Appendix 5E

MEDWAY COUNCIL
HOUSING REVENUE ACCOUNT BUSINESS PLAN 2022/23:
UPDATED REVIEW ON PROJECTIONS & CAPACITY – JANUARY 2023

Introduction

This revisit of the plan comes after the last review of the plan undertaken in December 2021 taking into account the latest forecasts, assumptions and stock investment requirements.

The model is launched from April 2022 (2022/23 financial year) and runs for 30 years to March 2052. The first year of the plan is balanced exactly to the Round 2 forecasts, with some minor amendments related to changes to capital forecasts and the provisional budgets for 2023/24.

Currently the financial environment surrounding the HRA (and other social housing organisations) is creating some uncertainty in terms of:

- High levels of inflation – driving both salary, maintenance and new development costs up by greater increments than assumed
- Government intervention in respect of capping rent increases by 7%
- Substantial increases for the cost of new borrowing reflecting both base rate changes and more importantly gilt rate rises
- Uncertainty in terms of future Government intervention towards energy costs

These in a sense have created a ‘perfect storm’ in terms of business planning.

Therefore, we have updated the business plan model, which demonstrates the impact of the above based on the latest budgetary forecasts.

The plan has been developed with regards to the following "big picture" factors:

- The loss of properties through the Right to Buy
- The investment into the Development Phases 4,5 and 6 with additional acquisition programmes a total investment in 160 new homes
- The latest capital investment requirements which total £174.3million, without inflation and adjustment for stock losses and gains, on its existing properties, which is an increase on the previous iteration of the plan of £17.7million.
- Repayment of loans through an MRP mechanism, based on existing annuity values.

Overall Headlines – Baseline Position

The previous plan, based on the assumptions, data and budgets at that time projected a relatively balanced position in that:

- HRA Surpluses were projected at £52.7million
- HRACFR (Debt) was projected at £53.6million

Therefore there was scope to increase the repayment of debt, if so required.

In overall terms, the updated plan is able to be fully funded over the 30-year term, generating surpluses in the HRA totalling **£16.0million**, and a closing debt balance of **£72.1million**. This compares to an opening HRA balance of £5.3million and debt of £40.6million. The plan, therefore, has a had significant impact on account of a number factors which are discussed below. In summary forecast borrowing has increased by £18.5million and reserve balances reduced by £36.7million.

As part of this review we have modelled a scenario that takes into account the costs of development ensuring that stock numbers grow year on year by a net 1%, for 7 years, after allowing for right to buys and also implementing additional energy efficiency works.

Key Baseline Assumptions

The following schedule is not exhaustive - however this lists the main assumptions affecting the viability of the plan.

HRA Budget assumptions

The table below shows the revised 2022.23 budgets and proposed budgets for 2023.24 to which the plan is initially based upon:

	2022/23	2023/24
Dwelling rents	£13,454,758	£14,710,687
Non-dwelling rents	£249,800	£243,709
Service charge income	£1,127,728	£1,302,063
Other income and contributions	£70,216	£40,525
Total Income	**£14,902,502**	**£16,296,984**
Repairs & maintenance	-£2,927,263	-£3,249,447
Management (incl RRT)	-£4,567,683	-£5,259,383
Bad debts	-£50,000	-£50,000
Dwelling Depreciation	-£3,686,770	-£3,686,770
Debt management	-£63,364	-£63,364
Total costs	**- £11,295,080**	**- £12,308,964**
Debt Repayment (MRP)	-£373,720	-£357,933
Interest payable	-£1,821,444	-£2,300,715
Interest income	£0	£105,217
Revenue Contributions to Capital	-£1,488,230	-£1,430,081

Opening Balance	£5,283,000	£5,207,028
Surplus / (Deficit)	-£75,972	£4,508
Closing Balance	**£5,207,028**	**£5,211,536**

In overall terms the HRA is forecast to make £75,972 deficit this financial year according to round two forecasts and a £4,508 surplus in 2023/24 on account of increased operating costs offset by a 7% rent increase.

1. The model is launched with opening properties of 2,993 with right to buy sales adjusted to reflect the 11 projected in 2022/23 and 2023/24, then a further 10 per annum for 3 years then reducing by 1 every five 5 years – total loss 238 properties over the 30 years of the plan. Stock additions total 160.
2. Net stock loss over the term is therefore 7.5%, though at this stage the model does not assume a reduction in base costs for management, repair costs for these losses (only capital works).
3. Average stock rents are £87.29/week at April 2022, for social rents and £159.18 for affordable rents and both increase by 7.0% for 2023.24. CPI is assumed at 3% for 2024.25 and therefore rents increase by 4.0% and at CPI thereafter (2.5% then 2.0% onwards).
4. Long-term void rates are 0.5% and bad debt provision of £50,000 is included within the management costs equivalent to 0.4% of net rental income.
5. The forecast management costs are based on latest forecast. In overall terms they increase by 15.1% on account on account of allowances for inflation, particularly in respect of service costs.
6. Repairs expenditure increases by 11% for 2023.24 and is not reduced in line with net reducing stock levels as a prudent assumption moving forward. A real increase of 0.8% above CPI is modelled for 2024.25.
7. The stock condition survey-based capital maintenance expenditure into the existing stock is based on outputs from the Codeman database, which is continually updated. The required levels of works are summarised below and are without any inflation or uplift allowances. The costs of the backlog works have been modelled for 5 years commencing in 2024.25.

