

This Report will be made public on 5 December 2023

Report Number **C/23/57**

To: Cabinet
Date: 13 December 2023
Status: Key Decision
Responsible Officer: Gill Butler, Chief Officer – Housing
Cabinet Member: Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN 2023-2053

SUMMARY: This report seeks Cabinet approval for the HRA Business Plan (BP) 30-year model which sets the parameters of the work and spend that is undertaken by the Council's housing team, underpinning every decision taken in the HRA. The BP model aligns with the direction and objectives of the Medium-Term Financial Strategy (MTFS), alongside the commitments of the HRA capital programme and acquisitions and new build ambitions for HRA led housing. Once approved by Members, a summary version of the HRA BP will be published in 2024.

REASONS FOR RECOMMENDATIONS: Cabinet is asked to agree the recommendations set out below in order to ensure that the Council continues to provide a financially balanced housing management service that meets legislation and delivers excellent customer service to our tenants and leaseholders across the district.

RECOMMENDATIONS:

1. To receive and note report C/23/57.
2. To approve the 30-year HRA Business Plan and financial projections attached at appendix 1.
3. To note that HRA BP financial plan will be referred to Cabinet as part of the 24/25 budget setting process in February 24. The revised business plan will form the basis of future HRA budgets and supersedes any previous BPs or medium-term capital programmes.
4. The note the revision of the HRA medium-term capital programme and other budget revisions made within this HRA BP allows for provision of annual resources of £5m (based on current prices), to facilitate the delivery of approximately 20 additional council homes each year, during the first 18 years of this Plan.

- 5. To agree the HRA priorities and assumptions set out within the HRA BP.**
- 6. To note that the Business Plan includes assumptions that are subject to future Cabinet decisions on:**
 - a future de-pooling of service charges to fairly and transparently recoup income that is due to the HRA; and**
 - a disposals policy and financial model for assessing the economic viability of managing and maintaining elements of stock.**

1. BACKGROUND

- 1.1 The Housing Revenue Account is a ring-fenced account, it sets out the income and expenditure for running the council's own housing stock and closely related services or facilities, provided primarily for the benefit of the Council's own tenants. The main expenditure associated with the HRA includes housing management and maintenance costs, major repairs, loan charges, and depreciation. The main source of income is from tenants' rents and service charges. All borrowing within the HRA is in line with the [CIPFA Prudential Code](#).
- 1.2 Folkestone & Hythe District Council (F&HDC) own and manage approximately 3400 homes. This is broken down by: -
- Independent Living for older people makes up 18% of our stock – comprising of 615 homes across 14 traditional (Sheltered Housing) schemes.
 - A further 400 homes are known as 'age designated' general needs homes for older or more vulnerable tenants within the main stock.
 - The remainder of our tenanted homes are social rented properties, with just 139 'affordable' rented homes.
 - The housing service also manages 208 leasehold properties and 19 shared ownership properties.
 - There are also a handful of commercial properties within our portfolio.
 - Additionally, the HRA manages 16 pumping stations / water treatment works, primarily on the Romney Marsh.
 - There are approx. 840 garage spaces (this includes some fisherman huts and non-covered parking spaces), owned by the HRA that are rented out to tenants and residents providing some additional income.
- 1.3 The HRA BP informs our priorities for funding from the HRA, delivering the vision; *"To create an excellent housing service - one that is digitally enabled, easy to do business with, and where tenants (customers) are at the heart of everything we do."*
- 1.4 In the context of wider council priorities, the BP sets the parameters of the work and spend that is undertaken by the Council's housing team underpinning every decision taken in the HRA.
- 1.5 The HRA BP is a key document that is even more relevant than previously. With the Social Housing Act and Regulator of Social Housing placing a greater emphasis on tenant satisfaction measures, the HRA must ensure its housing management function is strong and anticipates the needs of residents living in council owned and managed homes. With net zero carbon targets, the green credentials of new build homes and the retrofitting of existing stock also being of paramount importance to the HRA, this report seeks to balance the competing challenges and provide F&HDC with a way forward over the next 5,10, 20 and 30 years.
- 1.6 F&HDC currently has approximately 1,500 families on the housing waiting list for a suitable council home and this figure is increasing year on year, as last year we only had 419 homes available for applicants to bid for on

Homechoice (choice-based letting). This was made up of 315 council homes and 104 Housing Association (Registered Providers).

2. CONTEXT

2.1 This business plan is based on the Council's housing strategies and supports the '*Creating Tomorrow Together*' Corporate Plan and service ambitions. The HRA BP looks to focus on meeting statutory and legislative requirements and resident satisfaction by delivering the Council's key priorities:

- **Compliance** - Tenant Health & Safety and wellbeing - **£38million capital investment** over thirty years in disabled adaptations, improving independent living schemes, rewiring, estate improvements and other programmes to benefit tenants.
- **Housing management**, repairs and ongoing maintenance - **£317million revenue expenditure** over thirty years on managing homes and providing services to tenants; **£187million revenue expenditure** over thirty years on repairs and maintenance of homes.
- **Decent Homes** - investment and capital Improvements to our stock - **£166million capital investment** over thirty years.
- **Decarbonisation** – Retrofitting existing homes - **£44million of capital investment** over thirty years.
- **Acquisitions and contributing to affordable homes New Build** - **£126million capital investment** over an eighteen-year period to deliver 360 new affordable homes, followed by investing a further **£14million** in their capital maintenance.

2.2 The Council's HRA BP (2016) was updated in 2020 and at the time included a four-year development ambition of 140 new affordable homes. In 2022 whilst projects such as Highview and Biggins Wood were in progress to deliver on this ambition, in February 2023 due to market conditions, interest and borrowing rates, as well as the cost of the HRA capital investment programme, the HRA new build development plan was paused. Despite these issues, over the period 2018/19 to 2022/23, the HRA delivered an additional 86 Council Homes and is due to deliver a further 29 homes in 2023/24, including 5 homes for shared ownership purchase.

2.3 Although wider council new homes supply programmes are continuing e.g., 22% of homes built at Otterpool Park will be affordable, these are likely to be supplied in partnership with Housing Associations /subject to section 106 contributions from private housing developments.

2.4 The Council has Development Status with Homes England which has enabled F&HDC to access government grants for new development opportunities. The current HRA development programme has now been revised and for projects such as Highview and Biggins Wood, the Council is now acting as facilitators of new development, de-risking the sites and seeking developers or joint venture partnerships that are able to take sites forward and complete on the delivery of new homes.

- 2.5 If the HRA is to review its aspiration for more new homes than currently within the BP, the Council would need to maximise grants along with other funding models. In maximising the affordability of new developments, a variety of funding options including outright sale, first-time affordable homes, shared ownership, life-time homes, extra care schemes, key worker accommodation and affordable (market) rents may need to be considered. The priority for the HRA will always remain for the provision of homes for social rent, but cross subsidy models may be necessary to deliver schemes that are viable.
- 2.6 The current financial criteria for all new HRA homes is to have a notional net present value (NPV) of zero (break-even) over 30 years. However, it is now common to find payback periods of 40-60 years and in some cases even longer. This criterion will need to be reviewed as 30 years is no longer viable with today's build costs / interest rates / Local Housing Allowance rates. Also, as new schemes are designed to Net zero carbon 'in use' standards, they are more costly to build and maintain. Future schemes may need to be mixed-use developments combining affordable housing, shared ownership and outright sale in order to also provide some homes at social rent levels.
- 2.7 Where the HRA already has land and buildings that may be suitable for redevelopment and new housing, the HRA will consider utilising such to put forward small schemes that add to the asset portfolio, whilst retaining existing units at social rent levels. These opportunities will be fully assessed for viability and may form part of a revised new build ambition for 2025-2026.
- 2.8 Consideration may also be given to the disposal of HRA assets that do not fit the future housing portfolio due to demand or maintenance costs. An action in the Housing Asset Management Strategy is to develop and implement an HRA Disposals appraisal scheme - an agreed policy and financial model - for assessing the economic viability of managing and maintaining individual elements of stock before carrying out work that may not be cost effective (including decarbonisation). Following evaluation that considers retention, improvement, potential for redevelopment or disposal, projects that are not viable would be considered by an internal Investment Panel, before being considered through the Council governance route for disposal.
- 2.9 Any disposal of an asset would be ring fenced for HRA capital receipts and used for like for like acquisitions, or new build council homes. In developing the housing portfolio in this way, the HRA will be able to restart a less ambitious new build programme, alongside acquiring homes on the open market, from housing associations, as well as buying back ex-council stock.
- 2.10 The ongoing risks to the previous F&HDC affordable homes delivery programme have been considered in the HRA Business Plan report and are under constant review. Regular analyses of factors within and outside the Council's control are discussed as part of our ongoing business planning and continue to be assessed, and officers will work to ensure that future goals are met, delivering more whilst budgeting responsibly.

3. FINANCIAL IMPLICATIONS SUMMARY

- 3.1 This paper provides an update to the financial position of the HRA over the next 30 years, based on a range of reasonable assumptions laid out therein, and forecasts that the HRA business plan continues to be a robust and viable business and is able to deliver its key priorities.
- 3.2 Detailed Income and expenditure is set out within sections 7 and 8 of the main HRA BP report. Detailed tables are supplied at appendix 1.
- 3.3 The financial model is a tool for testing existing priorities, the impact of changes in Government policies and changes in key business sensitivities to ensure plans remain affordable over time.
- 3.4 Delivery of new build affordable housing and/ or remodelling of existing stock can be achieved within this BP. Therefore, we have suggested the provision for new build & acquisitions is £5M a year at current prices so it is increased in line with inflation to 2041/42. However, this is more dependent on securing grant funding, HRA cash resources and income such as Right-to-Buy receipts.
- 3.5 The 30-year Business plan assumes that at some point (by year 2025) CPI inflation will fall to around 2% (Bank of England target August '23) from the current level of 6.70%. The majority of local authority borrowing is undertaken from the Public Works Loan Board (PWLB), with current borrowing rates around 6.00%; there is an assumption that in the medium-term (by 2027) this rate will reduce to 5.00% and then a 'new normal' of around 4.5% for the majority of the business plan (from 2030) which will allow F&HDC to reconsider our current level of borrowing to help fund HRA investment in stock and potential new build and acquisitions. This Business plan also models debt repayment commitments (financing costs) to ensure the HRA remains able to meet its obligations.
- 3.6 The total borrowing within the HRA as at April 2023 was £47.4M, the BP therefore assumes an opening debt in 2023/24 of £47.4M and a closing debt for 2023/24 of £50.9M based on the budget for the current financial year.

4. INCOME AND EXPENDITURE 30-YEAR SUMMARY

The tables below summarise the income and expenditure for the full 30 years of the business plan, the strategic summary can be found at appendix C and the capital programme summary at appendix B of the main report:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378	-19,997	-20,694	-21,416	-22,162	-22,934
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569	-1,608	-1,648	-1,689	-1,731	-1,775
Other Income	-448	-255	-423	-422	-418	-461	-462	-464	-467	-470

Total Income	-18,532	-19,667	-20,219	-20,915	-21,364	-22,067	-22,804	-23,569	-24,361	-25,179
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450	4,590	4,734	4,882	5,035	4,983
Management	6,981	7,093	7,164	7,285	7,482	7,707	7,938	8,176	8,421	8,674
Depreciation	3,084	3,187	3,285	3,408	3,569	3,749	3,937	4,135	4,342	4,559
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318	3,682	3,996	4,303	4,604	4,964
Revenue Contributions	4,358	3,602	2,568	2,783	691	2,199	1,982	1,829	1,689	1,560
Other Expenditure	295	316	324	336	345	358	371	384	398	413
Total Expenditure	20,980	20,971	20,323	21,279	19,857	22,284	22,957	23,709	24,490	25,152
Surplus / Deficit	2,448	1,305	104	363	-1,507	217	153	140	129	-27

Income & Expenditure 2033/34 to 2042/43	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Rental Income	-23,733	-24,558	-25,446	-26,366	-27,317	-28,302	-29,321	-30,377	-31,469	-32,370
Service Charges	-1,819	-1,865	-1,911	-1,959	-2,008	-2,058	-2,110	-2,162	-2,216	-2,272
Other Income	-477	-482	-486	-491	-495	-499	-503	-506	-510	-513
Total Income	-26,029	-26,904	-27,844	-28,815	-29,820	-30,859	-31,934	-33,045	-34,195	-35,155
Repairs & Maintenance	5,140	5,303	5,478	5,659	5,845	6,038	6,238	6,443	6,656	6,875
Management	8,934	9,202	9,478	9,762	10,055	10,357	10,668	10,988	11,317	11,657
Depreciation	4,786	5,024	5,274	5,535	5,810	6,097	6,398	6,713	7,043	7,389
Loan Charges - Interest	5,248	5,526	5,841	6,182	6,543	6,922	7,316	7,728	8,159	8,439
Revenue Contributions	1,587	1,493	1,406	1,313	1,199	1,071	931	781	619	445
Other Expenditure	428	443	460	477	496	514	534	554	575	592
Total Expenditure	26,124	26,991	27,937	28,929	29,948	30,999	32,084	33,206	34,370	35,396
Surplus / Deficit	95	86	93	114	128	140	150	161	175	240

Income & Expenditure 2043/44 to 2052/53	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Rental Income	-33,298	-34,252	-35,234	-36,243	-37,282	-38,350	39,448	-40,578	-41,741	-42,936
Service Charges	-2,329	-2,387	-2,446	-2,508	-2,570	-2,635	-2,700	-2,768	-2,837	-2,908
Other Income	-515	-523	-532	-541	-550	-559	-571	-585	-599	-612
Total Income	-36,142	-37,162	-38,212	-39,292	-40,402	-41,544	42,720	-43,932	-45,177	-46,456
Repairs & Maintenance	7,071	7,273	7,481	7,694	7,914	8,140	8,372	8,611	8,857	9,110
Management	12,007	12,367	12,738	13,120	13,514	13,919	14,336	14,767	15,210	15,666
Depreciation	7,684	7,992	8,311	8,644	8,989	9,349	9,723	10,112	10,516	10,937
Loan Charges - Interest	8,565	8,671	8,800	8,905	9,020	9,030	8,975	8,941	8,924	8,909
Revenue Contributions	204	207	236	243	272	293	417	606	776	926
Other Expenditure	607	623	639	656	673	690	707	725	743	762
Total Expenditure	36,139	37,133	38,205	39,263	40,382	41,420	42,531	43,762	45,026	46,310
Surplus / Deficit	-3	-29	-7	-29	-20	-124	-190	-170	-150	-146

4.1 Financial strategy and business planning

The summary tables above show that the Council has a reasonably well balanced HRA over a 30-year programme that is able to deliver on the decarbonisation, housing and asset management and the tenant engagement priorities it has set itself over the coming years.

