

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

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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 4b

### 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 2017/18 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>



## Appendix 4c

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>





## 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.

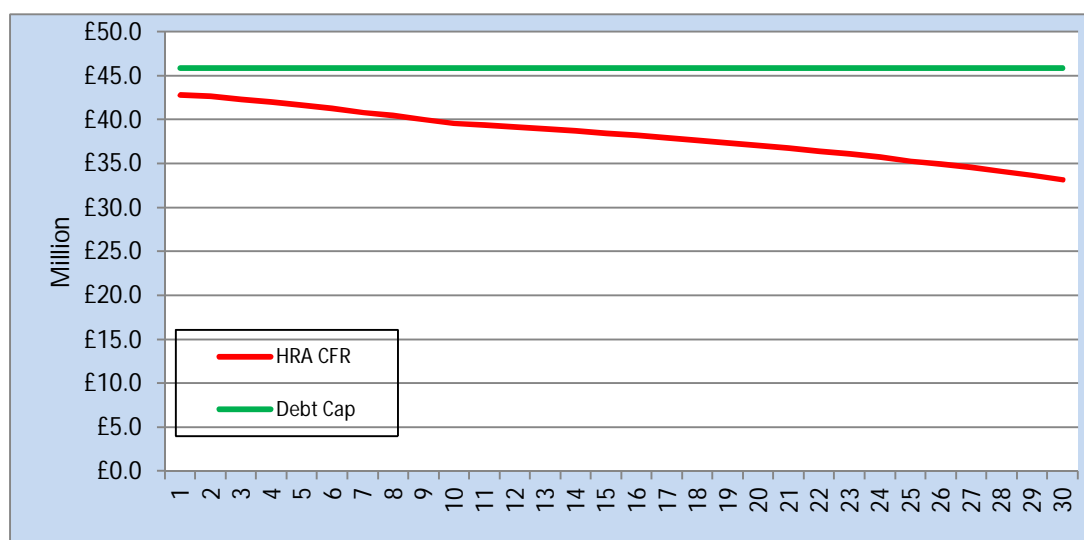
##### Bad debt

- 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

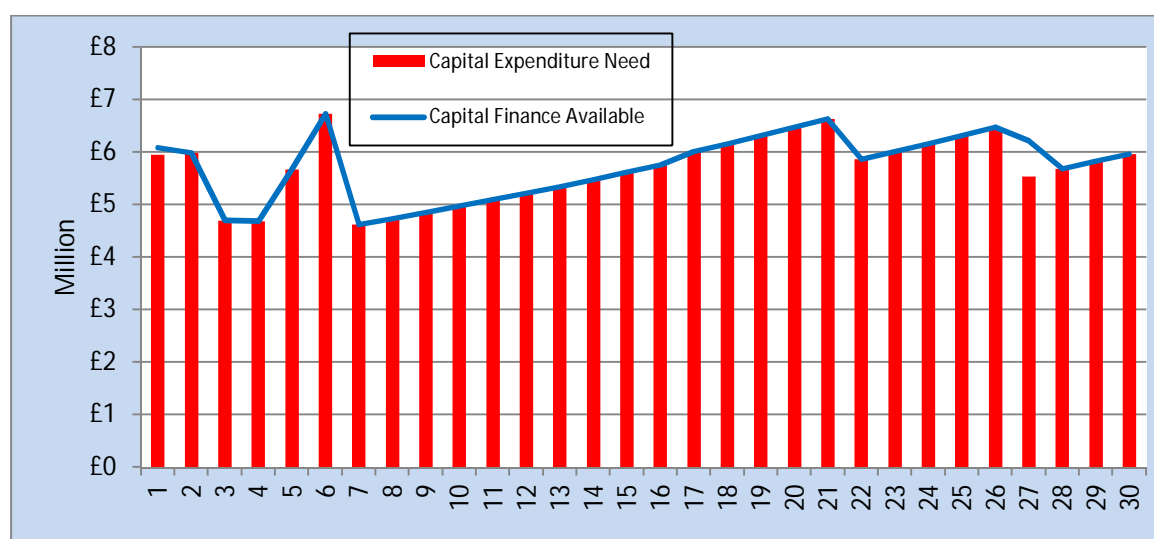
- 3.2 In addition to the investment in existing stock referred to above, the plan also includes a third phase of a small new build scheme in 2018/19 with an approximate cost of £1m.

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

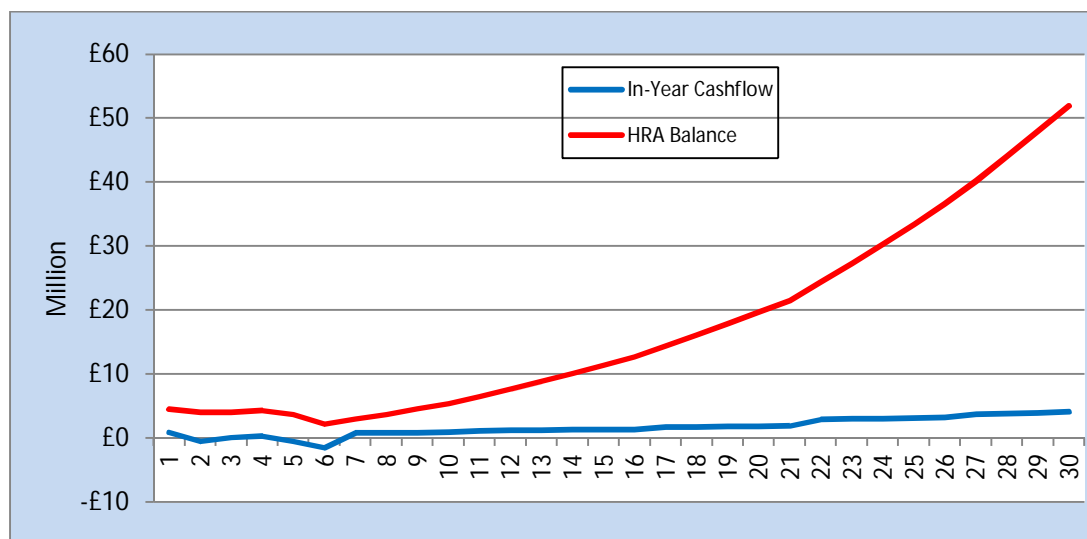
reserves together with 30% of the cost from the retained 1-4-1 RTB capital receipts. Year 5 and 6 peaks in the capital programme are due to some of the capital works coming to the end of their REM life during these two years as well as increased costs due to increase in inflation from year 6 onwards.

- 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.