	Backlog	2022/23	2023/24	2024/25	2025/26	2026/27	Years 6-10	Years 11-15	Years 16-20	Years 21-25	Years 26-30	Total
Major Works (Codeman)	£13,247,196	£4,513,243	£4,232,457	£6,186,780	£4,531,095	£5,515,611	£21,077,529	£13,609,314	£13,463,703	£16,751,693	£16,201,190	**£119,329,808**
Other Works	£0	£680,666	£500,666	£316,666	£316,666	£316,666	£1,583,330	£1,583,330	£375,000	£1,583,330	£1,583,330	**£8,839,650**
Fire Risk Assessments	£0	£400,000	£400,000	£200,000	£150,000	£150,000	£750,000	£750,000	£1,958,330	£750,000	£750,000	**£6,258,330**
Disabled Facilities Grants	£0	£200,000	£200,000	£200,000	£200,000	£200,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	**£6,000,000**
Energy Works	£0	£400,000	£400,000	£400,000	£400,000	£400,000	£2,400,000	£4,000,000	£4,000,000	£4,000,000	£4,000,000	**£20,400,000**
Contingency Sum	£0	£200,000	£200,000	£200,000	£200,000	£200,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	£1,000,000	**£6,000,000**
Professional Fees	£0	£250,000	£250,000	£250,000	£250,000	£250,000	£1,250,000	£1,250,000	£1,250,000	£1,250,000	£1,250,000	**£7,500,000**
Total	**£13,247,196**	**£6,643,909**	**£6,183,123**	**£7,753,446**	**£6,047,761**	**£7,032,277**	**£29,060,859**	**£23,192,644**	**£23,047,033**	**£26,335,023**	**£25,784,520**	**£174,327,788**

8. For 2022.23 and 2023.24 we have matched the provisional capital expenditure and funding for both investment in existing stock and new developments. In addition we have modelled the small shortfall when comparing 2022.23 to 2023.24 capital expenditure when compared to the table above.

	2022/23	2023/24
Capital Programme (existing stock)	£7.809m	£7.081m
Acquisitions & New Developments	£7.747m	£13.224m
Total	**£15.556m**	**£20.305m**

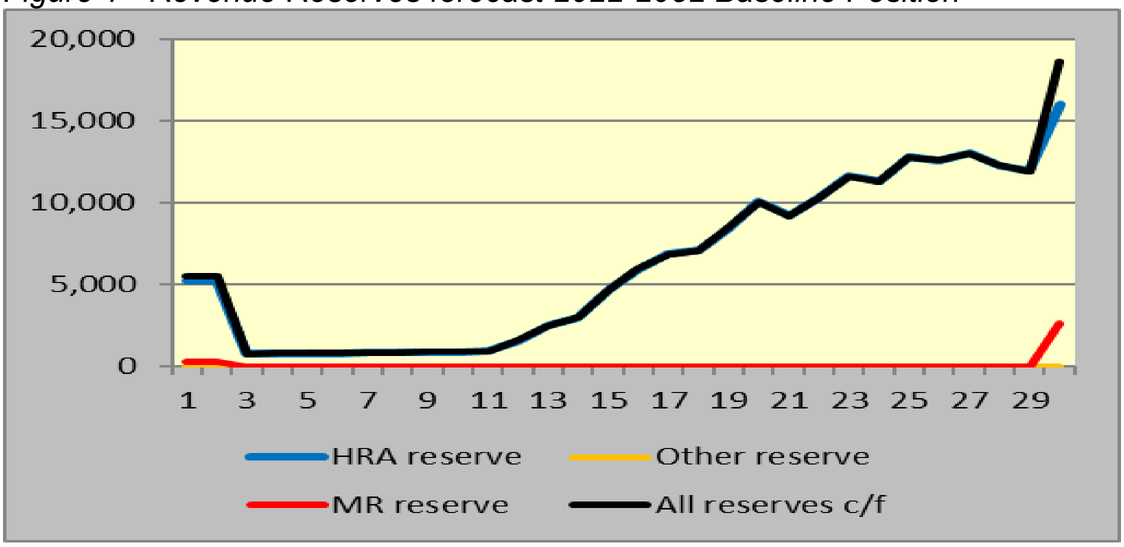
9. Given that gross stock losses are estimated at 8% the investment costs have been adjusted to reflect stock losses by a 50% variable factor, which provides a small level of contingency.
10. Total investment into existing stock is £174.3million at current prices and equates to £58.2k per unit over 30 years. This is based on all categories of work to establish the base position for the model and test its viability in order meet these investment needs throughout the scenarios modelled. A core reason for the increase is in respect to energy efficiency works. Costs will increase by CPI, with an additional 1.8% applied in 2024.25.
11. Depreciation to finance existing stock improvements is charged to the HRA at an equivalent £1,230 per unit, which is adjusted for inflation on a unit-cost basis throughout the plan.
12. Rent income from the developments and acquisitions are included, with a standard range of costs added to existing repair and investment budgets. Development and acquisition expenditure is funded, where possible, via retained '1-4-1' receipts and £0.5million Homes England Grant.
13. The average interest rate applied to the HRA existing debt level is c4.2% throughout. Any new borrowing will be at c4.0% based on long-term forecasts.
14. In line with previous iterations, the business plan does make provision for the part-repayment of loans as part of an MRP mechanism. The values have been calculated on annuity values provided by officers. It should be recognised that there is no statutory requirement for the repayment of debt, but given the 'one-pool' nature of the council's treasury management for both the HRA and General Fund, there may be need to revisit this as future borrowing is required.

The Baseline Summary Outputs

The charts below summarise the forecast:

- Revenue reserves forecast over 30 years
- Capital programme forecast over 30 years
- HRA Debt forecast over 30 years.