- 4.2 This report presents Members with these ongoing priorities for the HRA, along with the assessment that the BP debt remains at a manageable level, assuming that income recovery remains at least at the current level.

5. F&HDC POLICY CONTEXT

- 5.1 A library of policies and strategies, both Housing and corporate, feed into our HRA Business Plan including:

- F&HDC Corporate plan – Creating Tomorrow Together (2021-2030)
- F&HDC Housing Management policies and procedures
- HRA Medium Term Financial Strategy 2023-27
- Housing Asset Management Strategy & Delivery Plan (2022-27)

- Tenant Engagement Strategy – Hearing Our Tenants’ Voice (2021-24)
- F&HDC Healthier Housing Strategy (2018-23)
- Housing Approach to Carbon Reduction (2023-2030)
- F&HDC Carbon Reduction Toolkit (and Carbon Reduction Action Plan)
- Independent Living improvement plan / decarbonisation plan (to be agreed 2024/25)

6. RISK MANAGEMENT ISSUES

A summary of the perceived risks follows: -

Perceived risk	Seriousness	Likelihood	Preventative action
Inflation and interest rates increase – unable to afford borrowing / new build	High	Possible	Borrowing proposed currently within manageable parameters. Finance team will monitor and advise with annual reviews against HRA BP ambitions.
Income recovery not able to be achieved – unable to deliver on stock investment & improvement	High	Possible	Income recovery and tenancy sustainment a high priority. Continued investment in predictive work. Full consideration of service charge de-pooling to ensure collecting all money due.
Decarbonation ambitions not able to be achieved	Medium	Possible	Dependent on future Govt. grants and funding sources and available match funding.

7. CONSULTATION

- 7.1 Consultation with tenants and leaseholders will be required as the Council develops its approach to service charges in the coming years.
- 7.2 The housing services team work closely with the most senior level tenant-led group - Strategic Tenants’ Advisory Panel (STAP) - and we have been keeping the panel aware of the priorities for the HRA. STAP has received presentation on the capital programme and are aware of the commitments of the retrofit programme.

- 7.3 Consultation will continue to be held with ward Members where acquisitions or proposals for new development/ redevelopment fall within their ward boundaries. Members will be consulted about any significant disposals.
- 7.4 All sites within any future delivery of new homes programme are subject to planning approval and the formal consultation process as part of that. Consultation will take place with local residents and ward Members – importantly before proposed plans are submitted – giving them an additional opportunity to respond to the proposals outside of the formal planning consultation process.

8. IMPLICATIONS

- 8.1 **Legal Officer's Comments** - It is not a legal requirement to produce an HRA Business Plan, however it is good practice and helps to ensure that HRA related statutory duties and financial requirements are met and to provide a good framework for long term strategic planning.
- 8.2 **Finance Officer's Comments** - All necessary financial information and implications are included within the body of this report.
- 8.3 **Equality and Diversity Implications** - There are no negative equality or diversity implications directly arising from this report. Equality Impact assessments will be carried out as required.
- 8.4 **Climate Change** – There are no direct climate change implications arising from this report. All information and implications regarding the HRA's approach to decarbonisation and the impact of climate change are included within the body of the report.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

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The following background documents have been relied upon in the preparation of this report: **HRA BUSINESS PLAN REPORT - OCTOBER 2023 + Appendices.**

Housing Revenue Account (HRA) Business Plan Report – October 2023

1. INTRODUCTION

- 1.1 The HRA Business Plan report focuses on the priorities over the medium term (four - ten years) to 2033/34, then looks at the assumptions at year 10, 20 and how this affects the overall 30-year business model. The Business Plan (BP) details how the Folkestone & Hythe District Council (F&HDC) manages and improves its housing stock, ensuring the needs of current and future tenants are met, including the digitalisation and carbon reduction agenda. This will be achieved by future proofing current stock as well as by looking to provide as many new affordable homes as is financially viable in coming years.
- 1.2 The HRA is a ring-fenced account, this means that the HRA, and its tenants do not contribute directly to the General Fund, which is funded by taxpayers. Conversely, being a self-financing model, means that the HRA is fully reliant on its own income streams for any works that it undertakes and has no reliance on the General Fund.
- 1.3 The HRA Business Model has been built with the assistance of a consultant from AWICS, who has experience of all aspects of the finance, management and policy of public services having worked closely with several local authorities and housing associations on financial management and accounting matters, including preparing business plans. This allows for independent scrutiny to ensure the plan looks sensible to an objective reviewer and is sustainable over the 30-year period.

2. EXECUTIVE SUMMARY

- 2.1 Local authorities across England are facing significant financial pressures on their HRAs as they seek to build and acquire new homes, maintain and improve existing homes and improve services for tenants, against a background of increasing costs and constraints on income.
- 2.2 The cost-of-living crisis has increased management, maintenance and construction costs. Interest rates have increased significantly, increasing capital financing costs and affecting the viability of schemes to build and acquire new homes. Government has capped rent increases. Homes must be maintained to the decent homes standard and must be improved to meet the decarbonisation agenda. Services to tenants must be improved to meet the requirements of the Social Housing Regulation Act.
- 2.3 However, taking all of this into consideration, the F&HDC HRA is relatively robust. It has a net operating income of over £2million a year and will end 2023/24 with balances of over £4million. The stock is in a relatively good condition and debt is relatively low. This enables the Council to prepare a 30-year HRA Business Plan that maintains financial viability while making a significant investment in existing stock and new stock to help to tackle the housing crisis in the Folkestone & Hythe district.

- 2.4 This is a balanced plan that is robust, affordable and sustainable over thirty years - managing borrowing within what is affordable and maintaining revenue reserves above £2million through the life of the plan. The plan delivers on the key priorities for our stock and tenants and has been prepared jointly by housing and finance officers with expert advice. It is based on good practice in housing business planning.
- 2.5 The business plan is based on the following key assumptions:
- Inflation falling to below 2% in 2024/25 in accordance with Office for Budgetary Responsibility forecasts before returning to the Bank of England target of 2% from 2028/29.
 - Rent increases to be capped at 7% in 2024, but to increase by 1% more than the increase in the consumer prices index (CPI) in subsequent years in accordance with current government policy (Rent Standard).
 - Management and Repairs & Maintenance costs are assumed to increase by 1% more than the increase in the CPI each year with a slightly higher increase in construction costs, in accordance with recent experience.
 - The rate of interest paid on new loans will reduce from the current high level of 6% to 4.5% in accordance with economic forecasts.
 - There will continue to be ten right to buy sales each year until 2035/36 when the assumption is that number will reduce.
 - £5million a year is provided for new build and acquisitions at current prices for the next 18 years. This is expected to deliver up to twenty new homes a year based on an average cost of £250,000 at current prices.
- 2.6 F&HDC's proposed new build and acquisitions programme will be delivered subject to affordability and will be flexed year on year. All opportunities for funding and delivery will be explored including the Homes England Affordable Homes programme funding, Brownfield Land Release Fund (BLRF1) and section 106 (S106) agreements. The Council will develop a supply pipeline over the next five to ten years.

Adrian Waite MA CPFA CIHM FInstLM

3. BACKGROUND

- 3.1 The previous F&HDC published HRA BP was 2016, although this was reviewed in 2020 when the social housing landlord service came back in-house to F&HDC from East Kent Housing Arm's Length Management Organisation (ALMO).
- 3.2 Due to a previous lack of investment in the Council's social housing stock, the focus for the new housing landlord service was on; improving our assets; value for money; Health & Safety and compliance with regulation; improving performance; tenant engagement and satisfaction levels.
- 3.3 The HRA BP supports the 2021 Corporate Plan and council's service ambitions; *Positive Community Leadership, A Thriving Environment, A*

Vibrant Economy, and Quality Homes & Infrastructure – To deliver a safe, accountable housing service.

- 3.4 The HRA BP is built on the HRA's priorities as agreed by Members at Overview and Scrutiny Committee in January 2023.

The strategic priorities for the Housing Service are: -

- 1. *Compliance - Tenant Health & Safety and wellbeing, (including meeting Regulator of Social Housing new legislation – Social Housing Act July 2023)***
- 2. *Housing management delivery, repairs and ongoing maintenance***
- 3. *Decent Homes - investment and capital Improvements to our stock***
- 4. *Decarbonisation – Retrofitting existing homes***
- 5. *Acquisitions and contributing to affordable homes New Build.***

To deliver against these priorities we will: -

- *Ensure our homes are compliant with health & safety, meet the current decent homes standard (and future decent homes legislation), and the social housing consumer standards.*
- *Provide an efficient and effective housing management service and invest in service improvements.*
- *Improve the quality of the Council's landlord services by implementing service plans which demonstrate continuous improvement.*
- *Provide excellent customer service and effective opportunities for residents to be involved in having a voice and inputting into the service delivery.*
- *Improve the energy efficiency of the housing stock, and the ways of working, that reduce carbon emissions and levels of fuel poverty.*
- *Maximise the recovery of rental, service charge and other income and demonstrate value for money.*
- *Manage the HRA budget effectively, maintaining reserves above £2M and borrowing what is affordable for the capital programme and to enable acquisitions and new affordable homes to be delivered.*
- *Deliver services fairly and without discrimination to meet the needs of all members of the local community, fully complying with the Council's equalities and diversity policies.*

- 3.5 The Housing Asset Management Strategy (HAMS) was published in early 2022 in response to the need to set out how the Housing Service would look to invest in the Council managed stock following the stock coming back into council management in October 2020.

- 3.6 There were a number of objectives set out in the HAMS that include a commitment to *'improving our council portfolio, contributing to building new affordable homes where possible, and retrofitting existing council homes, which will ensure stock remains fit for purpose over the coming years.'*

- 3.7 The HAMS was developed following an extensive, independent stock condition survey carried out June-November 2021. Of the 3,397 council owned and managed homes, the survey achieved 96% of information for external areas and common parts, along with 83% for the internal areas in dwellings. 130 properties were missing an external survey, 584 properties were missing an internal survey, 28 new/buy-back properties have no survey. In addition, the properties not surveyed were not cloned and therefore do not appear in programmes or Decent Homes at this time.
- 3.8 However, the stock condition survey provided a good starting point understanding our future needs for the stock. Some data was found to be inaccurate or inconsistent and required checking. There is now an action plan in place to address these issues and to obtain 100% information for future reporting, programming and continual improvement on the data held. F&HDC surveyors are now validating this data and the BP has assumed these figures. The overall report told us that: *'The stock requires continued expenditure over a 30-year planning term to maintain all properties up to a good, tenable standard.'*
- 3.9 The report also provided a 30-year re-investment profile showing: -
- A whole stock cost analysis, by category of expenditure (survey data plus desktop costs)
 - Indicative Housing Health and Safety Rating System (HHSRS) data; and
 - A Decent Homes analysis.

In addition, energy data was supplied to advise F&HDC on existing energy ratings, identify the levels of investment required to increase ratings to EPC 'C' by 2030, and achieve Net Zero Carbon (NZC) in use by 2050.

- 3.10 Using this data, along with validated up-to-date stock information from our capital programme, this report provides an informed revision to the Council's 2016 HRA Business Plan.
- 3.11 The housing team has a good level of confidence in the knowledge around our stock and the investment needed, not just in terms of meeting decent homes standards, compliance with housing legislation and delivery of an excellent housing management service to our residents, but also what needs to be considered when improving and future proofing our stock in relation to decarbonisation. The Housing Service has published a Carbon Reduction Approach (2022-2030) and commenced an extensive retrofit programme in 2022.
- 3.12 **COMPLIANCE WITH HOUSING LEGISLATION – including the Regulator of Social Housing**

Social Housing is one of the most regulated of council managed services. The HRA records expenditure and income arising from the provision of housing by local housing authorities, (under the powers and duties conferred on them in Part II of the Housing Act 1985 and certain provisions of earlier legislation). Relevant legislation includes: -

- **Decent Homes standard 2000** - updated in **2006** to take account of the **Housing Act 2004**, included the implementation of the Housing Health and Safety Rating System (HHSRS)
- **Welfare Reform Act 2012** - to make provision for *Universal Credit and Personal Independence Payment (PIP)*. **Welfare Reform and Work Act 2016** - and amendment regulations that required registered providers of social housing in England to reduce social housing rents by 1% a year for 4 years from a frozen rent in 2015 to 2016.
 - Regulator of Social Housing Rent Standard direction 2019 revised in 2022 – (as Sept.2022 CPI was 10.1% the government was concerned about the affordability of this as a rent increase to social housing tenants and decided to impose a 7% ceiling on social housing rent increases from April 2023). This capped increase at 7% is likely to be carried over into 24/25.
- **Health & Safety** - June 2017 – Grenfell Tower – inquiry findings align the building safety regime with social housing regulation:
 - Fire Safety Act 2021
 - Building Safety Act 2022
 - Regulators for Building Safety *and* Construction Products
- Social Housing White Paper (*The Charter for Social Housing Residents*) published in November 2020) – led to further powers for the Regulator of Social Housing and the Housing Ombudsman (Social Housing Complaints), with reforms to consumer regulation.

