6.7	-6.8
Special Management	-1.6	-1.6	-1.7	-1.7	-1.7	-1.8	-1.8	-1.9	-1.9	-2.0	-2.0	-2.1	-2.1	-2.2	-2.2
Other Management	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Rent Rebates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bad Debt Provision	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Responsive & Cyclical Repairs	-3.0	-3.1	-3.2	-3.2	-3.3	-3.4	-3.5	-3.5	-3.6	-3.7	-3.8	-3.9	-3.9	-4.0	-4.1
<b>Total Revenue Expenditure</b>	<b>-9.6</b>	<b>-9.9</b>	<b>-10.1</b>	<b>-10.3</b>	<b>-10.6</b>	<b>-10.8</b>	<b>-11.1</b>	<b>-11.4</b>	<b>-11.6</b>	<b>-11.9</b>	<b>-12.2</b>	<b>-12.5</b>	<b>-12.8</b>	<b>-13.1</b>	<b>-13.4</b>
Interest Paid	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	-1.4	-1.4	-1.4
Finance Administration	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Interest Received	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5
Depreciation	-4.9	-5.0	-5.1	-5.3	-5.4	-5.5	-5.6	-5.7	-5.8	-6.0	-6.1	-6.2	-6.4	-6.5	-6.6
<b>Net Operating Income</b>	<b>2.4</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>	<b>3.6</b>	<b>3.7</b>	<b>3.8</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>	<b>4.4</b>	<b>4.5</b>
<b>APPROPRIATIONS:</b>															
FRS 17 /Other HRA Reserve Adj	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Provision (HRACFR)	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5
Revenue Contribution to Capita	-0.8	-1.0	-1.0	-1.1	-1.1	-1.2	-0.3	-0.3	-0.3	-0.4	-0.4	0.0	0.0	0.0	0.0
<b>Total Appropriations</b>	<b>-1.1</b>	<b>-1.2</b>	<b>-1.3</b>	<b>-1.4</b>	<b>-1.4</b>	<b>-1.5</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-0.5</b>
<b>ANNUAL CASHFLOW</b>															
Opening Balance	11.4	12.7	14.4	16.1	17.9	19.7	21.5	24.4	27.3	30.3	33.4	36.6	40.2	44.0	47.9
Closing Balance	12.7	14.4	16.1	17.9	19.7	21.5	24.4	27.3	30.3	33.4	36.6	40.2	44.0	47.9	52.0

## Appendix 2

HOUSING CAPITAL PROJECTIONS															
Medway Council															
Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32
£'000,000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>EXPENDITURE:</b>															
Planned Variable Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Planned Fixed Expenditure	-6.0	-4.3	-4.0	-4.0	-5.0	-5.9	-4.0	-4.1	-4.2	-4.3	-4.4	-4.5	-4.7	-4.8	-4.9
Disabled Adaptations	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3
Other Capital Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Build Expenditure	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Procurement Fees	0.0	-0.5	-0.5	-0.5	-0.5	-0.6	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5
Previous Year's B/F Shortfall	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Capital Expenditure</b>	<b>-6.0</b>	<b>-6.0</b>	<b>-4.7</b>	<b>-4.7</b>	<b>-5.7</b>	<b>-6.7</b>	<b>-4.6</b>	<b>-4.7</b>	<b>-4.9</b>	<b>-5.0</b>	<b>-5.1</b>	<b>-5.2</b>	<b>-5.3</b>	<b>-5.5</b>	<b>-5.6</b>
<b>FUNDING:</b>															
Major Repairs Reserve	3.7	3.9	3.8	3.8	3.9	4.0	4.1	4.2	4.2	4.3	4.4	4.5	4.6	4.7	4.8
Right to Buy Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HRA CFR Borrowing	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HRA Reserves	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Contributions	1.0	1.8	0.9	0.9	1.8	2.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8
<b>Total Capital Funding</b>	<b>6.1</b>	<b>6.0</b>	<b>4.7</b>	<b>4.7</b>	<b>5.7</b>	<b>6.7</b>	<b>4.6</b>	<b>4.7</b>	<b>4.9</b>	<b>5.0</b>	<b>5.1</b>	<b>5.2</b>	<b>5.3</b>	<b>5.5</b>	<b>5.6</b>
Year	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47
£'000,000	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>EXPENDITURE:</b>															
Planned Variable Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Planned Fixed Expenditure	-5.0	-5.2	-5.4	-5.5	-5.6	-5.8	-5.1	-5.2	-5.4	-5.5	-5.6	-4.8	-4.9	-5.0	-5.2
Disabled Adaptations	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4
Other Capital Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Procurement Fees	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Previous Year's B/F Shortfall	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Capital Expenditure</b>	<b>-5.8</b>	<b>-6.0</b>	<b>-6.2</b>	<b>-6.3</b>	<b>-6.5</b>	<b>-6.6</b>	<b>-5.9</b>	<b>-6.0</b>	<b>-6.2</b>	<b>-6.3</b>	<b>-6.5</b>	<b>-5.5</b>	<b>-5.7</b>	<b>-5.8</b>	<b>-6.0</b>
<b>FUNDING:</b>															
Major Repairs Reserve	4.9	5.0	5.1	5.3	5.4	5.5	5.6	5.7	5.8	6.0	6.1	6.2	6.4	6.5	6.6
Right to Buy Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	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	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Contributions	0.8	1.0	1.0	1.1	1.1	1.2	0.3	0.3	0.3	0.4	0.4	0.0	-0.7	-0.7	-0.7
<b>Total Capital Funding</b>	<b>5.8</b>	<b>6.0</b>	<b>6.2</b>	<b>6.3</b>	<b>6.5</b>	<b>6.6</b>	<b>5.9</b>	<b>6.0</b>	<b>6.2</b>	<b>6.3</b>	<b>6.5</b>	<b>6.2</b>	<b>5.7</b>	<b>5.8</b>	<b>6.0</b>