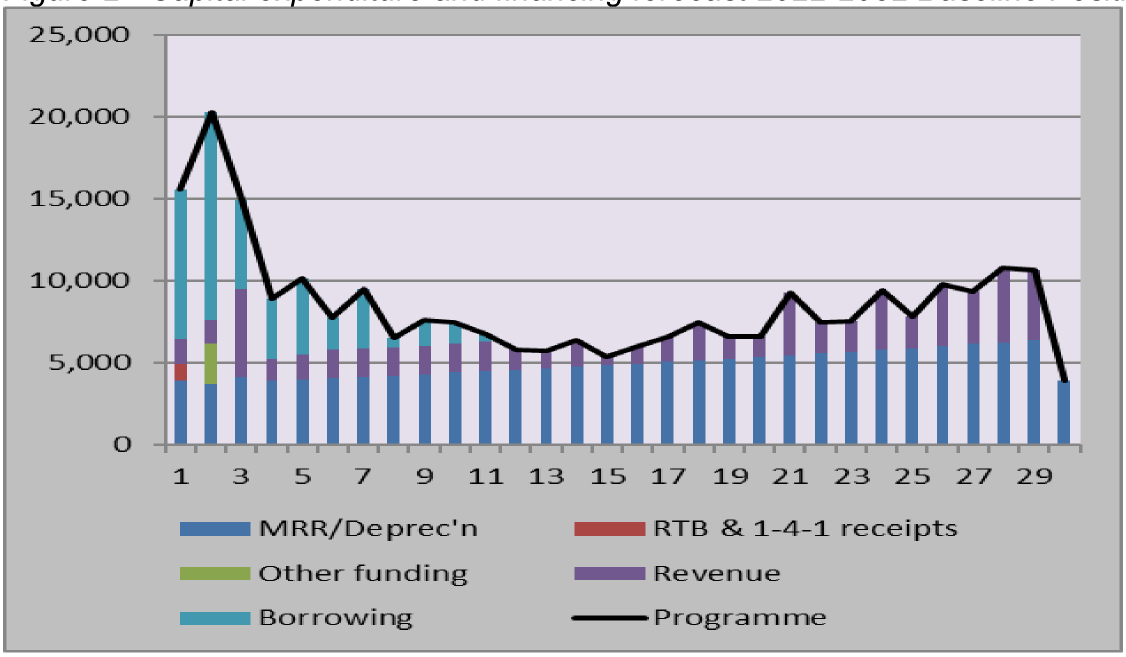
Figure 1 - Revenue Reserves forecast 2022-2052 Baseline Position



The main outputs from the revenue forecast are as follows.

1. There is a call on revenue reserves modelled from year 3 - this is to assist the financing of the stock investment in existing stock, new homes and prior years slippage. Medway does, of course, have the opportunity to borrow rather than utilise reserves. The HRA does not go below the pre-set minimum balance of £0.750million (inflated on an annual basis) in any year of the plan. The overall trajectory of revenue reserves is however upwards towards the end of the 30-year term. Revenue reserves are part-called on to repay loans through the MRP mechanism, but this could be revisited to increase the level of debt repaid thus reducing revenue balances but also the level of debt at the end of the plan.
2. The Major Repairs Reserve is fully utilised in the early years of the plan to assist in the funding of the Codeman in-year works and backlog repairs; thereafter the trajectory (blue line) is upwards suggesting that long-term investment costs are able to be covered more than fully.
3. The overall level of reserves (black line) is positive at the end of term highlighting that the plan generates sufficient revenue to meet all its obligations (but could not fully repay the full value of the HRA debt outstanding if the council so wished).

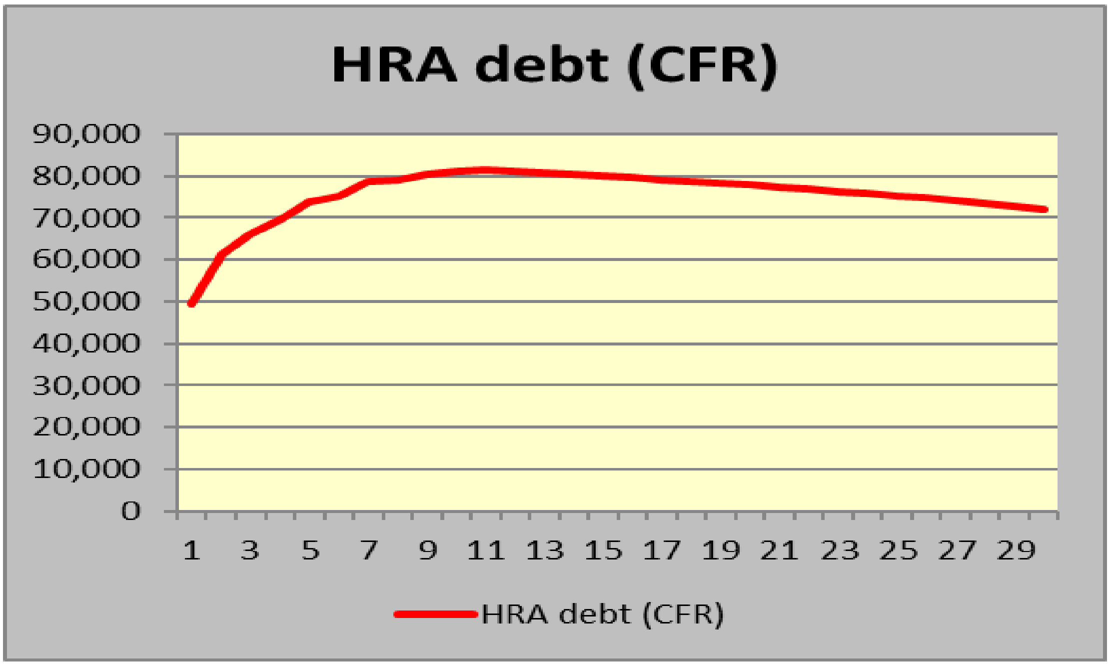
Figure 2 - Capital expenditure and financing forecast 2022-2052 Baseline Position



The capital forecast is fully financed as follows.