3.13 The government's new **Social Housing (Regulation) Act** (July 2023) brings forward the following 'ground-breaking changes' in legislation:

- strengthening the Regulator of Social Housing to carry out regular inspections of social housing providers and the power to issue unlimited fines to 'rogue' social landlords.
- additional Housing Ombudsman powers to publish best practice guidance to landlords following investigations into tenant complaints.
- powers to set strict time limits for social landlords to address hazards such as damp and mould.
- new qualification requirements for social housing managers - February 2023 the Secretary of State for Levelling Up, Housing and Communities announced that as part of the new legislation and regulation of social housing registered providers, that all social housing senior managers must gain professional qualifications under new rules to "*protect residents and raise standards in the sector*".
- introducing stronger economic powers to follow inappropriate money transactions outside of the sector.
- New enforcement powers will be made available to tackle failing social housing landlords who are not 'pulling their weight' in taking swift action to address damp, cold and unsafe homes.

3.14 **The Regulator of Social Housing (RSH)** measures all Registered Providers against four consumer standards, however these standards have been revised and new ones come into force from April 2024:

- (Home Standard) - **The Safety and Quality Standard** - focused on ensuring tenants' health and safety in their homes, requiring landlords to have an accurate record of the condition of each of their properties, and ensuring repairs can be reported easily and tenants are kept informed of progress.
- **Tenancy Standard** - focused on ensuring homes are let fairly and transparently, that tenants are supported to sustain their tenancies, that suitable tenancy types are offered, and that support is provided to tenants looking to mutually exchange.
- **The Neighbourhood and Community Standard** - focused on ensuring the upkeep of communal spaces, and partnership working to promote tenant wellbeing, to deter and tackle ASB and to deal with domestic abuse.
- (Tenant Involvement and Empowerment Standard) - **The Transparency, Influence and Accountability Standard** - focused on ensuring tenants are treated fairly and with respect, that their views are taken into account in decision-making, that they are provided with performance information about the housing service, and that complaints are dealt with fairly and promptly.

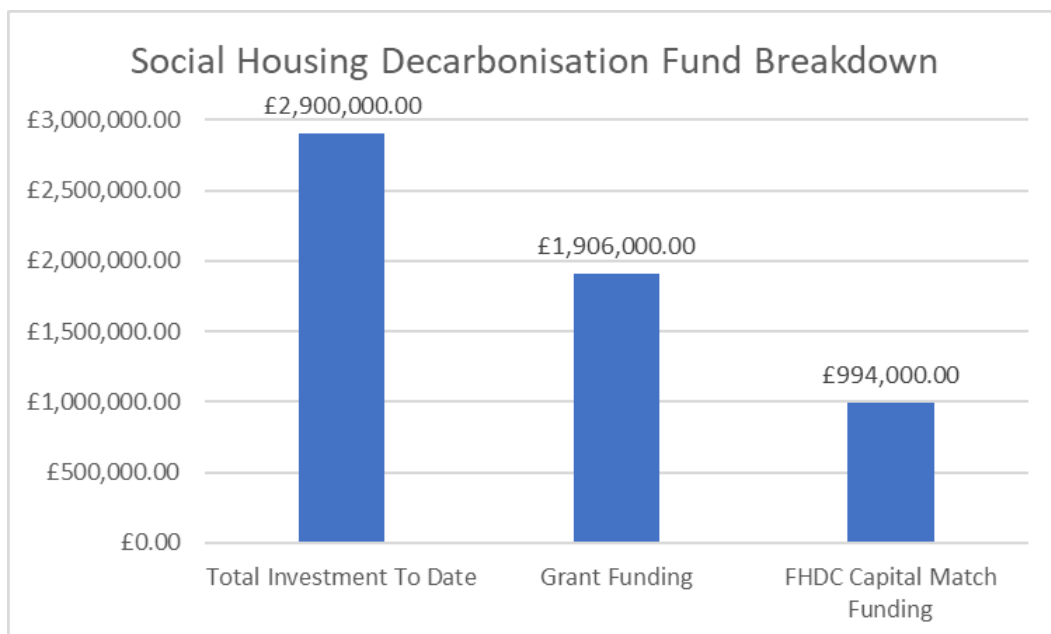
3.15 The RSH works closely with the Housing Ombudsman who deal with escalated complaints from social housing tenants. Although leaseholders can also complain to the Housing Ombudsman, if the matter relates to service charge disputes, lease variations, extensions, and the determination of premiums for freehold purchase, leaseholders can apply to the Leasehold Advisory Service who can provide a Leasehold First-Tier Tribunal.

3.16 Further related legislation: -

- Housing Act 1980 / Housing Act 1985 / 1988 & 1996/ Localism Act 2011
- The Housing and Planning Act 1986
- Landlord and Tenant Act 1985
- Commonhold and Leasehold Reform Act/ Leasehold Reform (Ground Rent) 2002
- The Service Charges (England) Regulations 2003 & 2007
- The Housing (Shared Ownership Leases) (Exclusion from Leasehold Reform Act 1967) (England) Regulations 2009
- The Homelessness Reduction Act 2017 - implemented on 3 April 2018, places new duties on housing authorities to intervene earlier to prevent homelessness and to take reasonable steps to relieve homelessness for all eligible applicants, not just those that have priority need under the Act.

4. CARBON REDUCTION AND RETROFITTING STOCK

- 4.1 F&HDC has been working towards achieving our climate change pledge. This means that as a council we are committed to doing everything we can to try to reduce our carbon emissions by 2030 and the Net Zero Carbon *Toolkit* has already been developed to help us, our partners, stakeholders and residents on the journey to tackle the consequences of climate change.
- 4.2 For the Housing Service there are still uncertainties about the long-term cost and effectiveness of some energy efficiency measures, therefore it is challenging for the HRA BP to accurately forecast decarbonisation costs across a 30-year period. However, we now have a clearer understanding of the costs associated with retrofitting our stock to achieve greater energy efficiency over the coming years.
- 4.3 The [Housing Asset Management Strategy](#) states a clear objective to: – *Improve the energy efficiency of the housing stock and the ways of working that reduce carbon emissions and levels of fuel poverty by:*
- a. *achieving a minimum EPC rating of 'C' by 2030*
 - b. *aiming to achieve 'net zero carbon in use (NZC)' for all of its housing stock by 2050.*
- 4.4 The [Housing Carbon Reduction Approach](#) (2023-2030) sets out how the Housing service will meet our target of getting all our stock up to EPC 'C' in the next seven years and how we will plan for further measures to meet 2050 targets. This Approach has considered the following key factors when agreeing our approach to carbon reduction measures: -
- ***Current knowledge of (and capital investment in) the Council housing stock***
 - ***Retrofit and major (planned) works programmes***
 - ***Future expectations for social housing***
 - ***The increasing population of older tenants, along with the expectations and changing needs of current and future tenants.***
 - ***Government social housing decarbonisation funding opportunities***
- 4.5 The F&HDC social housing stock is responsible for a large proportion of all the Council's carbon emissions, with our Independent Living stock, (sheltered housing for older residents), being the highest energy users and carbon emitters across the Council portfolio.
- 4.6 Currently the funding available to retrofit social housing has come from the Social Housing Decarbonisation fund (SHDF), but at present this doesn't cover Independent Living schemes, which have communal lounges, laundry rooms etc. and in many cases, communal heating systems.
- 4.7 SHDF so far has allowed F&HDC to retrofit 125 homes (2022/23) - bringing 109 up to EPC 'C' and Ross House (16 flats) up to EPC 'A' (or Net Zero Carbon 'ready'). The total investment to date has been - £2.9M. Below is a graph showing the SHDF Wave 1 cost breakdown.



4.8 The Council has been awarded SHDF Wave 2.1 which is a two-year retrofit programme (2023/24 & 2024/25) to bring another 300 homes up to EPC 'C', but the total cost of this is £5.2M which includes 50% match funding from the HRA. However, we still have approximately 900 homes to retrofit to EPC C by 2030, which is estimated to cost in the region of up to £14M. We have allowed £1M per year in the HRA budget plan up to 2030, so delivery will therefore be subject to securing further government decarbonisation funding opportunities to achieve this.

4.9 One of the biggest challenges for our retrofit programme is the Independent Living (IL) stock. We have not made allowance within the plan for significant improvement works, however we are assuming that decarbonisation works will contribute to improvements in terms of energy efficiency. As discussed previously, these schemes have been subject to a lack of investment in previous years and remain very high energy users. For example, combined gas and electricity bills for Win Pine House in Hythe amounted to £50,788.84 for 2022/23. However, most individual IL homes already have EPC C certification. Therefore, the focus for decarbonisation is more about efficient heating systems, i.e., upgrades and replacements for communal gas boilers with heat pumps to reduce the cost and carbon emissions.

4.10 In the HAMS we recognise the need to strategically plan our approach regarding accommodation for older people. This document stated: -

“An ageing tenant population will bring increased health issues and vulnerabilities. Lifetime homes and adaptations will support tenants living longer but not necessarily in good health. This will mean the housing service and the property portfolio will need to cater for frailer tenants who may not be able to meet their responsibilities to look after their homes; many may need significant support due to dementia rather than physical disability.”

“The design of new properties and the adaptation of existing homes, to meet the ageing population will be a key feature of future programmes. Properties that enable tenants to remain in their homes longer will need to embrace not just structural adaptation but also telecare products that enable remote monitoring and care.”

- 4.11 The cost to effectively retrofit IL Schemes with energy efficiency heating measures to replace existing gas fired communal boilers is estimated to be in the region of around £25,000 per flat based on current quotations for ground source heat pumps. There are the technical surveys, modelling and planning costs to consider which would be an average of £500 per home (based on £15,000/building), which will be required to confirm the energy requirements and specification heat pumps. Although this will give ‘free heat’ it will increase the electricity use unless we use solar photovoltaic (PV) panels and battery storage. The lifespan is c70 years (with major maintenance after 20 years for pumps & solar PV).

This figure does not include any insulation measures needed or any further carbon reduction measures to help reduce utility bills still further. Another option would be the opportunity for value engineering to use air source heat pumps at say £10,000 per home, but for this to be effective the thermal fabric (insulation) of the building must be excellent, the technology noise abated, and internal demands minimized as many of our IL scheme homes are bedsits or very small 1 bed flats. The electricity demand would be higher (without PV and batteries) and lifespan would be c20 years before replacement would be due.

Therefore, without knowing whether further SHDF waves can be used for IL, or if other types of government funding will be available, assumptions have been made that we will be in a position to address this challenge in the future HRA BP reviews.

- 4.12 In the meantime, we are actively seeking other sources of funding, such as Public Sector Decarbonisation Scheme (PSDS) which provides grants for public sector buildings to fund heat decarbonisation and energy efficiency measures and the Council will continue to look for solutions to decarbonisation of this type of stock alongside our general needs assets. If we are able to secure any funding for this purpose, we would look to retrofit two or three of the worst performing IL schemes as a pilot exercise.

5.0 HOUSING NEED / NEW BUILD AND AQUISITIONS

Affordable Housing Need in the district

- 5.1 There are currently approximately 1513 households registered on the Council’s housing list for council rented accommodation and other affordable housing for rent provided by other providers.
- 5.2 There is a strong demand for all types of housing in the district, including general needs housing and accommodation for particular client groups, including older people. Details of the overall current needs are set out in the table shown in Appendix 2.

- 5.3 In addition the housing needs information provided by the Council's Housing List, the Strategic Housing Market Assessment completed in 2016 identified a need for 139 additional affordable homes in the district each year. The assessment used a range of secondary population and affordability data to calculate the level of need for affordable homes. The assessment considers the extent of households already in need, the number of newly forming households in need each year and the number of affordable homes available.

Supported Housing¹

- 5.4 In order to address the needs of people with support needs within the local community, the Council will work to maximise the number adapted homes delivered as part of the new build and acquisition programme.
- 5.5 Given the age profile and the housing need in the district for older people, it is vital that the needs of this client group are properly met over the coming years. As well as delivering more new affordable homes for older people in the district, the suitability of the existing housing offer for this client group will be fully reviewed during the course of this plan. The Council do not currently provide extra care accommodation and it is clear that more affordable extra care units are needed in the district. Therefore, we will work with relevant providers to ensure this need is met.
- 5.6 The Housing Strategy team will also work closely with the Accommodation Team based within Kent County Council to identify opportunities to deliver other forms of supported affordable housing provision within the new community, including self-contained wheelchair accessible units.
- 5.7 In line with the Council's affordable housing policies, 70% of the affordable homes will be delivered for affordable rent and 30% for intermediate (shared ownership) provision.
- 5.8 Based on the current needs of the district, the overall proposed mix of unit types is as follows:
- 25% x 1 bed units
 - 30% x 2 bed units
 - 30% x 3 bed units
 - 15% x 4 bed units

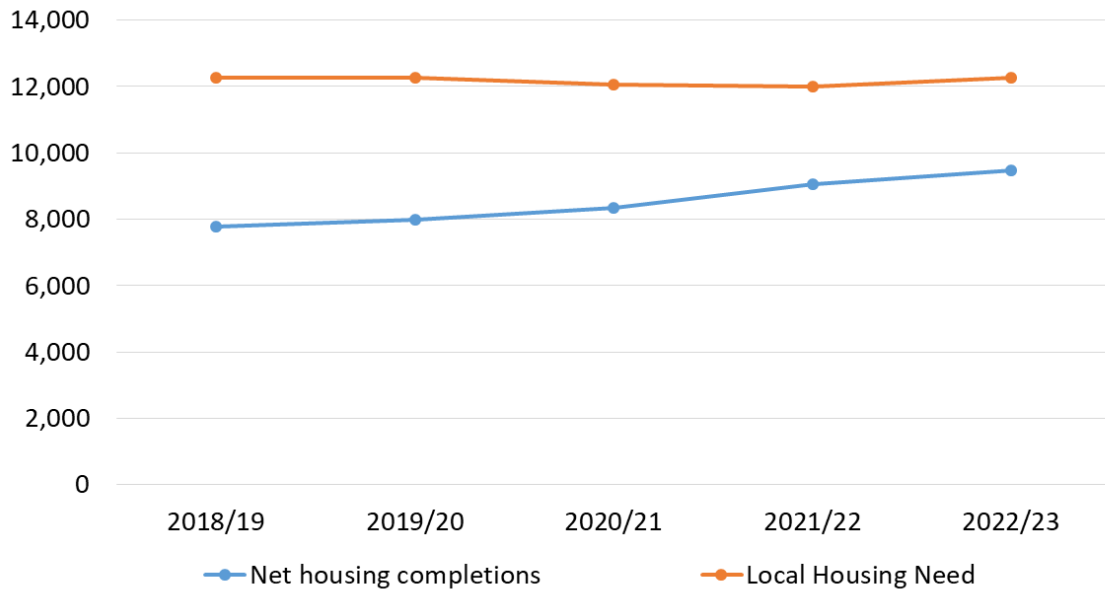
The overall mix of unit types is likely to be subject to change during the period of this plan, as the identified needs of the district change. Our Housing needs information also shows a strong demand for homes available for purchase on a shared ownership basis. There are currently 270 households in the district who have expressed an interest in shared ownership purchase, particularly 2 and 3-bedroom properties.