## HOUSING REVENUE ACCOUNT PROJECTIONS

### Medway Council

Year	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46
£'000	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
<b>INCOME:</b>															
Rental Income	16,299	16,649	17,008	17,373	17,747	18,128	18,517	18,914	19,319	19,733	20,156	20,587	21,028	21,477	21,936
Void Losses	-87	-89	-90	-92	-94	-96	-98	-100	-103	-105	-107	-109	-112	-114	-116
Service Charges	1,676	1,718	1,761	1,805	1,850	1,896	1,944	1,992	2,042	2,093	2,145	2,199	2,254	2,310	2,368
Non-Dwelling Income	254	260	266	273	280	287	294	301	309	317	325	333	341	350	358
Grants & Other Income	25	26	26	27	28	28	29	30	30	31	32	33	34	34	35
<b>Total Income</b>	<b>18,166</b>	<b>18,564</b>	<b>18,971</b>	<b>19,386</b>	<b>19,810</b>	<b>20,243</b>	<b>20,685</b>	<b>21,137</b>	<b>21,598</b>	<b>22,069</b>	<b>22,551</b>	<b>23,042</b>	<b>23,544</b>	<b>24,057</b>	<b>24,581</b>
<b>EXPENDITURE:</b>															
General Management	-5,148	-5,277	-5,409	-5,544	-5,682	-5,824	-5,970	-6,119	-6,272	-6,429	-6,590	-6,755	-6,923	-7,096	-7,274
Special Management	-1,575	-1,615	-1,655	-1,696	-1,739	-1,782	-1,827	-1,873	-1,919	-1,967	-2,017	-2,067	-2,119	-2,172	-2,226
Other Management	-64	-66	-67	-69	-71	-72	-74	-76	-78	-80	-82	-84	-86	-88	-90
Rent Rebates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	-95	-97	-99	-101	-103	-105	-107	-110	-112	-115	-117	-119	-122	-125	-127
Responsive & Cyclical Repairs	-2,993	-3,058	-3,125	-3,193	-3,262	-3,333	-3,406	-3,480	-3,555	-3,632	-3,711	-3,792	-3,874	-3,958	-4,043
<b>Total Revenue Expenditure</b>	<b>-9,875</b>	<b>-10,112</b>	<b>-10,355</b>	<b>-10,603</b>	<b>-10,857</b>	<b>-11,118</b>	<b>-11,384</b>	<b>-11,658</b>	<b>-11,937</b>	<b>-12,223</b>	<b>-12,516</b>	<b>-12,817</b>	<b>-13,124</b>	<b>-13,439</b>	<b>-13,761</b>
Interest Paid	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292	-2,292
Finance Administration	-89	-91	-94	-96	-98	-101	-103	-106	-108	-111	-114	-117	-120	-123	-126
Interest Received	10	10	10	11	11	11	12	12	12	12	13	13	13	14	14
Depreciation	-5,004	-5,111	-5,220	-5,332	-5,446	-5,562	-5,680	-5,801	-5,925	-6,051	-6,180	-6,311	-6,445	-6,582	-6,721
<b>Net Operating Income</b>	<b>916</b>	<b>968</b>	<b>1,020</b>	<b>1,073</b>	<b>1,127</b>	<b>1,181</b>	<b>1,236</b>	<b>1,292</b>	<b>1,348</b>	<b>1,404</b>	<b>1,461</b>	<b>1,519</b>	<b>1,577</b>	<b>1,636</b>	<b>1,695</b>
<b>APPROPRIATIONS:</b>															
FRS 17 /Other HRA Reserve Adj	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue Provision (HRACFR)	-247	-258	-269	-280	-292	-304	-317	-331	-345	-359	-375	-390	-407	-424	-442
Revenue Contribution to Capital	-644	-685	-726	-767	-808	-849	-890	-932	-973	-1,014	-1,055	-1,096	-1,137	-1,178	-1,218
<b>Total Appropriations</b>	<b>-891</b>	<b>-942</b>	<b>-994</b>	<b>-1,047</b>	<b>-1,100</b>	<b>-1,153</b>	<b>-1,208</b>	<b>-1,262</b>	<b>-1,318</b>	<b>-1,373</b>	<b>-1,430</b>	<b>-1,487</b>	<b>-1,544</b>	<b>-1,602</b>	<b>-1,660</b>
<b>ANNUAL CASHFLOW</b>	<b>25</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>29</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>35</b>
Opening Balance	985	1,010	1,035	1,061	1,087	1,115	1,142	1,171	1,200	1,230	1,261	1,293	1,325	1,358	1,392
<b>Closing Balance</b>	<b>1,010</b>	<b>1,035</b>	<b>1,061</b>	<b>1,087</b>	<b>1,115</b>	<b>1,142</b>	<b>1,171</b>	<b>1,200</b>	<b>1,230</b>	<b>1,261</b>	<b>1,293</b>	<b>1,325</b>	<b>1,358</b>	<b>1,392</b>	<b>1,427</b>