1. The total programme over 30 years is £232.4million (at outturn prices - which is £174.3million at today's prices), excluding the £25.4million budgeted for development and acquisition programme (which extends into year 3, 2024/25)
2. Between years 1 and 10 borrowing is required to cover investment in the stock identified in section 7 above and developments phases 4 and 5.
3. Other reserve balances are used to part fund the 2023/24 programme.

Figure 3 - HRA Debt forecast 2022-2052 Baseline Position



In summary, the debt forecast highlights the following.

1. Following a short to medium period in which borrowing is drawn to assist in financing the stock investment programme, loan repayments are scheduled based on the annuity calculations.
2. There are alternative approaches to the repayment of loan balances based on the treasury management position for the council. An alternative plan, such as increasing the annuity payments would affect the level of reserves, debt and funding/investment profile within the plan.
3. However, the plan provides for the repayment of c£13.7million of debt balances, set against borrowing of £45.2million during the term which is in addition to the reduction of c£36million of reserves. Taken together, this presents a relatively positive position in that 22% of debt balances can potentially be covered (or repaid) over the duration of the plan, allowing for the HRA minimum balance requirement.

Scenarios

1.Impact of Growth to the Plan

As with previous reviews we have assessed the impact of additional development within the plan.

The initial modelling results in an additional 128 units delivered from 2026/27 to 2029/30, in addition to the 160 properties within phases 4, 5 and 6 and other properties acquired. Expenditure split 50:50 where appropriate over the prior and year of delivery. The key assumptions are as follows:

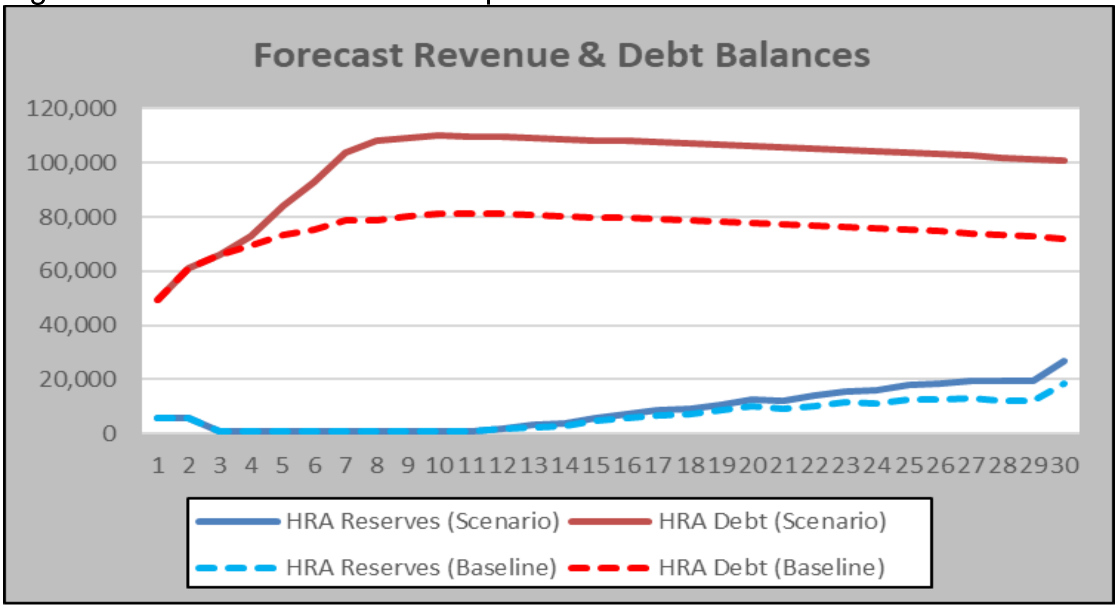
Year	Scheme	Properties	Cost
2025/26 – 2029/30	Unidentified Sites	128	£28.8m*

*Note * Inflation excluded*

Subsidy by way of 1-4-1 receipts, limited at 10% of development cost.
New Borrowing based on an adjusted interest rate of 4.0%
Rents: Based at affordable rent levels
Operational Costs (per unit): Management £0, Repairs £680 and Life-Cycle Costs £1,000 (year 11 onwards)

The impacts is as follows:

Figure 4 : Additional New Build Impact



The introduction of the additional units increase forecast reserve balances to £27.1million (£8.5million) at the expense of an increase of borrowing of £28.5million to £100.7million.