Delivering more Council / affordable homes

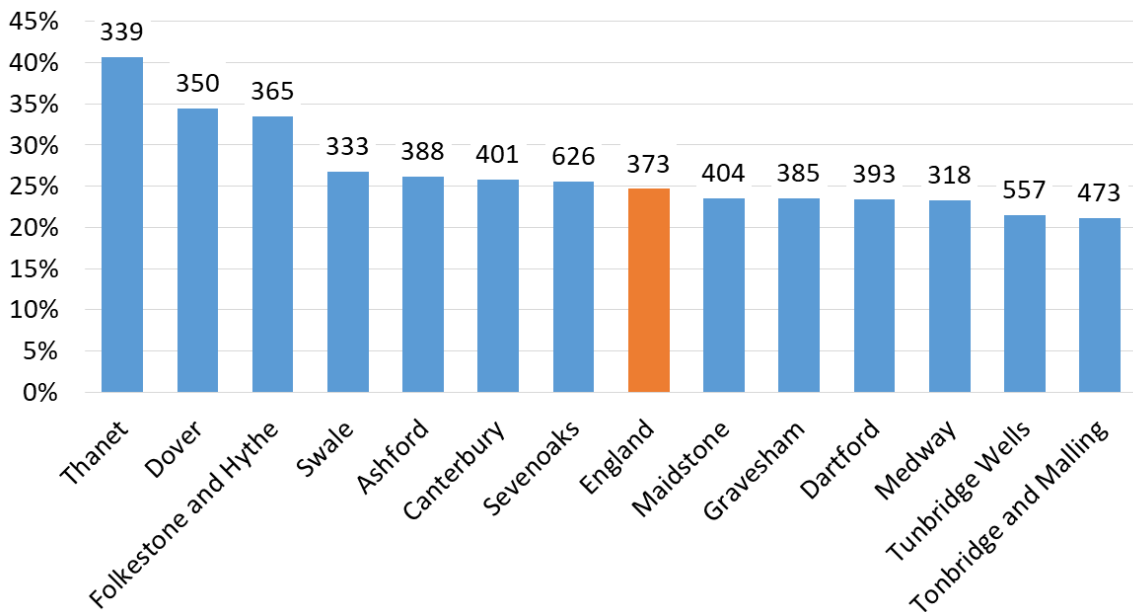
- 5.9 New affordable homes provided in the district by the Council will be delivered through the following potential funding streams:

¹ The government defines supported housing as accommodation provided alongside support, supervision or care to help people live as independently as possible in the community.

- Resources held within the HRA, including Capital resources, one for one receipts and receipts from any wider HRA asset sales.
 - Affordable housing developer contributions held by the Council.
 - The Council will also, where possible, look to secure grant funding through other sources such as Homes England or other grant funding made available directly by central government for the delivery of affordable homes.
- 5.10 The plan includes annual resources of £5M at current prices for the ongoing delivery of additional Council homes. This will allow the Council to deliver up to 20 additional homes each year in the first 18 years of the plan. In order make the best use of the available resources, the Council will seek to acquire affordable homes which are required to be made available through S106 Planning Agreements. In doing so, the Council will acquire units on smaller sites, which are not viable options for our local Housing Association partners, who in most cases focus their activities on development sites of 20 units or more. By focusing on these smaller sites, the Council will not be working in competition with our partners. Where possible we will also look at delivery on council owned sites.
- 5.11 In line with the Housing Needs in the district, and the requirements of the Council's Local Plan, up to 5 of the homes delivered each year will be made available for shared ownership purchase, with the properties being sold at initial minimum shares of as low as 30%, with rental charge of 2.75% being charges on the unpurchased equity shares. The capital receipts received from shared equity sales can be used to deliver more homes going forward.
- 5.12 The Council needs to be in a position to deliver truly affordable homes for local people. as private home purchase in our district has become unaffordable for many residents. New build house supply whether it is for private sale, rent or affordable may not be an option for some families. Kent Local Authorities are in a good position to try to influence the housing market in our area and the Kent Housing & Development Group have been working closely with the Department for Levelling Up, Housing and Communities (DLUHC) to ensure that more homes are available in Kent for local residents.
- 5.13 Over the past 5 years Kent housing delivery has been on a steady annual upward trend, despite the closedown of activity during the pandemic, however this still doesn't meet local housing need as shown in the graph below.



5.14 There has been an increase in average house prices over the past 5 years. Coastal areas have seen the largest increases. Annual sales of houses, before 2021 were on a downward trend from the previous higher average in 2017. Although 2021 saw a large uplift in sales as a result of stamp duty holidays, prices have fallen again since then. The graph below shows the percentage increase in average house prices in the 5 years up to December 2022.



Numbers above columns show 2022 average house prices in thousands.

- 5.15 There is less Social Housing in Kent compared to the national average as a proportion of all tenures. On 31 March 2022 there were 34,500 local authority homes and 65,500 registered provider homes.
- 5.16 Due to this gap between availability of affordable homes and need, Temporary Accommodation costs have been steadily increasing and this puts direct pressure on the general fund. The number of households supported in temporary accommodation (per 1,000 households) has been rising. The rates in Kent are below the national average, but above the average if London is excluded.

6. CAPITAL PROGRAMME IMPROVEMENTS

- 6.1 F&HDC are committed to continuing to invest in how the housing assets portfolio should be maintained and improved, alongside investing in our stock, we also invest in our people to ensure that the whole housing management service delivers our vision for excellence, embracing digital technology, making us easy to do business with and offering our tenants a consistent high level of service that is continuously improved. Decarbonisation and the green agenda remain an important factor in our capital programme and changes in legislation, especially in landlord compliance and significantly enhanced landlord health and safety responsibilities is a priority for the service.
- 6.2 The HRA is well placed to maintain its existing housing stock in reasonable repair over the 30-year life of the HRA BP. Although some assumptions have been made using the data from the Rapley's stock condition data carried out in 2021, much of this has now been updated with most up to date survey information and validation of the projections and costs to maintain and upgrade the housing stock. We are still working towards achieving a planned/ responsive maintenance programme ratio of at least 70:30 which will improve tenant satisfaction and reduce the burden on responsive repair work.
- 6.3 The business plan is able to fully take into account the delivery of the major works programme and decarbonisation work, with current funding, to March 2025. The combined future demands of a new Decent Homes Standard programme of works, potentially enhanced fire safety works, meeting the Net Zero carbon agenda by 2050 and tackling retrofitting our Independent Living schemes, alongside a new build programme, will be guided by future government funding initiatives, legislation and guidance.
- 6.4 The Major Works Programme (MWP) details the work needed over a five-year timeframe detailing what work will be carried out, when and where. The MWP is the operational driver for the service and will inform tenants, leaseholders, and Right to Buy applicants what is planned for their homes and neighbourhoods.

- 6.5 A key element of this programme will be the seven-year external redecoration programme. With the installation of UPVC windows and composite doors, the need for external decoration has significantly reduced. However, the importance of this cyclical programme should not be underestimated, providing the opportunity to clean and lubricate windows; clear out gutters; carry out repairs to fencing and similar external works on a cyclical basis, reducing the demand for responsive repairs.

The table below summarises the capital programme spend included in the business plan the sub-total includes all planned and works programmes, the total includes the new build and acquisitions:

- 6.6 Programmes of works will be smoothed out, ensuring work is carried out on a priority basis that maximises tenant safety; the life cycle of the assets; cash flow and operational delivery. This will mean accelerating or delaying work within a plus/minus five-year timescale enabling work to be combined, reduce inconvenience to tenants and maximising efficiency e.g. not painting doors and windows in a street that is due for replacement in five years' time but also taking the opportunity to renew gutters at the same time as the roof in order to maximise the use of scaffolding.
- 6.7 This approach will need to be managed with tenants' expectations as the appearance of their home could deteriorate in the short term, although remaining safe and secure. As a general rule, in order to maximise the life of the asset, the preference will be to push work back in the programme, rather than bring it forward. Where viable, and where possible, only one improvement will be carried out at a home within a five year period e.g. a kitchen or a bathroom. This will reduce the disruption to tenants and, given the financial constraints on the HRA, deliver improvements to homes throughout the district at the earliest opportunity.

Below is a table illustrating 10-year known spending on capital programme (detailed to 27/28, then estimated). A full summary of 30 years can be found at appendix B:

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,324	4,044	4,186	4,332	4,484	4,641
SHDF & EPC	1,036	1,555	1,000	1,000	1,037	1,078	1,116	1,155	1,196	1,238
Non-Decent Homes Standard	1,490	1,311	692	442	334	410	359	372	385	399
Disabled Adaptations	450	450	450	450	467	485	502	520	538	557
Environmental Improvements	0	60	60	60	62	65	67	69	72	74
Housing IT System	28	28	28	28	0	0	0	0	0	0
Sub-Total	9,498	7,824	6,650	6,150	6,224	6,083	6,231	6,449	6,675	6,908
Acquisitions & New Build	3,204	5,130	5,233	5,374	5,573	5,796	5,998	6,208	6,426	6,651
Major Repairs to new homes	0	0	0	0	20	26	33	40	71	83
Total Capital	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642

7. GOVERNANCE, PERFORMANCE AND CONTINUOUS IMPROVEMENT

- 7.1 The Housing Service has a robust performance management framework in place, with a range of measures and monitoring systems that demonstrate our commitment to continuous improvement.
- 7.2 Operational Performance Indicators (PIs) are monitored monthly by Housing managers and teams, with an expansive suite of operational PIs and Key Performance Indicators (KPIs) scrutinised by the Housing Leadership Team and reported to the Corporate Leadership Team every quarter.
- 7.3 Housing KPIs are scrutinised by tenants through the Strategic Tenants Advisory Panel (STAP), with the same information published on the F&HDC website.
- 7.4 In addition, 19 Housing KPIs feature in the F&HDC Corporate Performance Report, supporting the Corporate Plan Service Ambition 4 (Quality Homes and Infrastructure). This report is scrutinised by the F&HDC Cabinet and the Finance and Performance sub-committee.

- 7.5 Key achievements in the 3 years since taking the service back in-house are:
- improved performance on tenant health and safety compliance (meeting regulatory standards in the 'big 6' FLEGAL² areas).
 - sustained low levels of arrears (below 3% of annual rent and consistently lower than the sector average).
 - greater investment in our stock, through capital programme expenditure (more than doubling our budget from £3.7M in 2020/21, to £8M in 2021/22 and £9M in 2022/23)
- 7.6 The aspirations of residents, so far as they are known from existing work with tenants' and residents' groups, surveys, complaints and feedback also need to be considered in developing the HRA Business Plan.
- 7.7 As part of the tenant consultation carried out in October to December 2019 in preparation for the management of the housing service returning to the Council, tenants were asked what they felt were the most important things for the Council to focus on in delivering the housing service. The responses were:
- Dealing with repairs and maintenance (79% of respondents)
 - Providing value for money for rent and service charges (40%)
 - Dealing with customer enquiries and complaints (36%)
 - Building new council homes (24%)
 - Involving and listening to residents (24%)
 - Dealing with anti-social behaviour (22%)
 - Estate services, such as grass cutting, cleaning communal areas etc (21%)
- 7.8 The 2023 tenant satisfaction survey was carried out between May and August 2023. Officers are currently analysing the responses, and these will be reported to Members later in the year. However, the headline results show improved satisfaction with most areas of the service against the new Tenant Satisfaction Measures:

	2022	2023
Overall satisfaction with the housing service	68%	71%
Satisfaction with how we deal with repairs and maintenance	61%	66%
Satisfaction that we provide a home that is well maintained	65%	70%
Satisfaction that we provide a home that is safe	65%	78%
Satisfaction with complaints handling	50%	34%
Satisfaction that we listen to and act on tenants' views	49%	55%
Satisfaction that we treat tenants fairly and with respect	68%	72%

² FLEGAL (Fire, Legionella, Electric, Gas, Asbestos & Lifts)