## APPENDIX E

<b>TITLE</b> Name / description of the issue being assessed	HRA Budget Setting 2018/19
<b>DATE</b> Date the DIA is completed	December 2017
<b>LEAD OFFICER</b> Name, title and dept of person responsible for carrying out the DIA.	Emma Ditton

### 1 Summary description of the proposed change

In setting its budget, the Council is exercising a public function and must therefore comply with the duties in section 149 Equality Act 2010.

The Budget report for 2018/2019 presents the Housing Revenue Account (HRA) revenue and capital budget for 2018/2019 and:

- provides details of proposed rent and service charges levels for 2018/2019;
- provides an update on the HRA Business Plan that is an integral part of the strategic planning and setting of priorities for the HRA Service.

Only the parts of the report that will have a direct financial impact on existing tenants are included for comment in this DIA. The main budgetary changes that will impact on tenants over the coming year and which the budget report and DIA will consider are:

- The ongoing roll out of Universal Credit in Medway (introduced by The Welfare Reform Act 2013)
- Dwelling rent decrease by 1% (introduced by The Welfare Reform and Work Act 2016)
- Garage rent increase by 5% and setting all garage rents to the same level regardless of tenure type (internal decision)
- Service Charges (internal decision)
- Reduction of the Council Adaptations budget (internal decision)

#### **Exceptions**

The following items have been included in the budget report as they have an effect on the business plan, however they have not been included for consideration in the DIA as they do not have a direct effect on existing tenants or have not yet been implemented by Government.

#### **Vacant High Value Local Authority Housing**

The Housing and Planning Act 2016 introduces provisions for the Vacant High Value Local Authority Housing payments to the Secretary of State. Local Authorities will have to make an annual payment to the Secretary of State for high value properties that are predicted to become vacant during the year. This will place a duty on Local Authorities to consider selling off High Value vacant assets that become void. In November 2016 the Government announced that the higher value subsidy would not be brought into effect in 2017/18. Since then there has been no further announcement that the subsidy will be brought in during 2018/19. Therefore this scheme will not be considered in the DIA. This DIA will be revised if the government decides to introduce the subsidy during 2018/19.