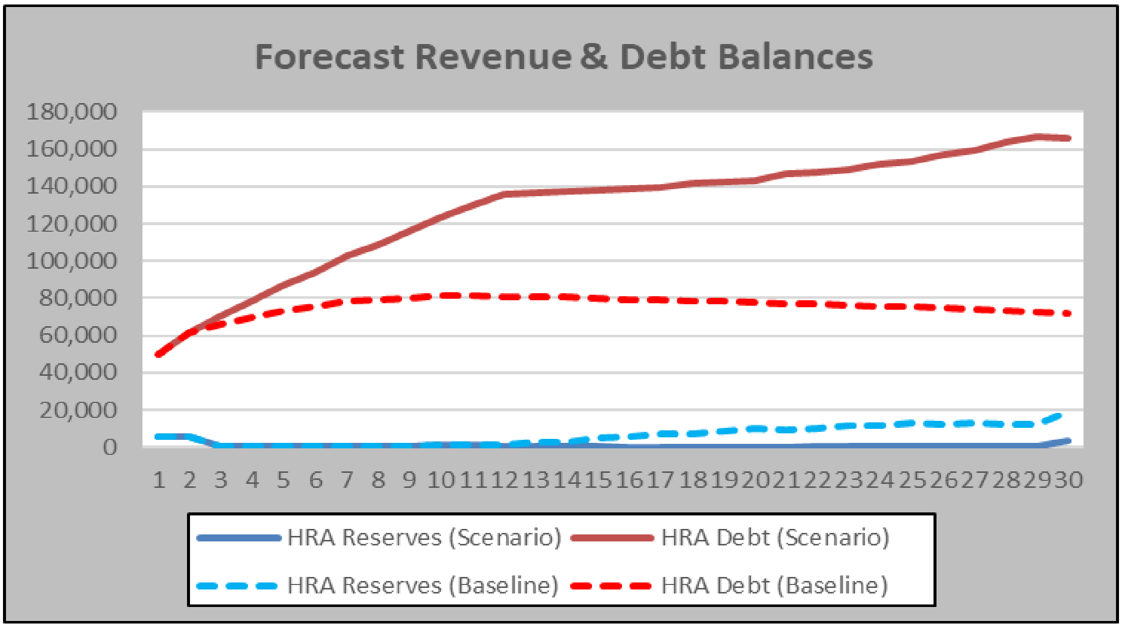
Impact of De-Carbonising the Stock to the Plan

The recent Social Housing White Paper reiterated the focus on climate change and along with the Council declaring a climate emergency we have modelled the potential impact for improving the energy efficiency of the current stock.

Drawing upon our national modelling for the Local Government Association we have assumed an average cost of £20,000 per property based on a programme spread over a 10-year period commencing 2024/25, less £6,800 due to the existing provision within the baseline model.

We have assumed no form of Government subsidy for these works.

Figure 5 – Additional Zero Carbon



The inclusion of these works has a significant impact to the plan. We have modelled the existing levels of annuity payments made to reduce debt in order to maximise the revenue position. In addition, we have followed the same principles in the stock growth scenario where new borrowing is factored in at 4.0%.

Debt balances increase by £94.2million on account on meeting the costs of zero-carbon but also maintaining the capital programme for existing stock.

Reserve balances fall, but remain in a positive position, albeit below the minimum balance level set.

In order to mitigate this it is possible that some form of subsidy may be made available and that the Council could consider reducing its investment of all priority categories for existing stock as per section 7.

Capacity Analysis

In previous reviews we have considered the potential for borrowing capacity within the plan.

As a reference we have used the interest cover ratio as a guide to borrowing limits as described below.

Interest Cover Ratio (ICR)

This is the ratio of operating surplus divided by interest costs, and represents the cover that the HRA has against its interest cost liabilities in any year; the ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest. For housing associations, the usual definition of operating surplus is EBITDA (Earnings before Interest, Tax, Depreciation and Appropriations). The average ICR for the HA sector in 2019/20 was around 1.38; typical lending covenants vary between 1.10 and 1.50 depending on the size and nature of the HA, with 1.25 being a typical expectation.

For the HRA, this is best defined as:

- Turnover (dwelling rents, other rents, service charges, contributions)
- Less
- Operating Costs (general management, special management, other management, repairs & maintenance, major repairs)

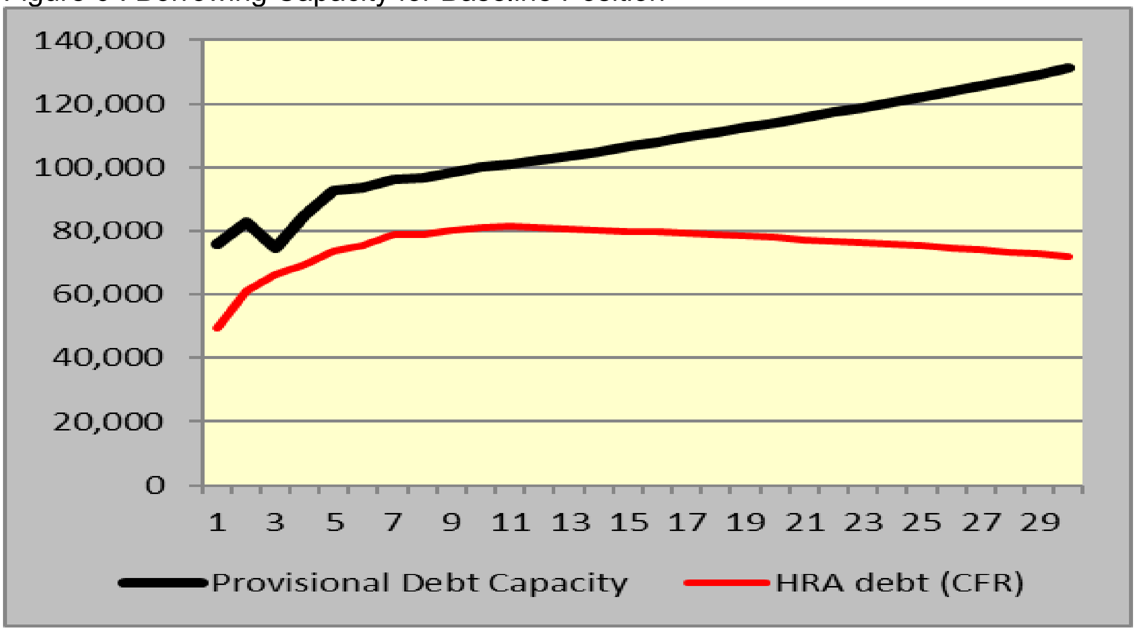
For housing associations, depreciation is not a cash transaction. In the HRA, because of the treatment of depreciation as a cash transfer to the MRR plus or minus an adjustment to reflect actual transfers to MRR, it is essential to include the net amount transferred to MRR in the calculation. This represents the revenue expenditure on major repairs made legitimately as part of operating costs. Notwithstanding that these are subsequently treated as part of the capital programme, they are funded from revenue and property an operating cost. Whilst transfers to the MRR may not be spent in-year, our experience is that the majority of balances carried in the MRR tend to be from expenditure slippage.