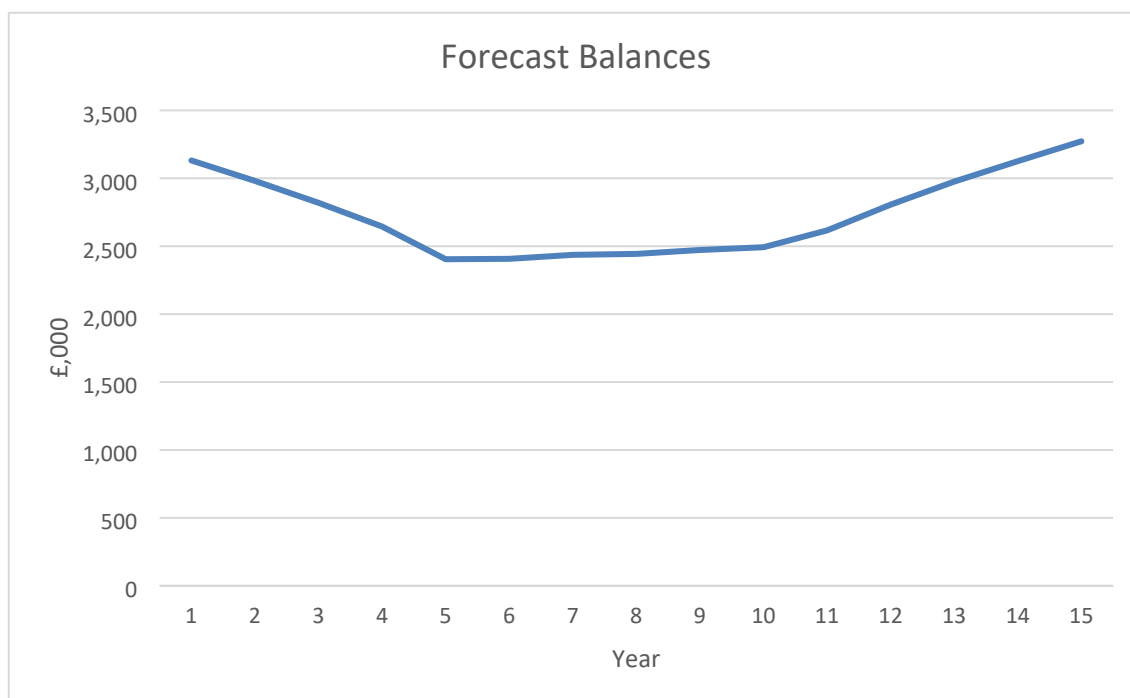
Satisfaction that we keep communal areas clean and well maintained	70%	70%
Satisfaction that we make a positive contribution to neighbourhoods	48%	59%
Satisfaction with anti-social behaviour handling	51%	54%

7.9 The importance of the repairs and maintenance service was further highlighted in the results of the 2022 tenant satisfaction survey. 68% of tenants were satisfied with the overall housing service, but this rises to 90% satisfaction among tenants who were also satisfied with the repairs service.

7.10 Residents feeling that their views are taken into account also correlates strongly with overall satisfaction, which rises from 68% to 88% among those who were also satisfied that the Council listens to and acts on their views.

8. INCOME AND EXPENDITURE

8.1 The full business plan model includes detail on rent, service costs and spending plans over 30 years and projects movements in both balances and borrowing throughout the period. This business plan is based upon the main income, cost projections and spending plans that have been included in the model. The model has enabled a number of different scenarios to be examined to see how they would perform against a set of key principles. The detailed revenue and balance projections from the model are shown at appendix 1A, and the cumulative movement in HRA balances is illustrated in graph below:



INCOME AND EXPENDITURE – to 2027

Income: The HRA Medium-Term Forecast

- 8.2 This section of the business plan sets out the medium-term financial strategy for revenue income and expenditure plans and pressures for the next 4-year period to 2027. It also sets the framework for the detailed projections set out in the financial model for the whole 30-year period. A previous version of the medium-term plan was agreed by Cabinet and Council in February 2023; however this has been holistically reviewed and updated as part of this business plan.
- 8.3 The table below summarises the Council’s income sources for its HRA over the next 10 years. The near-term projections (years 2-4) have been robustly considered given the increased level of certainty available in the medium-term. Other income includes non-dwelling rents (i.e. garages), interest income on cash balances and the contribution from the general fund which relates to the maintenance of amenities by grounds maintenance; the majority of these relate to HRA but where there has been Right to Buy (RTB) sales these are now classed as non-HRA and therefore the general fund makes a contribution to the HRA.

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378	-19,997	-20,694	-21,416	-22,162	-22,934
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569	-1,608	-1,648	-1,689	-1,731	-1,775
Other Income	-448	-255	-423	-422	-418	-461	-462	-464	-467	-470
Total Income	-18,532	-19,667	-20,219	-20,915	-21,364	-22,067	-22,804	-23,569	-24,361	-25,179
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450	4,590	4,734	4,882	5,035	4,983
Management	6,981	7,093	7,164	7,285	7,482	7,707	7,938	8,176	8,421	8,674
Depreciation	3,084	3,187	3,285	3,408	3,569	3,749	3,937	4,135	4,342	4,559
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318	3,682	3,996	4,303	4,604	4,964
Revenue Contributions	4,358	3,602	2,568	2,783	691	2,199	1,982	1,829	1,689	1,560
Other Expenditure	295	316	324	336	345	358	371	384	398	413
Total Expenditure	20,980	20,971	20,323	21,279	19,857	22,284	22,957	23,709	24,490	25,152
Surplus / Deficit	2,448	1,305	104	363	-1,507	217	153	140	129	-27

Income: Rental Income

- 8.4 The main source of income for the HRA is the rent paid by the Council's housing tenants. The "target rent" for all individual social rented homes is calculated on a prescribed formula set by the government. The government's aim is to ensure that similar properties in the same area will have a similar rent regardless of the landlord (council and housing association properties). The rent calculation is based on the following factors: -
- Capital values (30%)
 - Regional income factor and size of dwelling based on the number of bedrooms (70%)
 - The Council's new build and acquisition is based on additional homes being delivered at affordable rents linked to the Local Housing Allowance (LHA), to ensure that the homes remain affordable to our tenants.
- 8.5 Following a 4-year period of rent reductions, from 2020/21, councils were permitted to increase their rents again based on the Rent Standard formula of CPI + 1%, in 2022/23 this equated to 4.1%. However, in 2023/24 [and highly likely in 2024/25] social rent increases have been capped at 7% as the September 2022 CPI figure was 10.1% [with September 2023 at 6.7%].
- **Social Rented Housing** is rented housing owned and managed by local authorities and registered providers (housing associations) of social housing, which are let at target rents which have been determined by the national rent regime. At present, social rents in our district are on average set at around 50% of market rents values.
 - **'Affordable' Rented Housing** is provided by registered providers of social housing on the same basis as social rented housing, but rent levels are outside of the national rent regime. Instead, the accommodation is required to be made available to eligible households at rental levels of up to 80% of the local housing market rent.
 - **F&HDC rent** - of the 3414 tenancies that F&HDC currently have, only 120 households pay 'affordable' rents based on the Local Housing Allowance (LHA) and the remainder pay social rents. According to the current Business Plan – only new homes are set at 'affordable' rents at Local Housing Allowance rates and it is proposed that this will be continued.
 - The average social rent from April 2023 was £101.05, and we estimate that the average social rent 24/25 will be £108.12 p.w.
 - So, the vast majority of existing tenants pay a social housing rent and a flat rate service charge. The rent stays with the property and so if the tenancy changes currently the new tenant will be charged the same social rent.
 - Government Policy sets out that affordable rent levels can be set at up to 80% of market rent value, however in reality in order to remain truly affordable in our area, affordable rent equates to 55-60% of market rent level.

8.6 Below is a table that sets out current F&HDC rents by property size:

	Social Rent 23/24	Affordable Rent - LHA 23/24	Market Rent	Full Affordable rent – 80%
1 bed	£89.26	£101.82	£181.00	£144.80
2 bed	£100.30	£136.81	£217.00	£173.60
3 bed	£111.55	£179.62	£266.00	£212.90

Estimated Average Rents over the next 5 years

- 8.7 The Local Housing Allowance (LHA) rates for the district are set by Central Government and have not been increased since 2020/21. At this time there is no clear indication from the Government as to when they will review and increase the LHA. This is particularly difficult for homes in Folkestone as currently the Dover area rate is lower than the Ashford and Canterbury rates.
- 8.5 This presents significant difficulties for the Council as the development costs for new build homes has increased significantly over the last few years. It also calls into question what is truly 'affordable' to residents on full benefits. The main impact of the LHA and its impact on housing affordability are experienced by tenants in the private rented sector. The Council will continue to lobby so that central Government is fully aware of the negative impact of the LHA in this district.
- 8.6 The HRA BP model bases our overall achievable rental income on an average social rent of:

23/24	24/25	25/26	26/27	27/28
£95.44	£102.12	£103.75	£104.79	£106.57

- 8.10 A comprehensive assessment of the potential risks to the Council's HRA is set out in Section 10 of this document. Adequate bad debt provision is a key part of the mitigation of risk within the business plan. Bad debt provision in 23/24 is set at 1.36% of total income, in line with historic and target collection rates and write offs, to cover any increases in service costs that arise in relation to rent collection and transactions costs. It is reasonably assumed that this percentage will persist for the duration of the business plan.
- 8.11 The HRA accounts for the expected rental income due in the year, it also makes provision for bad debts (i.e., rent due, but not collected in the year due to non-payment). There is also an adjustment to reflect properties

which are empty for a period between tenancies when no rent is due (void turnaround).

- 8.12 Future Right-to-Buy (RTB) sales have an impact on rental income to the business plan. The business plan model has been based upon an assumed 10 RTB sales per year, with an average receipt of £100,000 per sale. However, depending on the political climate this may change over the life of the BP. The Council is signed up to the Government's one for one scheme, enabling all RTB receipts generated locally to be reinvested to replace homes sold with new homes / acquisitions.
- 8.13 The Council also receives a small amount of rental income from the garages and retail premises and other land holdings which it lets out to its customers. The model has assumed an income of £285K for non-residential property.

Income: Service charges

- 8.14 The Council receives other income for services provided that are not already covered by its rental charges in the form of service charges. A service charge is a charge collected to pay for a service that's undertaken to the communal parts of a building and/ or estate. Service charges are not the same as rent and are bound by different legislation. Rent is expected by the government to cover a charge for the occupation of a home including its management and, in many cases, its repair, whilst service charges such as; communal facilities, car parking, grounds maintenance, communal area heating, cleaning, communal area fire detection etc. are additional and regarded as a service charge cost.
- 8.15 F&HDC tenants pay a fixed service charge. Leaseholders and shared owners pay a variable service charge. Fixed service charges are set at the start of the financial year, the charge needs to be an accurate projection of the cost of the services over the coming year. A profit isn't allowed under the legislation, whilst a deficit would mean that social rents are subsidising the services which also wouldn't be correct.
- 8.16 Leasehold and shared ownership charges are variable, so we will not be able to give an accurate breakdown of costs until year end. The BP model assumes a total 23/24 service charge income at £1.10M.
- 8.17 Tenants who benefit from the services that are undertaken to the building and/ or estate, currently pay a weekly service charge in addition to their rent. However, most of these charges are 'pooled'. Pooled service charges are when the cost of a group of services are added together, then increased (or decreased) annually by a percentage (sometimes in line with rent). Calculating charges this way creates a disparity between the actual cost of the service and the amount tenants are required to pay.
- 8.18 It is not good practice and does not provide clarity and transparency to tenants for F&HDC to continue with pooled service charges. Therefore, the Council is proposing to undertake a 'de-pooling' exercise which would enable the Council to charge tenants accurately for the services they receive. Assumptions have been made in the Business Plan that reflect this revised way of calculating service charges from 2026/27. The projected

pooled income from tenant service charges in 23/24 is circa £419,500.00. De-pooling service charges is expected to generate an additional £400,000 - £450,000 per annum in income, based on the 2023/24 spend on housing services. Previously the HRA has been subsidising the service charges. A separate report detailing this project will be taken to Cabinet for approval.

- 8.19 Universal credit or housing benefit can cover service charges for communal services such as: repairs and cleaning in communal areas, grounds maintenance, lifts etc. However, charges to individual properties for service items such as individual property heating and water, are not covered by universal credit or housing benefit.
- 8.20 Leasehold and shared ownership variable service charges are currently already 'de-pooled' and are required to be so via the legislation that governs those types of charges. An estimated cost is set at the start of the service charge year with a final account based on the actual cost for the period being produced within 6 months after the end of the period.

9 EXPENDITURE: Management Costs

- 9.1 The main costs for the Council in terms of the management of its housing stock include:
- The Housing Management Team costs; predominantly operational including tenancy, housing repairs and maintenance costs and capital investment in stock (decent homes and other improvements).
 - Percentage recharges to the HRA for those staff and services that work, or are paid for within the General Fund, where part or all of their function is allocated to the HRA.
 - The insurance costs associated with the housing stock.
 - The cost of the grounds maintenance services provided by the Council on the HRA housing estate.
- 9.2 The HRA also includes the revenue costs for the day-to-day responsive repairs carried out on the Council's housing stock. These costs include dealing with repairs, work to bring void properties up to the necessary re-let standard and the costs of the cyclical programme. The cost of these R&M works is defined as revenue expenditure. An effective and efficient responsive repairs service has a significant impact on overall tenant satisfaction and is a priority of this plan. The current outsourced contract is due to expire in April 2025 and the housing team are undertaking an options appraisal to determine how to deliver this important customer facing service over the next 10 years. The figures in the BP are based on current cost subject to inflation and equate to approx. £42M for the next 10 years.
- 9.3 In addition to this revenue expenditure, the Council also has a programme of capital expenditure to maintain and upgrade the condition of its housing stock on a planned works programme basis. This capital expenditure also includes the costs of carbon reduction measures in line with the Housing Carbon Reduction Approach 2023-2028.

- 9.4 HRA new build and acquisition programmes are also funded from capital expenditure. Details of the Council's capital spending plans for the HRA are set out in capital programme as included in appendix 1B.

Expenditure: Capital Charges

- 9.5 The Council has historically funded some of its capital expenditure through borrowing, any revenue account surplus and general reserves. The total borrowing within the HRA as at April 2023 was £47.4m. Financial rules require that any interest payable in respect of this borrowing must be paid from the HRA revenue account. The Council is required to ensure that its HRA borrowings are maintained separately from its wider borrowings.