#### **Headroom budget**

The HRA has the capacity to deliver a small third phase development programme of

new council homes. It is proposed to fund this from Revenue Reserves as well as utilising 30% cost of this from the retained 1-4-1 RTB Capital Receipts. This will have no direct financial implications for existing tenants and analysis has identified that the business plan is sustainable.

### **Government implementations and changes to the budget that will directly impact on residents.**

#### **Universal Credit (UC) in Medway**

Universal Credit is a Government initiative that will fully roll out in Medway over 4 years from May 2018. Universal Credit is a new single payment for people who are looking for work on a low income and will replace a number of existing welfare payments. Tenants who currently have Housing Benefit payed directly to Housing Services will now be responsible for managing their universal credit payment (that may include a housing element towards their rent) ensuring their rent is paid in full and on time.

#### **Dwelling rent decrease**

The Welfare Reform and Work Act 2016 introduced measures that meant that from April 2016 registered social housing providers rent must decrease by 1% each year between 2016 and 2019, exclusive of service charges. Housing Services will continue to decrease its rents by 1% in 2018/19.

#### **Garage rents**

Traditionally Council tenants have been charged a lower baseline rent than non Council Tenants. It is proposed to commence realignment of this anomaly this year and that over the next three years on a cascade approach base line garage rents will be set to the same level regardless of tenure type. It is therefore proposed that for 2018/19 the baseline rent for Council tenants be raised by £1 to £7.73. Following which for all residents renting a garage a 5% garage rent increase be applied.

Occupier	Current Annual Rent	New Weekly rent	New Annual rent
Council tenant	£349.96	£8.12	£422.24
Non Council tenant	£465.92+ VAT	£9.41+ VAT	£489.32 VAT

It is estimated that this will generate an additional income of approximately £17,440.28 based on current letting rates.

Any existing Council tenants that apply to rent a garage from April 2018 will pay the same charge as a non council tenant from the offset. The garage rent charges will remain consistent across all Council sites.

#### **Reduction of the Adaptations budget**

Following analysis of the demand in service it has been decided to reduce the adaptations budget from 250K in April 2017 to 200K in April 2018. The service will be able to meet statutory demand within the reduced budget.

#### **Service Charges**

Overall the average service charge increase for 2018/19 (excluding housing related support eligible charges), is 5 pence per week. Appendix B details the percentage increase required against each type of projected weekly service charge in comparison

to 2017/18.

During 2016/17 it was necessary to upgrade and purchase new laundry machines at some of the sheltered schemes. To recover the full cost of these replacements, it is proposed to increase the laundry rooms' service charge for the schemes by 24p per week which is above the preferred percentage increase. However, a large number of tenants (209 out of 280 tenants) that are liable to pay this charge are eligible for housing benefit.

## **2 Summary of evidence used to support this assessment**

### **Consultation**

A tenant and leaseholder budget consultation event is held annually and the next one is planned for 15 January 2018. Invitations will be sent to residents and also promoted via our Facebook page and in Housing Matters.

The Housing Act 1985 requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that rent changes become operative. For 2018/19 the latest date for posting the notices is 1 March 2018.

### **Universal Credit (UC) in Medway**

UC in its current form would only affect working age claimants. Currently the HRA receives approximately 64.83% of rental income via Housing Benefit, of which 39.42% is in respect of working age tenants, and 24.78% of which is in respect of state pension age tenants resulting in £5,023,363 and £3,157,059 respectively for 2018/19 budgeted income.

Universal credit will go on a phased 4 year roll out so it will not impact on all affected tenants at once. As of 20th November 2017, there were 25 tenants receiving UC. Due to delays in payments by DWP, arrears of £5,324.82 (as at 22nd November 2017) have been identified for all of these tenants.

### **Dwelling rent decrease**

Although this is likely to have a positive impact on residents paying rent, this change will affect the HRA Business Plan forecasts in terms of the budgets allocated to delivering the service. It has been calculated that the rent reduction introduced in April 2016, will mean a 5.7 million impact on delivery on services from April 2016 to March 2020. The HRA will manage this impact within current resources by regularly reviewing the business plan, conducting service reviews, joint working and implementing digital transformation.

### **Service Charges**

Service charges are applied to all applicable residents regardless of protected characteristics. All service charges are covered for those in receipt of housing benefit, except those charges for cookers, fridges, communal heating and water rates.