The above definition of ICR works in the HRA context as it determines the revenue surplus before interest, appropriations, and other “below the line” adjustments.

We have assumed a “golden rule” in that the ICR does not fall below 1.25.

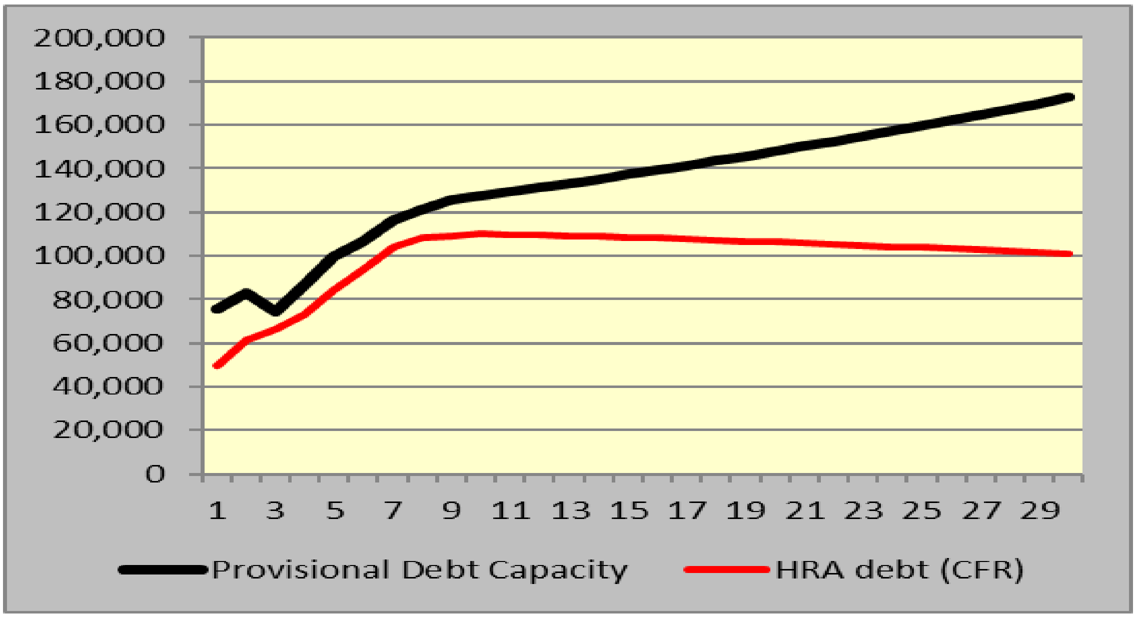
In order to provide context we have demonstrated borrowing capacity for the baseline position and 2 scenarios below.

Figure 6 : Borrowing Capacity for Baseline Position



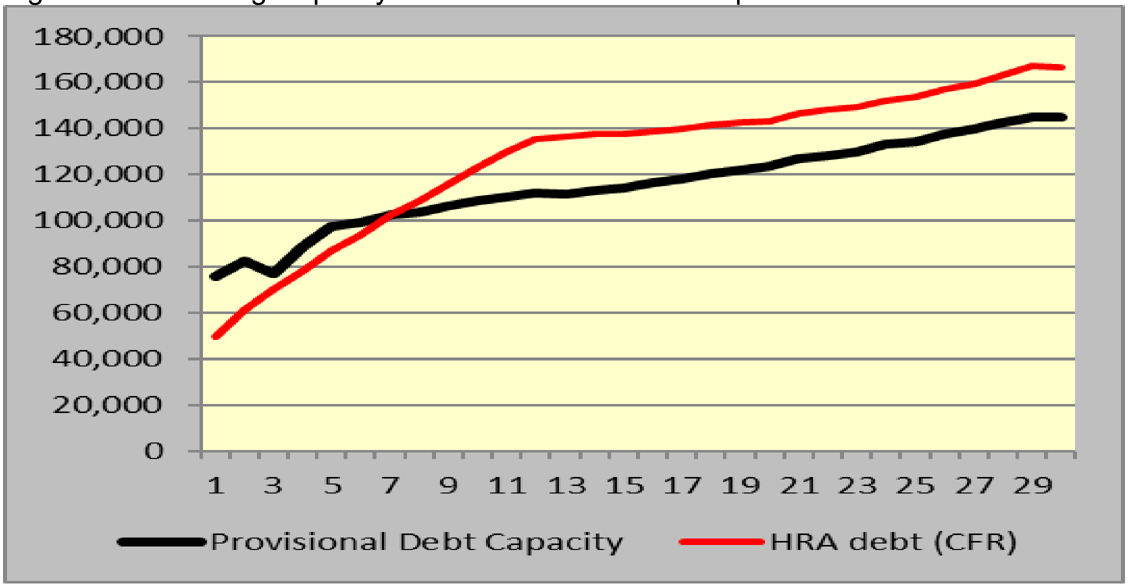
This demonstrates that there is borrowing capacity, the differential between the black and red line. At its minimum, borrowing capacity is estimated at £8.1million in year 3.