Expenditure: The HRA Forecast

- 9.6 Based on the HRA Business Plan and preceding spending pressures and resource assumptions, appendix 1 sets out the latest spending plan for the HRA. This includes depreciation and revenue contributions to capital, The business plan does not 'build up' reserves. Instead, it maintains balances above £2M, as required by the Reserves Policy appended to the Council's Medium Term Financial Strategy (MTFS) and, as highlighted at 8.5 above, uses any gross surplus to fund the capital programme/ new build through revenue contributions.

10. ASSUMPTIONS:

10.1 Supporting the corporate agenda.

It is important that all departments support the corporate agenda and the HRA is no different. There are a number of areas in which this is being carried out:

- a. ***Homelessness and Housing need*** – this is a General Fund function, but there are close links to the HRA, as without adequate move-on accommodation it can be difficult to place households in need, which further increases the cost to the General Fund, especially if Temporary Accommodation is needed. By increasing the HRA provision via acquisitions and focusing on the types of accommodation available, the HRA is helping to support the corporate agenda.
- b. ***Decarbonisation*** – as detailed in Section 3, this is a priority of both the Council and Government to reduce carbon emissions. The retrofit programme is, as highlighted previously, an expensive programme, however, it is necessary. The Council's approach to this is by applying a fabric first, worst first and lest regrets approach, which has seen Ross House achieve an EPC (Energy Performance Certificate) overall 'A' and SAP (Standard Assessment Procedure) ratings of between 88 (high B) 93 (Mid-A) across all 16 flats.
- c. ***Digitalisation*** – The housing services department intends to create a stronger focus on how the use of improved technology can deliver an improved customer service and given the increasing workload demands, provide efficiencies in systems to benefit officers.
 - The Council has already invested a significant amount to date introducing and developing the NEC (previously Northgate) housing

system. In April 2023 we went live with Housing Online, a new tenant access portal that once logged in, allows tenants to carry out self-serve functions on their account, such as printing off a rent statement or raising a repair. We will continue to invest in systems and software that creates efficiencies and improves performance.

- As part of the evolving delivery in the Council's Independent Living schemes, it is necessary to continue to prepare for the digital switchover of the Lifeline /Telecare service with the switch off of analogue phone systems expected by December 2025. We are currently procuring a new Telecare system in 2023/24 to be rolled out across the next two years.
- We want to ensure our residents have the opportunity to take advantage of fast fibre broadband. We have been working with two large broadband providers on the rollout of fast fibre connectivity within our district. Both companies are currently working with other Kent councils and have been forwarded to us through the Kent County Council (KCC) broadband team. We have trialed this in two blocks in Folkestone, Phoenix Court & Rowan Court, and will be looking to increase the connectivity for more tenants across the district over the next 4 years.

d. ***Benchmarking and Continuous Improvement – Benchmarking and Continuous Improvement*** – The housing team are focused on performance against KPIs and continuous improvement and participate in comprehensive cost-performance benchmarking through HouseMark, the leading data and insight company for the UK housing sector.

- We compare performance across a broad range of indicators, including costs and satisfaction, with other Local Authorities and ALMOs across the UK, as well as the housing sector as a whole.
- Annual cost-performance benchmarking exercises have shown that, in general, our operational performance is above that of our peers, but our overall costs are higher too. Our higher-than-average costs reflect both the investment in our stock and in specialist teams and officers.
- Monthly 'pulse' exercises allow us to keep informed about sector trends and help us set meaningful targets. In addition, we actively pursue opportunities to benchmark locally and nationally, providing insight into ways in which the HRA and the housing team can work smarter and more efficiently.

Our biggest challenge will be delivering on our ambitious improvement programme and providing a consistent, high-quality service that matches our investment and provides value-for-money.

10.2 **Other Assumptions:**

- a. ***Compliance*** - In addition to these corporate priorities it remains crucial that the HRA meets the minimum requirements for compliance with building safety and the Regulator of Social Housing requirements for decent homes.
- b. ***Stock Condition data*** – Following the stock condition survey carried out in 2021 (By Rapleys), although much of the data gathered at this time has

been utilised to inform the HRA Business Plan model, we are committed to keeping this data and stock information up to date.

This allows the Asset and Planned Works Team to better understand the condition of the stock over time and focus resources accordingly. It also allows us to make assumptions about the retrofit programme and the right timing to amalgamate programmes. Our surveyors are therefore inspecting all properties where we have determined a need to validate the stock condition survey data so that we can use this to make sound business decisions about our stock.

- c. **Repairs & Maintenance** – The repairs and maintenance programme and delivery of this service to tenants remains one of the single biggest factors in improved tenant satisfaction. Whilst the housing team prepare to re-tender this important customer facing contract, for the purposes of the HRA Business Plan model, assumptions have been made at this time of the same delivery basis as in previous years.
- d. **Independent Living schemes for older people** – Two reports on this service have been completed, in 2021 Campbell Tickell looked at the overall service delivery and in 2022 Ark reviewed the assets. The service underwent a restructure in September 2022, that set out our revised Health & Wellbeing offer for older tenants. However, many of the recommendations from the assets review are still to be implemented, and although we have budgeted for £200,000 investment in improvements per year in the Medium-term financial plan, this only covers the cost of basic upgrades such as mobility scooter storage facilities and décor upgrades. In order to fulfil the aspirations of the Council to ensure that all 14 traditional schemes are fit for purpose in the future and effect a significant reduction in carbon emissions, we would need to invest heavily in a remodelling and/or redevelopment programme. The assumption has therefore been made in the Business Plan that we will review the recommendations again in 4 years to determine whether any redevelopment plans can be more accurately forecast to 2030 and beyond.
- e. **Management Costs** – With the increased responsibilities and demands arising from the government reforms in social housing standards and tenant engagement, our revenue or housing management costs are not likely to reduce in the immediate future of the Business Plan assumptions. Tenant satisfaction and performance monitoring will become an even more key area for social housing over the next few years and this will mean the following:
 - More tenant satisfaction perception and transactional surveying to determine the areas where tenants feel we need to improve. Although we have received £11,000 of new burdens funding this year for this purpose, a small budget has been set aside over the coming years to this end.
 - The Regulator of Social Housing have introduced professional qualifications and there is an expectation that all Senior Housing Executives and Senior Housing Managers employed by the HRA will be trained to a standard qualification with the Chartered Institute of

Housing, we will therefore need to allow for ongoing training of staff to meet this requirement.

- Customer complaints, including Anti-social Behaviour (ASB), and Disrepair Claims – There is an expectation that the Housing Ombudsman will have greater powers over complaint handling for social housing landlords, which will mean ensuring we the HRA has sufficient resources to respond to complaints and disrepair claims.
- f. **Rental Income** – It has been assumed that rents will be capped at 7% in 24/25, however in 25/26 we assume that there will be a return to CPI + 1% as before.

As previously noted in this report it has been assumed that a paper will go to Cabinet recommending a service charge ‘de-pooling’ exercise which would enable the HRA to recoup approximately an additional £400k in service charges from 2026/27.

- g. **Bad debts** – Non-collection rates have historically been around 1.36%, and the Business Plan continues this assumption.
- To mitigate against this new NEC predictive software, Account Analytics has been purchased by the HRA and is now being developed. This will help Income Officers ensure that they identify tenants struggling to pay their rent and offer advice and support to ensure they sustain their tenancy.
 - Additional external factors that may continue to contribute to a slight reduction in collection rates, leading to an increase in bad debts, are the delays to the allocation of court hearings, as well as the change to direct payment of Universal Credit to the tenant rather than the landlord. Also, any changes to the amount or eligibility for our tenants to claim welfare benefits, the statistics of which haven’t yet been analysed, but officers are continuing to monitor the situation. Whilst the ‘cost of living’ crisis may also in the short term impact the provision for bad debts, the assumption is that over the 30 year plan this will be broadly in line with historical data.
- h. **Void** – Void turnaround has been higher than hoped since 2022, with challenges for contractors, as well as obtaining sufficient materials, in a timely manner, and accessing properties etc. However, the number of voids has remained low, therefore a void rate of 2% has been included in the Business Plan which is a reasonable level to maintain.
- i. **Right To Buy Sales** – Right to Buys are set, in the model at 10 per annum. Right to Buy sales vary from year to year depending upon a number of factors including RTB discount levels, mortgage products and mortgage product availability (interest rates), and the market value of property in the area. A change to any of these key areas will increase or decrease the number of RTB’s including the monies collected as part of the sales. Over the previous 2 years (2021/22 – 2022/23) FHDC have averaged 9-10 sales with a value of £1,050-1,100,000 per annum. The budgeted figure is at £600k a year of retained receipts to support new build / acquisitions.

The authority is part of a government scheme to re-invest Right to Buy receipts in affordable housing, known as 'One for One Replacement', as a result the Council retains Right to Buy receipts for this purpose. The rules around spending this money were updated April 2021, the rules now state that these receipts need to be used within five years (previously 3 years) for the provision of additional affordable housing units and can account for up to 40% (previously 30%) of the build/purchase cost, per unit. If these receipts are unused within 5 years, they are returned to the Secretary of State with an interest charge of 4% above base at the time of the funds being held (compound interest chargeable). Government have proposed a new cap on spend for acquired properties (on the open market, from a private seller), limiting acquisitions, after the first 20 acquisitions in a year, to a percentage of the Local Authorities total delivery in a year, this cap will be phased over a number of years, as follows: 50% in 2022/23, 40% in 2023/24, and 30% in 2024/25.

- j. **Disposals** – When developing the Housing Asset Management Strategy, we considered putting a process in place to sell poor performing properties on the open market where a value for money decision cannot be achieved as part of a rigorous appraisal process to improve the NPV (net present value) or for properties that no longer meet a need or are not suitable for retrofitting at a reasonable cost. An example of this is the Old Post Office, Burmarsh, which has been unoccupied for some time and following an appraisal, would not have been viable to refurbish. The HRA has secured a buyer at £83,937.50 after the cost of marketing the property, from a neighbour and this income will come into the HRA in this year to be used towards further acquisitions next year.
- k. **Inflation** – The model assumes CPI inflation: 6.7% in 23/24, 0.6% 24/25, 0.0% in 25/26, 0.7% in 26/27, 1.7% 27/28, and every year after 2% - this is based on historic evidence, as well as advice from experts (including the Office for Budget Responsibility - OBR), who have experience and knowledge in areas such as interest rates, inflation as well as anecdotal evidence of what other authorities are planning in the current economic climate. These current assumptions are in line with the Medium-Term Financial Plan as at the time of drafting.
- l. **Interest rates** – (on new debt) - The model assumes: 6% in 23/24, 5.75% 24/25, 5.5% 25/26, 5.25% 26/27, 5% 27/28, and then after 2 years reduces to 4.5%. The vast majority of the HRA's current borrowing was taken out at fixed rates and therefore is protected from interest rate risk. Future borrowing requirements will be assessed at the time of need, in conjunction with the Council's Treasury Management Advisors.

The model assumes the authority will borrow to support the capital programme, including new build, whilst holding a reserve balance of at least £2M for the life of the plan.

- 10.3 The Business Plan will be reviewed annually, therefore officers will continue to investigate any potential projects and bring these forward in future iterations of the model. Each project will be costed to ensure it is financially viable and represents a good investment opportunity for the HRA.

11. RISKS TO THE HRA BUSINESS PLAN

- 11.1 The Business Plan, as demonstrated above, is built on a number of assumptions. However, if any of these assumptions are wrong it could lead to problems with the long-term viability of the plan, which is why the model is revised annually.

Some of the risks to the Business Plan are as follows:

- a. **Government Policy** – It is inevitable that in the 30 years the Business Plan covers there will be changes in Government policy, for example there may be statutory changes to rent, as happened previously, such as increases/reductions in the formula; or, additional building safety measures / decent homes standards, or further carbon reduction plans. Any policy changes that result in a cost implication will be modelled and mitigating actions will be taken, this may require a reduction in capital maintenance budgets, delaying the acquisitions plan, or extending the decarbonisation period.

Officers will continue to monitor the situation and take advice from the Council's treasury advisors, the Business Plan will be updated in line with their advice, and Members consulted on any mitigating actions that are required.

- b. **Inflation** – As a result of the last few years; post pandemic, Brexit and the Ukraine War supply issues and costs to continue to deliver the service have increased. There is a risk that inflation could be higher than has been modelled. Officers will be monitoring costs and will inform members if budgets will be exceeded or need to be re-profiled.

Inflation also impacts the rent income, the model assumes a return to CPI+1% after 2025/26, however if CPI is lower than has been modelled then this will lead to a lower rent income over the life of the plan. In a high inflationary environment (e.g. as at the time of drafting), there is also the risk that rental income inflation will be capped by Government as in 2023/24, whereas cost inflation will not, leading to a squeeze on margins/surplus generated.

- c. **Interest rates** – The repayment of the HRA current debt profile has been delayed, due to the need to deliver the capital programme and decarbonisation. As such it will be necessary to re-finance the debt during the life of the plan. If interest rates for new borrowing are higher than have been assumed this will lead to higher repayment costs.
- d. **Arrears** – Arrears have been maintained in recent years, and there is a strong focus on rent collection, and the reduction of outstanding rent accounts. However, arrears remain a risk to the Business Plan, and in light of the recent changes in Universal Credit this a key area of focus. Any deterioration in arrears levels will be monitored and resources will be re-allocated to mitigate this. See also 'Bad Debt'.
- e. **Universal Credit** – Delays in processing UC are ongoing but the Council accounts for this when considering collection rates. In April 2023 the Government outlined plans to resume helping claimants move to Universal Credit by end of 2024. All benefit claimants will be moved over to direct

payment of Universal Credit by the end of 2024. Legacy schemes have commenced and whilst the Housing Income team are working closely with the Department for Work and Pensions to try to minimize the impact of this change.