In November 2017:

	2017/18
Total Number Tenants(10 Nov 17)	3011 (including ending tenancies)
Non-claiming Tenants	35%(1059)
HB Claimants	65% (1952 - including full and partial claimants)
HB Claimants Working Age16-65	61% (1187)
HB Claimants Pensioners 65 plus	38% (746)
HB Claimants Age not known	1% (19)

The following tables identify some of the specific service charges that have increased in 2018/19 and the number of households that will be affected by them.

#### Increased service charges– Eligible for HB

Service Charge	Total properties	Total occupied properties at 13.12.17	Total on Full or Partial HB	Extra charge for those not receiving HB (per year)	Notes
Sheltered Helpline	282	279	207	£3.12	Analysis identifies the 1% basic rent decrease which would offset any negative expense
Council Tax	4	4	3	£25.48	Analysis identifies the 1% basic rent decrease which would offset any negative expense
Laundry room sheltered	280	277	209	12.48	It is proposed to increase the laundry rooms' service charge for the schemes by 24p per week which is above the preferred percentage increase. However, a large number of tenants that are liable to pay this charge are eligible for housing benefit. The remainder will have the cost offset by the 1% basic rent decrease.

#### Increased service charges – Home for independent living only not eligible for HB

Service Charge	Total properties	Total occupied properties at 13.12.17	Total on Full or Partial HB	No HB	Extra charge for those not receiving HB (per year)	Notes
Water	274	271	203	68	£5.72	Analysis identifies that the 1% basic rent decrease which would offset any negative expense

Analysis has identified that due to the 1% rent decrease most households will not be negatively impacted by the overall the average service charge increase of 5 pence per week for 2018/19 (excluding housing related support eligible charges). A large number of tenants with service charges are eligible for housing benefits that would cover any increases.

#### Garage Rents

As of November 2017 there were 161 garages let to Council tenants and 248 garages let to non-Council tenants.

It was felt that the current practice of charging a lower garage rent for non council tenants adversely impacted on them. The decision was therefore made to start the process of aligning the rents to be the same regardless of tenure. In April 2018 161 council tenants will have their garage rent increased by £1 + 5% to start align their rents with non council tenants.

All garage tenants will be informed in writing at least 4 weeks prior to the increase informing them of payment changes. Garage rents will be increased by 5% for everyone renting a garage.

Analysis has identified that all council tenants renting a garage will see their overall payment increase despite the 1% rent reduction. For the 108 council tenants renting 1 garage the increase will range from £17.74 to £36.61 per year. However 59 of the 108 are in receipt of some form of Housing Benefit for their residential property.



There are 20 Council tenants that have more than one garage linked to their tenancy. In these cases they will be worse off by £72.28 for each additional garage they rent.

### Council Adaptations

In 2016/17 28 council adaptations were completed

In 2017/18 Year to date 25 council adaptations have been completed

### 3 What is the likely impact of the proposed change?

Protected characteristic groups (Equality Act 2010)	Adverse impact	Advance equality	Foster good relations
Age	✓		
Disability			
Gender reassignment			
Marriage/civil partnership			
Pregnancy/maternity			
Race			
Religion/belief			
Sex			
Sexual orientation			
low income groups	✓		

### 4 Summary of the likely impacts

#### Reduction of the Adaptations budget

It is not thought that the reduction of this budget will have an adverse impact on disabled tenants. The service is currently meeting demand in accordance with statutory requirements. If demand were to increase in the next financial year, budgets will be reviewed in 2019/20.

#### Universal Credit in Medway

Working age tenants are more likely to be impacted by Universal Credit and in turn more likely to be at risk of rent arrears etc. Resources and support will need to be targeted to ensure they are not adversely affected.

Universal Credit is not having a significant impact on the service in its current phase, but the impact will be more significant as it is rolled out in May 2018. Additionally evidence is starting to identify that those receiving UC may be more susceptible to rent arrears due to delays in payments

Universal Credit will have to be claimed on line. This may mean that some of our residents with barriers to internet access will struggle to make UC claims.

#### Garage rent increase

Analysis conducted in September 2016 shows that the majority of Council tenants with garages will see an increase in their overall rent payment due to the garage rent alignment and the 5% rent garage increase; this is despite the 1% rent decrease. Tenants that rent 1 garage will be minimally affected by the increase overall, by around £17.74 to £36.61 per year. Some of these tenants will have the financial impact lessened through Housing Benefit contribution to the rent of their residential property.