Figure 7 : Borrowing Capacity with Additional New Build



Whilst borrowing increases on account of additional development, the new properties generate additional rental income contributing to borrowing capacity. The minimum level of borrowing capacity remains at £8.1million in year 3 but continues to grow at a steady rate beyond the development phase.

Figure 8 : Borrowing Capacity based on Zero-Carbon Expenditure



The increase in costs to meet zero carbon without any form of subsidy of additional income results in the “golden-rule” applied being exceeded beyond year 7.

Overall Summary

This review has demonstrated that a combination of:

- Increased capital expenditure (on account of core energy efficiency works and inflation)
- Above rent increase inflation on management costs(particularly service costs)
- Above rent increase inflation on repair costs
- Higher interest rates for new borrowing

Have resulted in the plan requiring additional borrowing and lower forecast reserves.

Other external factors will play heavily upon on the future of this plan and could result in the need to revisit the plan more often in order to make strategic decisions moving forward.

Simon Smith
January 2023

Appendix F

Diversity Impact Assessment

TITLE Name / description of the issue being assessed	HRA Budget Setting 2023/2024
DATE Date the DIA is completed	December 2022
	Katherine Bishop/Aisling Sims – Policy and Partnership Manager (HRA)

1. Summary description of the proposed change

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

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

The Budget report for 2023/2024 presents the Housing Revenue Account (HRA) revenue and capital budget for 2023/2024 and details and updates:

- On the proposed rent and service charges levels for 2023/2024;
- The HRA Business Plan which 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 increase of CPI plus 1% (as directed by the Housing White Paper 'Fixing our Broken Housing Market' 2017)
- Garage rent increase by 5%
- Service Charge increase (internal decision)

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

Universal Credit (UC) in Medway

Universal Credit is a single payment for people who are looking for work on a low income and replaces a number of existing welfare payments. Universal Credit is a Government initiative that commenced full roll out in Medway on 30 May 2018. Tenants on Universal Credit who previously had Housing Benefit payed directly to Housing Services are now responsible for managing their Universal Credit payment (that may include a housing element towards their rent) and ensuring their rent is paid in full and on time.

Dwelling rent increase
In October 2017, the Government announced in the Housing White Paper 'Fixing our Broken Housing Market', that social housing landlords are permitted to increase social and affordable rent by Consumer Price Index (CPI) plus 1% each year from April 2020 for a period of 5 years. This makes a return to the rent setting approach which was to apply for 10 year from 2015, before it was replaced with rent reduction from April 2016 for 4 years in 'Welfare Reform and Work Act 2016'.

It is proposed to increase rents by 7% of 2022/23 base rent of current tenants. Medway HRA will have all their social rent dwellings below formula rent. This will leave 100% or 2,984 properties below the formula rent. It is proposed that any new tenancies issued during 2023/24, are set at lower of formula rent or rent cap for social rent dwellings. New tenancies for affordable rent dwellings to be set at lower of 80% of market rent or the LHA rate.

Garage rents
In 2018 it was agreed that garage rents would be aligned in a cascade approach. In April 2020 all garage rents were set at the same level regardless of tenure type.

For the 2023/24 year it is proposed to increase the garage rent by 10% to make a standard rent of £12.57 per week or £653.64 per annum. Non council tenants will also be required to pay VAT at the standard rate

It is estimated that this will generate an additional income of approximately £23,462 based on current letting rates.

Service Charges

Overall the average service charge for 2023/24 will increase by £ 1.17 per week. For those eligible for Housing Related report the service charge will increase by £0.96.

Appendix C details the percentage increase required against each type of projected weekly service charge in comparison to current charges.

Member's preference has been not to increase average service charges by more than 15% in any given year, even if a larger increase is needed to fully recover costs.

However, due to the current increases in gas and electricity prices, it has become necessary that the full cost is recouped to fund the cost of these services to the HRA. There are some service charges that are so small that even a one pence increase will go over this cap.

It is proposed that the full cost of all the service charges is charged to the tenants. To reduce the financial burden on tenants, it is proposed that 50% of the increase in the cost of gas and electricity is reimbursed to the tenants (tenants that pay gas and electricity service charges) in the form of rebate in 2023/24. This will reduce HRA income from service charges by approximately £140,000.

Some charges for Sheltered Housing are funded through a Housing Related Support fund via a Service Level Agreement (SLA). If this fund were discontinued, the charges would be payable by the tenants. As at December 2023 this would affect 211 tenants with payments totaling £1348.30. There are 98 tenants who receive SP payments for their telecare alarm totaling £845.74.

There will be no new additional service charges implemented in 2023/24 that would affect existing tenants.

2. Summary of evidence used to support this assessment

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

Consultation
Tenant consultation on the budget is held annually. A meeting has been arranged to present the budget proposals to customers in January 2023. Due to current restrictions, it is anticipated that this meeting will take place virtually, with information distributed to those who are not able to attend.

In addition, 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 2023/24 the latest date for posting the notices is 3 March 2023.

Universal Credit (UC) in Medway
UC has been 'live' in Medway since May 2018, and it currently affects new claimants and existing benefit claimants who have submitted a change in circumstances. Currently the HRA receives approximately 36% of rental income via Housing Benefit. As at September 2022 HB accounts for roughly £ 113,000 of our weekly rental income.

As of October 2022, there were a total of 998 tenants receiving UC (this is an increase of 25% compared to the same time last year) It is well known that nationally the introduction of UC is leading to increased rent arrears and this is likely to continue as more claims move to the system.