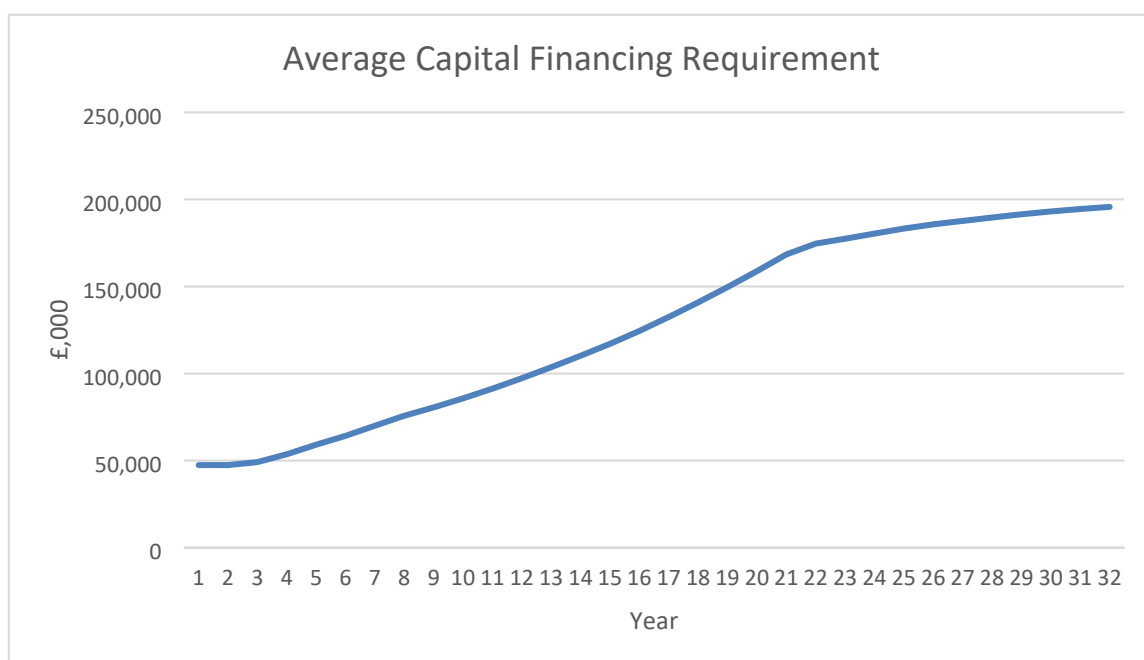
- f. **Service charges** – As stated in Section 8, how F&HDC currently collects monies for the cost of services undertaken to buildings and/ or estates leads to a disparity between the income and the cost of providing the service. The estimated cost difference for the 2022/23 year was in the region of £400-450,000. This shortfall means that rental income is used to subsidise the services delivered. Pegging the service charges during the course of this business plan to a rental increase (or decrease) will further widen the disparity between income and the cost of the services. To mitigate this disparity it is recommended that the de-pooling project is undertaken, and the cost of the services is accurately and fairly billed to the service users within the Medium-Term Financial Plan.
- g. **Void**s – The average void turnaround for 2022/23 was 35 days (including major works) and 25 days (excluding major works). If this were to increase this would of course have an impact on the budget. Officers are working alongside our contractors to maintain this level of performance to turnaround properties quickly, while maximising void time to carry out necessary repairs and return properties to a good standard. Year-on-year performance and comparisons with the sector suggest these targets are both achievable and high-performing.
- h. **Right to Buy Sales** - If Right to Buy sales were to increase substantially it would mean that there is additional funding, in the way of One for One money, however, this loss of properties would mean a reduction in stock levels that would not be able to be quickly replaced. Conversely, if Right to Buys were to substantially reduce, while helping to maintain the stock position it would have a detrimental effect on funding new projects and rental income would decrease.

12. BUSINESS PLAN MODELLING OUTCOMES / SUMMARY

- 12.1 Based on the assumptions in the business plan model F&HDC has presented a realistic, balanced and sustainable HRA position over the next 30 years. It is able to deliver on its priorities, as well as the day-to-day management of its assets. However, this model assumes that in order to maintain an affordable plan whilst also investing in the acquisitions and /or new build projects, interest / borrowing rates would need to be at the level assumed in the plan. Grant funding for decarbonisation needs to continue to be available and bids secured, and capital investment in our stock will decrease as the stock condition improves.
- 12.2 The BP model is based on the assumption that the Council sustainably manages its debt. In many cases, debt repayment will continue beyond the life of the model. This prolonging of debt is something officers will need to monitor going-forward to ensure the sustainability of the plan. The structure of debt in the HRA can take various forms – both capital repayment and interest only arrangements. In the near term, borrowing is on an interest only basis with the principal refinanced at the end of the borrowing term.

As inflation increases rental incomes and loans are taken at fixed rates, officers have the ability, and will continue, to manage the sustainability of the capital financing requirement (CFR).

- 12.3 If there were to be some unplanned expenditure there is some headroom to ensure this can be completed through a review of the programme and planned works. Officers will continue to exercise cost control, while optimising income, such as reducing arrears, and managing voids.
- 12.4 It should be noted that whilst debt repayment in previous plans was clear the introduction of the decarbonisation programme has delayed any plans for repayment.
- 12.5 The graph below illustrates the capital financing plan and need to maintain borrowing at a manageable level.



13. FINAL SUMMARY

- 13.1 Given the multiplicity of projects the Council is delivering at a local level and the agendas it is trying to address at a global level, the fact that the HRA Business Plan is presented to Members in such a healthy position is a significant achievement. It shows that many services are working well together to deliver on providing quality homes and infrastructure for all residents.
- 13.2 A sensitivity analysis has been completed by independent consultant from AWICS at appendix 3 to further elaborate on some of the key assumptions risks and variables contained within this report and the HRA BP model.

Appendix 1 - Financial Projections taken HRA BP Model October 2023

A. HOUSING REVENUE ACCOUNT PROJECTIONS – Income & Expenditure full summary

Year	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33	2033.34	2034.35	2035.36	2036.37	2037.38
£,000	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
INCOME:															
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378	-19,997	-20,694	-21,416	-22,162	-22,934	-23,733	-24,558	-25,446	-26,366	-27,317
Non-Dwelling Rents	-285	-287	-287	-289	-294	-299	-305	-312	-318	-324	-331	-337	-344	-351	-358
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569	-1,608	-1,648	-1,689	-1,731	-1,775	-1,819	-1,865	-1,911	-1,959	-2,008
Contributions from General Fund	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52
Total Income	-18,421	-19,750	-20,135	-20,834	-21,292	-21,957	-22,700	-23,469	-24,264	-25,085	-25,934	-26,812	-27,754	-28,728	-29,735
EXPENDITURE:															
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450	4,590	4,734	4,882	5,035	4,983	5,140	5,303	5,478	5,659	5,845
General Management (existing stock)	5,079	5,160	5,212	5,300	5,444	5,607	5,775	5,948	6,127	6,311	6,500	6,695	6,896	7,103	7,316
Special Management (existing stock)	1,902	1,932	1,952	1,985	2,039	2,100	2,163	2,228	2,294	2,363	2,434	2,507	2,582	2,660	2,740
Rents, Rates & Taxes	22	22	22	22	23	23	24	24	25	25	26	26	27	27	28
Bad Debt Provision	250	268	273	283	289	298	308	318	329	340	352	364	377	390	404
Capital Financing															
Depreciation	3,084	3,187	3,285	3,408	3,569	3,749	3,937	4,135	4,342	4,559	4,786	5,024	5,274	5,535	5,810
Debt Management	23	26	29	31	34	37	39	42	44	47	50	53	57	60	64
Total Expenditure	14,715	14,981	15,189	15,558	15,847	16,403	16,979	17,577	18,196	18,628	19,288	19,972	20,690	21,434	22,206
Net Cost of Services	-3,706	-4,769	-4,946	-5,276	-5,445	-5,554	-5,720	-5,892	-6,067	-6,457	-6,646	-6,840	-7,064	-7,294	-7,529
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318	3,682	3,996	4,303	4,604	4,964	5,248	5,526	5,841	6,182	6,543
Interest on notional cash balances	-311	-117	-84	-81	-72	-110	-105	-101	-97	-94	-95	-92	-90	-88	-85
Net Operating Income	-2,110	-2,497	-2,465	-2,420	-2,199	-1,982	-1,829	-1,689	-1,560	-1,587	-1,493	-1,406	-1,313	-1,199	-1,071
Revenue Contributions	4,358	3,602	2,568	2,783	691	2,199	1,982	1,829	1,689	1,560	1,587	1,493	1,406	1,313	1,199
Pension Increase Costs	200	200	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Surplus / Deficit	2,448	1,305	104	363	-1,507	217	153	140	129	-27	95	86	93	114	128
Opening Balance	-7,111	-4,663	-3,358	-3,255	-2,891	-4,399	-4,182	-4,029	-3,889	-3,760	-3,787	-3,693	-3,606	-3,513	-3,399
Closing Balance	-4,663	-3,358	-3,255	-2,891	-4,399	-4,182	-4,029	-3,889	-3,760	-3,787	-3,693	-3,606	-3,513	-3,399	-3,271

Year	2038.39	2039.40	2040.41	2041.42	2042.43	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51	2051.52	2052.53
£,000	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
INCOME:															
Rental Income	-28,302	-29,321	-30,377	-31,469	-32,370	-33,298	-34,252	-35,234	-36,243	-37,282	-38,350	-39,448	-40,578	-41,741	-42,936
Non-Dwelling Rents	-365	-372	-380	-387	-395	-403	-411	-419	-428	-436	-445	-454	-463	-472	-482
Service Charges	-2,058	-2,110	-2,162	-2,216	-2,272	-2,329	-2,387	-2,446	-2,508	-2,570	-2,635	-2,700	-2,768	-2,837	-2,908
Contributions from General Fund	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52	-52
Total Income	-30,777	-31,855	-32,971	-34,124	-35,089	-36,082	-37,102	-38,152	-39,231	-40,340	-41,481	-42,655	-43,861	-45,102	-46,378
EXPENDITURE:															
Repairs & Maintenance	6,038	6,238	6,443	6,656	6,875	7,071	7,273	7,481	7,694	7,914	8,140	8,372	8,611	8,857	9,110
General Management (existing stock)	7,535	7,761	7,994	8,234	8,481	8,735	8,997	9,267	9,545	9,832	10,127	10,430	10,743	11,066	11,398
Special Management (existing stock)	2,822	2,906	2,994	3,083	3,176	3,271	3,369	3,470	3,575	3,682	3,792	3,906	4,023	4,144	4,268
Rents, Rates & Taxes	28	29	29	30	31	31	32	32	33	34	34	35	36	36	37
Bad Debt Provision	418	433	448	463	477	490	504	518	533	548	563	579	596	613	630
Capital Financing															
Depreciation	6,097	6,398	6,713	7,043	7,389	7,684	7,992	8,311	8,644	8,989	9,349	9,723	10,112	10,516	10,937
Debt Management	68	73	77	82	85	86	87	89	90	91	92	93	94	94	95
Total Expenditure	23,006	23,837	24,698	25,591	26,512	27,369	28,255	29,169	30,114	31,090	32,098	33,139	34,215	35,326	36,475
Net Cost of Services	-7,771	-8,019	-8,273	-8,533	-8,577	-8,712	-8,847	-8,982	-9,117	-9,251	-9,384	-9,516	-9,647	-9,776	-9,903
Loan Charges - Interest	6,922	7,316	7,728	8,159	8,439	8,565	8,671	8,800	8,905	9,020	9,030	8,975	8,941	8,924	8,909
Interest on notional cash balances	-82	-78	-75	-70	-66	-60	-60	-61	-61	-62	-62	-65	-70	-74	-78
Net Operating Income	-931	-781	-619	-445	-204	-207	-236	-243	-272	-293	-417	-606	-776	-926	-1,073
Revenue Contributions	1,071	931	781	619	445	204	207	236	243	272	293	417	606	776	926
Pension Increase Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Surplus / Deficit	140	150	161	175	240	-3	-29	-7	-29	-20	-124	-190	-170	-150	-146
Opening Balance	-3,271	-3,131	-2,981	-2,819	-2,645	-2,404	-2,407	-2,436	-2,443	-2,472	-2,493	-2,617	-2,806	-2,976	-3,126
Closing Balance	-3,131	-2,981	-2,819	-2,645	-2,404	-2,407	-2,436	-2,443	-2,472	-2,493	-2,617	-2,806	-2,976	-3,126	-3,273

B. Capital programme summary

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,324	4,044	4,186	4,332	4,484	4,641
SHDF & EPC	1,036	1,555	1,000	1,000	1,037	1,078	1,116	1,155	1,196	1,238
Non-Decent Homes Standard	1,490	1,311	692	442	334	410	359	372	385	399
Disabled Adaptations	450	450	450	450	467	485	502	520	538	557
Environmental Improvements	0	60	60	60	62	65	67	69	72	74
Housing IT System	28	28	28	28	0	0	0	0	0	0
Sub-Total	9,498	7,824	6,650	6,150	6,224	6,083	6,231	6,449	6,675	6,908
Acquisitions & New Build	3,204	5,130	5,233	5,374	5,573	5,796	5,998	6,208	6,426	6,651
Major Repairs to new homes	0	0	0	0	20	26	33	40	71	83
Total Capital	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642