Council tenants that have more than one garage linked to their tenancy will be more significantly impacted by an additional garage rent payment of £72 per year for each additional garage rented. Non Council tenants renting a garage may be negatively affected but the increase would be minimal, by 45p (+VAT) per week.

### **Service Charges**

Service charges will be applied to all applicable residents regardless of protected characteristics. Whilst some of the service charges are optional for tenants the majority of charges are for a necessary service that would be charged for regardless of the characteristics of the household or the type of housing provider.

Some charges for Sheltered Housing are funded through a Housing Related Support fund via a Service Level Agreement (SLA). This funding has been agreed to for 2018/19, but if future funding were to be withdrawn tenants would be liable for the costs (As at 29th November 2017, this would affect 210 tenants)

The overall average increase in service charges is minimal and if claimed will be covered by Housing Benefit. For those households that receive either partial or no Housing Benefit, in the majority of cases increases or additional service charges would be offset by a decrease in another service charge or the 1% rent decrease.

### **Summary of impacts**

The majority of changes that will be brought into effect in the 2018/19 Budget Report will not impact on our tenants in terms of the protected characteristics. Changes to charges and service delivery will be applied to all relevant tenants, not on an individual basis.

Where service charges and Garage rents have been increased there may be some negative impact on lower income groups, but this is expected to be minimal and where applicable covered by Housing benefit.

Legislation brought in by Government around Universal Credit may have a negative impact on working age residents and lower income household. It could also have a negative impact on rental income which would adversely affect the Business Plan. Whilst these changes are however outside our jurisdiction it will be up to the Council to implement the necessary mitigating actions to reduce this impact.



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

The majority of the changes being implemented are Government directed, and out of Medway Councils control. Housing Services will follow Government process in order to ensure that compliance is met, and implement the following mitigating action to ensure that any negative impacts are kept to a minimum.

### **Consultation**

To ensure tenants are informed of the changes tenants will be consulted on any changes to their rents and service changes in the January Annual budget meeting.

Additionally each tenant will receive a written notification a minimum of four weeks in advance of the date any rent charge adjustments become operative.

### **Universal Credit (UC)**

Where Universal Credit or financial problems impact on our tenants we will signpost them to the HRA Welfare Reform Team who will provide them with help and advice. This team also sign post tenants to other debt advice agencies. The HRA has a communications strategy via the internet, leaflets and tenants handbook for advertising the impact of benefit changes. The HRA Housing Team is a prominent member of the Corporate Welfare Reform Steering Group where partnership working has been developed with the Department of Works and Pensions and work streams agreed around communication, identifying vulnerable customers and development of digital inclusion initiatives.

The Welfare Reform Team have started weekly drop in surgeries at Twydall Hub to provide advice on Welfare Reform issues. This will make the service more accessible for tenants. Housing Services will hold roadshows in the New Year to promote UC and provide advice to residents

Where residents struggle to claim UC through barriers to internet access Housing Services will signpost to appropriate training agencies, in addition to signposting to free internet access sites like libraries. Housing Services will also work with providers to get resident help and guidance to get back into employment.

### **Rent and Service Charges**

Any household struggling with rent payments or requiring debt advice will be signposted to our Welfare Reform Team. Housing Services produces publications, such as the tenants' handbook, Housing Matters and Christmas rent campaign that promote debt advice helplines. We also have our own website and Facebook page that tenants can access for help and advice.

Tenant and Leaseholders who pay services charges will be written to informing them of the exact changes to their contributions.

Leaseholders can apply to Housing Services for a mandatory or discretionary loan to help them manage the payback of their service charges.

## 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
If changes agreed, update the Rent Setting Policy to reflect everything highlighted in HRA Budget Report.	Mar 2018	Policy and Business Development Manager
Consult with residents on changes and potential impact	Jan 2018	Policy and Business Development Manager
Continue to identify, support and prevent financial hardship	Ongoing	Income Manager/Welfare Reform Team

## 7 Recommendation

The recommendation is to proceed with implementing the proposed budget and the mitigating actions in this DIA.

Assistant Director

Date

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

RCC: phone 2443 email: [annamarie.lawrence@medway.gov.uk](mailto:annamarie.lawrence@medway.gov.uk)  
C&A (Children's Social Care): contact your usual P&I contact  
C&A (all other areas): phone 4013 email: [jackie.brown@medway.gov.uk](mailto:jackie.brown@medway.gov.uk)  
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