Dwelling rent increase

From April 2023 the proposed rental increase will raise the average weekly social rent to £153.31 based on 52 weekly payments. This is an increase of 7% on social rent and 1.8% (due to rent being capped at LHA rate & Nil increase on properties released in 2022/23) on affordable rent to 2022/23 proposed weekly rent.

The effect of the dwelling rent increase will have most impact on those tenants who are not on full housing benefit. As of 13 Jan 2023 around 20% tenants are on full housing benefit, which is paid directly to the service, with the other 80% receiving either partial or no housing benefit. The proposed average increase is £6.11 per week depending on the type and size of property.

It is estimated that over the next year the rent increase could generate an additional £352,267 of income based on 52 rent weeks, in comparison to the current year and this includes £148,996 from the 18 affordable rent properties.

Service Charges
All service charges are covered for those in receipt of housing benefit, except for cookers, fridges, heating (non-communal) and water rates (non-communal) charges.

Residents receiving supporting people elements have their charges covered by Housing Related Support funding. If this fund were discontinued, the charges would be payable by the tenants. As at December 2022 this would affect 211 tenants.

Garage Rents

As of October 2022, there were 576 garages let.

In April 2023, it is proposed to uplift garage rents by 10% to £12.57 per week or £653.64 per annum (£12.57x 52 weeks). Non-council tenants will also pay VAT at the standard rate.

There are a couple of tenants that have more than garage linked to their tenancy so they would be liable for the increase for each garage rented.

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

Is it likely to :

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

Protected characteristic groups (Equality Act 2010)	Adverse impact	Advance equality	Foster good relations
Age	✓		
Disabilty			
Gender reassignment			

Marriage/civil partnership			
Pregnancy/maternity			
Race			
Religion/belief			
Sex			
Sexual orientation			
Other (e.g. low income groups)	✔		

4. Summary of the likely impacts

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

Universal Credit in Medway

Medway Council is already starting to see the impact of Universal Credit on tenant arrears, largely due to delays in payments. At the end of quarter 2, a total of 998 households on Universal Credit which is 33.96% of all council households. 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 need to be targeted to this age group to ensure they are not adversely affected.

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

Dwelling rent increase

The dwelling rent increase will be applied to all tenants equally and as previously stated this is more likely to affect those who are not on full housing benefit claims.

Currently there are a total of 1594 tenants (around 55%) who receive no housing benefit and are the group who will feel the greatest impact. Additionally, with the gradual move to Universal Credit it is likely there is the potential for this number to increase over the coming year. These households will need to be monitored particularly and preventative actions undertaken to avoid financial hardship.

Rent charges are based on the property type and size, so the dwelling rent increase will also have more impact on larger households (perhaps families with children) who typically will reside in the larger properties.

Garage rent increase
The beginning of the last financial year garage rents were aligned, so that council and non-council tenants were charged the same rent. The 10% uplift proposed for 2023/24 will be applied to all garage tenants equally. Private tenants will be subject to VAT.

Service Charges
Service charges will be applied to all applicable residents regardless of their 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). If this fund were discontinued, the charges would be payable by the tenants. As at December 2022 this would affect 211 tenants.

Any tenants identified as having an above average increase will be monitored to ensure these are paid and supported should any financial issues arise.

Summary of impacts
The majority of changes that will be brought into effect in the 2023/24 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 dwelling rent charges, service charges and garage rents have been increased there may be some negative impact on lower income groups. The HRA Housing Service will continue to monitor and provide support to those in terms of income and welfare.

Legislation brought in by Government around Universal Credit may have a negative impact on working age residents and lower income households. 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?

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

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 change's tenants will be consulted on any changes to their rents and service changes. A meeting has been scheduled for January 2023 to consult customers on the proposed changes.

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 Housing Services 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, newsletters, social media 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.

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.

Housing Services can request direct payment of UC for the Housing element if it is identified that the tenant would struggle to pay their rent directly to the Council. This will help prevent vulnerable tenants from getting into rent arrears and face the possibility of eviction.

Rent and Service Charges
Housing Services will need to proactively monitor the rent accounts of those households that will see an increase in their overall rent and/or service charges in 2023/24 and support offered to the tenants where necessary.

The rent arrears policy sets out the process that will be taken by Housing Services should a rent account fall into arrears, and this is available on the internet.

Any household struggling with rent payments or requiring debt advice will be signposted to our Welfare Reform Team. Housing Services also produces publications, such as the tenants' handbook 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.

The service can assist with property moves including mutual exchanges to ensure that residents live in a property that best meets their household's needs and size.

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.

Garage rent increase
Garage rent arrears are monitored on a weekly basis, should a tenant (council or private) fall into arrears then the Housing Management Team will make contact within 1 week. If an account is still in debt after 4 weeks then repossession process will start.
The deposit can be retained if the tenancy is terminated with arrears on the account.

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
Consult tenants on the budget	Policy and Partnership Manager	January 2023
If changes agreed, update the Rent Setting Policy to reflect everything highlighted in HRA Budget Report.	Policy and Partnership Manager	February 2023
Continue to identify, support and prevent financial hardship	Income Manager/Welfare Reform Team	Ongoing
Monitor all arrears associated with Rent, service charges and garages	Housing Manager/Policy and partnership Manager	Ongoing
Monitor the number of households on Universal Credit and the impact on rent arrears	Housing Manager/Policy and partnership Manager	Ongoing

7. Recommendation

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

- to proceed with the change, implementing the Action Plan if appropriate
- consider alternatives
- gather further evidence

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

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

8. Authorisation

The authorising officer is consenting that:

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

Assistant Director	
Date	**January 2023**