Capital Investment Required 2033/34 to 2042/43	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	4,803	4,947	5,096	5,249	5,406	5,568	5,735	5,908	6,085	6,267
SHDF & EPC	1,281	1,319	1,359	1,400	1,442	1,485	1,529	1,575	1,623	1,671
Non-Decent Homes Standard	487	425	438	451	464	564	492	507	522	538
Disabled Adaptations	576	594	612	630	649	594	612	630	649	669
Environmental Improvements	77	79	82	84	86	89	92	95	97	100
Housing IT System	0	0	0	0	0	0	0	0	0	0
Sub-Total	7,224	7,364	7,585	7,813	8,047	8,301	8,461	8,715	8,976	9,246
Acquisitions & New Build	6,883	7,090	7,303	7,522	7,747	7,980	8,219	8,466	8,720	0
Major Repairs to new homes	96	109	124	692	769	849	934	1,024	1,118	1,216
Total Capital	14,204	14,564	15,012	16,026	16,563	17,130	17,615	18,204	18,814	10,462

Capital Investment Required 2043/44 to 2052/53	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.50	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,455	6,649	6,848	7,054	7,266	7,483	7,708	7,939	8,177	8,423
SHDF & EPC	1,721	1,773	1,826	1,881	1,937	1,996	2,055	2,117	2,181	2,246
Non-Decent Homes Standard	654	571	588	606	624	758	662	682	702	723
Disabled Adaptations	689	709	731	752	775	798	822	847	872	898
Environmental Improvements	103	106	110	113	116	120	123	127	131	135
Housing IT System	0	0	0	0	0	0	0	0	0	0
Sub-Total	9,623	9,809	10,103	10,406	10,718	11,155	11,371	11,712	12,063	12,425
Acquisitions & New Build	0	0	0	0	0	0	0	0	0	0
Major Repairs to new homes	1,253	1,290	1,329	456	470	484	499	514	529	545
Total Capital	10,875	11,099	11,432	10,862	11,188	11,639	11,869	12,226	12,592	12,970

C. Strategic Summary

	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29	2029.30	2030.31	2031.32	2032.33
	1	2	3	4	5	6	7	8	9	10
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-18,532	-19,667	-20,219	-20,915	-21,364	-22,067	-22,804	-23,569	-24,360	-25,178
Revenue Expenditure	20,980	20,971	20,323	21,279	19,857	22,292	22,975	23,727	24,507	25,170
Revenue Surplus / Deficit	2,448	1,305	104	363	-1,507	226	171	158	147	-8
Capital Expenditure	12,702	12,954	11,883	11,524	11,817	11,904	12,262	12,697	13,172	13,642
Capital Financing	-12,738	-12,954	-11,883	-11,524	-11,817	-11,904	-12,262	-12,697	-13,172	-13,642
	2033.34	2034.35	2035.36	2036.37	2037.38	2038.39	2039.40	2040.41	2041.42	2042.43
	11	12	13	14	15	16	17	18	19	20
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-26,027	-26,902	-27,841	-28,812	-29,816	-30,854	-31,928	-33,039	-34,188	-35,152
Revenue Expenditure	26,141	27,009	27,955	28,948	29,967	31,019	32,105	33,216	34,236	35,254
Revenue Surplus / Deficit	114	107	115	137	151	164	176	177	48	102
Capital Expenditure	14,204	14,564	15,012	16,026	16,563	17,130	17,615	18,204	18,814	10,462
Capital Financing	-14,204	-14,564	-15,012	-16,026	-16,563	-17,130	-17,615	-18,204	-18,814	-10,462
	2043.44	2044.45	2045.46	2046.47	2047.48	2048.49	2049.5	2050.51	2051.52	2052.53
	21	22	23	24	25	26	27	28	29	30
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Income	-36,142	-37,163	-38,214	-39,293	-40,404	-41,547	-42,724	-43,936	-45,181	-46,462
Revenue Expenditure	36,120	37,114	38,186	39,243	40,362	41,399	42,509	43,740	45,004	46,307
Revenue Surplus / Deficit	-22	-49	-27	-50	-43	-147	-214	-195	-177	-154
Capital Expenditure	10,875	11,099	11,432	10,862	11,188	11,639	11,869	12,226	12,592	12,970
Capital Financing	-10,875	-11,099	-11,432	-10,862	-11,188	-11,639	-11,869	-12,226	-12,592	-12,970

Appendix 2

Table showing housing needs in the district, based on the Folkestone and Hythe Housing Waiting List August 2023

Household Type	Band	1 bed need single under 50 years	1 bed need Single 50 years & over	1 bed need Couples under 50 years	1 bed need Couples over 50 years	1 Bed Need Total	2 bed Need	3 Bed Need	4 Bed Need	5+ Bed Need	Overall Total	Band
General Needs	A	1	2	2	0	5	0	1	1	0	7	A
	B	15	33	2	11	61	14	55	22	3	155	B
	C	68	63	7	24	162	129	120	32	10	453	C
	D	1	4	0	1	6	9	1	1	0	17	D
	E	154	192	27	52	425	226	74	15	3	743	E
	Sub-Total		239	294	38	88	659	378	251	71	16	1375
Mobility Issues (Require level access)	A	0	4	0	1	5	0	1	1	0	7	A
	B	1	15	0	8	24	7	2	3	1	37	B
	C	2	14	1	4	21	6	3	3	1	34	C
	D	0	2	0	0	2	0	0	0	0	2	D
	E	2	8	0	0	10	5	0	0	0	15	E
	Sub-Total		5	43	1	13	62	18	6	7	2	95
Wheelchair Users (Require fully adapted)	A	1	0	0	1	2	1	1	0	0	4	A
	B	1	6	0	5	12	0	1	1	0	14	B
	C	1	7	0	0	8	2	1	1	0	12	C
	D	0	0	0	0	0	0	0	0	0	0	D
	E	0	6	0	0	6	5	2	0	0	13	E
	Sub-Total		3	19	0	6	28	8	5	2	0	43
ALL NEEDS	TOTAL	247	356	39	107	749	404	262	80	18	1513	

Appendix 3

A sensitivity analysis completed by independent consultant from AWICS

AWICS *Independence...Integrity...Value*
Adrian Waite (Independent Consultancy Services) Limited

Folkestone & Hythe District Council - HRA Business Plan

Sensitivity Analysis

Base Model - The financial forecast in the base model for the first five years of the plan is as follows:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569
Other Income	-448	-255	-423	-422	-418
Total Income	-18,532	-19,667	-20,219	-20,915	-21,364
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450
Management	6,981	7,093	7,164	7,285	7,482
Depreciation	3,084	3,187	3,285	3,408	3,569
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,318
Revenue Contributions	4,358	3,602	2,568	2,783	691
Other Expenditure	295	316	324	336	345
Total Expenditure	20,980	20,971	20,323	21,279	19,857
Surplus / Deficit	2,448	1,305	104	363	-1,507

And the capital programme is forecast as follows:

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,324
SHDF & EPC	1,036	1,555	1,000	1,000	1,037
Non-Decent Homes Standard	1,490	1,311	692	442	334
Disabled Adaptations	450	450	450	450	467
Environmental Improvements	0	60	60	60	62
Housing IT System	28	28	28	28	0
Sub-Total	9,498	7,824	6,650	6,150	6,224
Acquisitions & New Build	3,204	5,130	5,233	5,374	5,573
Major Repairs to new homes	0	0	0	0	20
Total Capital	12,702	12,954	11,883	11,524	11,817

There is no unfinanced capital expenditure. Debt increases from £47.4million at the start of 2023/24 to £72.0million at the end of 2027/28 (year five).

Rents - If rents were to increase in line with increases in the consumer prices index (CPI) only, the financial forecast in the base model for the first five years of the plan would be as follows:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,250	-18,446	-18,537	-18,762
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569
Other Income	-448	-255	-421	-415	-400
Total Income	-18,532	-19,616	-19,984	-20,487	-20,731
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450
Management	6,981	7,093	7,164	7,285	7,482
Depreciation	3,084	3,187	3,285	3,408	3,569
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,335
Revenue Contributions	4,358	3,602	2,568	2,783	0
Other Expenditure	295	315	321	330	337
Total Expenditure	20,980	20,971	20,320	21,273	19,175
Surplus / Deficit	2,448	1,354	336	786	-1,557

The capital programme forecast would be unchanged and would be fully financed. However, it would make more use of borrowing and less use of revenue contributions. Debt would increase to £74.2million at the end of year five.

Inflation - If inflation on expenditure was to increase by 1% a year more than is assumed in the base model, the financial forecast for the first five years of the plan would be as follows:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569
Other Income	-448	-255	-420	-413	-400
Total Income	-18,532	-19,667	-20,216	-20,906	-21,346
Repairs & Maintenance	4,355	4,428	4,503	4,662	4,627
Management	6,981	7,163	7,306	7,503	7,781
Depreciation	3,084	3,187	3,285	3,408	3,569
Loan Charges - Interest	1,907	2,390	2,571	2,950	3,359
Revenue Contributions	4,358	3,602	2,568	2,783	0
Other Expenditure	295	316	324	337	347
Total Expenditure	20,980	21,086	20,559	21,644	19,683
Surplus / Deficit	2,448	1,419	343	738	-1,663

The capital programme forecast would be as follows:

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,366
SHDF & EPC	1,036	1,555	1,000	1,000	1,047
Non-Decent Homes Standard	1,490	1,311	692	442	337
Disabled Adaptations	450	450	450	450	471
Environmental Improvements	0	60	60	60	63
Housing IT System	28	28	28	28	0
Sub-Total	9,498	7,824	6,650	6,150	6,284
Acquisitions & New Build	3,204	5,180	5,335	5,533	5,793
Major Repairs to new homes	0	0	0	0	20
Total Capital	12,702	13,004	11,985	11,683	12,097

The capital programme would be larger but would be fully financed. However, it would make more use of borrowing and less use of revenue contributions. Debt would increase to £74.8million at the end of year five.

Voids - If the level of voids was to increase by 1% a year more than is assumed in the base model, the financial forecast for the first five years of the plan would be as follows:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,116	-18,493	-18,770	-19,187
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569
Other Income	-448	-255	-418	-413	-404
Total Income	-18,532	-19,482	-20,028	-20,718	-21,159
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450
Management	6,981	7,093	7,164	7,285	7,482
Depreciation	3,084	3,187	3,285	3,408	3,569
Loan Charges - Interest	1,907	2,389	2,566	2,937	3,332
Revenue Contributions	4,358	3,602	2,568	2,783	126
Other Expenditure	295	314	321	334	343
Total Expenditure	20,980	20,969	20,320	21,276	19,303
Surplus / Deficit	2,448	1,486	293	558	-1,856

The capital programme forecast would be unchanged and would be fully financed. However, it would make more use of borrowing and less use of revenue contributions. Debt would increase to £74.0million at the end of year five.

Interest Rates - If interest rates on new loans were to be 1% higher than is assumed in the base model, the financial forecast for the first five years of the plan would be as follows:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,300	-18,680	-18,958	-19,378
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569
Other Income	-448	-255	-421	-417	-407
Total Income	-18,532	-19,667	-20,218	-20,910	-21,354
Repairs & Maintenance	4,355	4,385	4,416	4,528	4,450
Management	6,981	7,093	7,164	7,285	7,482
Depreciation	3,084	3,187	3,285	3,408	3,569
Loan Charges - Interest	1,907	2,436	2,709	3,171	3,663
Revenue Contributions	4,358	3,602	2,568	2,783	261
Other Expenditure	295	316	324	336	346
Total Expenditure	20,980	21,019	20,466	21,512	19,771
Surplus / Deficit	2,448	1,352	248	602	-1,582

The capital programme forecast would be unchanged and would be fully financed. However, it would make more use of borrowing and less use of revenue contributions. Debt would increase to £73.9million at the end of year five.

The 'Perfect Storm' - This scenario tests a 'perfect storm' where several assumptions are changed simultaneously. If it is assumed that rent increases are limited to the increase in the consumer prices index, expenditure increases by 1% a year more than originally assumed, voids increase by 1% and interest rates on new loans are 1% higher than originally assumed; the financial forecast for the first five years of the plan would be as follows:

Income & Expenditure 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Rental Income	-16,985	-18,066	-18,261	-18,353	-18,578
Service Charges	-1,099	-1,111	-1,117	-1,535	-1,569
Other Income	-448	-255	-413	-392	-357
Total Income	-18,532	-19,432	-19,791	-20,280	-20,503
Repairs & Maintenance	4,355	4,428	4,503	4,662	4,627
Management	6,981	7,163	7,306	7,503	7,781
Depreciation	3,084	3,187	3,285	3,408	3,569
Loan Charges - Interest	1,907	2,438	2,715	3,186	3,699
Revenue Contributions	4,358	3,602	2,568	2,783	0
Other Expenditure	295	313	319	329	336
Total Expenditure	20,980	21,131	20,697	21,872	20,012
Surplus / Deficit	2,448	1,699	906	1,592	-492

The capital programme forecast would be as follows:

Capital Investment Required 2023/24 to 2032/33	2023.24	2024.25	2025.26	2026.27	2027.28
	1	2	3	4	5
	£,000	£,000	£,000	£,000	£,000
Decent Homes Standard	6,493	4,420	4,420	4,170	4,366
SHDF & EPC	1,036	1,555	1,000	1,000	1,047
Non-Decent Homes Standard	1,490	1,311	692	442	337
Disabled Adaptations	450	450	450	450	471
Environmental Improvements	0	60	60	60	63
Housing IT System	28	28	28	28	0
Sub-Total	9,498	7,824	6,650	6,150	6,284
Acquisitions & New Build	3,204	5,180	5,335	5,533	5,793
Major Repairs to new homes	0	0	0	0	20
Total Capital	12,702	13,004	11,985	11,683	12,097

The capital programme would be fully financed. However, it would make more use of borrowing and less use of revenue contributions. Debt would increase to £74.8million at the end of year five. Therefore, the Council would not be able to fund its capital programme fully in 2028/29 and would have a shortfall in resources of £1.4million.

Conclusions

This sensitivity analysis demonstrates how sensitive the financial model is to changes in the assumptions. Therefore, it is important that the Council monitors financial performance moving forward, including monitoring forecasts of economic variables such as government policy on rents, inflation and interest rates.