

**Agenda Item No:**



**Report To:** Cabinet

**Date of Meeting:** 30 November 2023

**Report Title:** Housing Revenue Account (HRA) Business Plan 2023-2053

**Report Author:** Jo Stocks – Senior Accountant

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**Portfolio Holder:** Cllr. Noel Ovenden – Prosperity and Resource

**Portfolio Holder for:** Cllr. Bill Barrett – Homes and Homelessness

**Summary:**

Each year members are asked to agree the priorities within the HRA and note its 30-year Business Plan. The Business Plan sets the parameters of the work and spend that are undertaken by the Council's Housing team, and underpins every decision taken in the HRA.

In many respects, this year's Business Plan has been compiled amid a 'perfect storm' of uncontrollable external factors: higher interest rates; higher inflation; the multiple demands on the Council caused by the Social Housing (Regulation) Act; the cost of living crisis, which is increasing temporary accommodation (TA) burdens on the General Fund; and the fact that Stodmarsh nutrient neutrality issues continue to restrict the delivery of the new homes in the Council's affordable homes programme pipeline.

The Business Plan shows that the council has a balanced HRA that is able to deliver on the construction, decarbonisation, management and engagement priorities it has set itself. This report presents members with these ongoing priorities for the HRA, along with the assessment that the Business Plan remains affordable, with debt at a manageable level.

The risks to the modelling, caused by the economic climate, and local issues, such as Stodmarsh and the termination of the Equans contract, are considered here, and are under constant review. Regular analyses of factors that can be foreseen and mitigated are discussed and all risks continue to be assessed.

**Key Decision:** NO

**Significantly Affected Wards:** None

**Recommendations:** The Cabinet is recommended to:-

- I. **Agree the priorities of the HRA, as set out in the Business Plan report, the updated Business Plan, and financial projections**
- II. **Note the HRA Business Plan will be referred to Overview and Scrutiny (O&S) Budget Task Group, as part of the budget scrutiny process**
- III. **Agree that decisions for acquisitions will continue to be taken on a case-by-case basis within the existing delegations, by the Assistant Director for Housing, giving due regard to the HRA Business Plan and its priorities and subject to available funding**
- IV. **Agree that given the positive impact street purchases will have on the overall programme at the current time, these will continue as set out in paragraphs 21 to 23, and recommend to Council to approve funding for the street purchases programme in 2023/24 of £2.5m.**
- V. **Authorise the Solicitor to the Council and Monitoring Officer to negotiate, finalise and complete all necessary legal agreements and other documents to give effect to the above.**

**Policy Overview:**

Building on solid foundations: delivering affordable homes in Ashford – delivery plan for 2019-2023

Housing Strategy Framework Priority 1 – Improve the supply of affordable housing to meet local housing needs in urban and rural areas, and Housing Statement 2018-2023

Reform of Housing Revenue Account (HRA) – Cabinet endorsed five key priorities for further spend, as a result of greater freedom within the HRA.

National Housing Strategy 2011 – delivering new homes under the affordable rent model.

A Charter For Social Housing Residents – Social Housing White Paper 2020.

A Guide to Developing Affordable Homes in Rural Communities (Kent Housing Group [KHG]) – February 2021

Housing Ombudsman Service – Spotlight on: Damp & Mould

Repairs Contract – Cabinet report (July 2023) to approve the exploration of an in-house repairs service.

**Financial Implications:**

This paper provides an update to the financial position of the HRA, over the next 30-years, and forecasts that the HRA continues to be a balanced, viable business, able to deliver its key priorities.

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. Delivery of new build Council housing is achieved using grant funding, HRA cash resources and Right-to-Buy receipts (known as 1-4-1 monies). This ensures the HRA remains able to meet its debt repayment commitments. This report proposes spend of £2.5m on street purchases in the current financial year (see para. 23), with the spend in future years to form part of the budget approval process for those years.

**Legal Implications:**  
*Text agreed by  
Principal Solicitor –  
Strategic  
Development on 22  
November 2023*

Section 167 of the Localism Act 2011 gave effect to Schedule 15 of that Act and, since the coming into force of Schedule 15, English local authorities have been required to be self-financing in relation to their housing stock, financing their housing stock from their own rents.

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 and to see the impact of decision-making and wider contextual concerns. An HRA Business Plan can be approved by the Cabinet, but the budget to implement it needs to be approved by Full Council. Therefore, the spend on street purchases in the current financial year is recommended to Full Council now.

**Equalities Impact Assessment:**

See attached at **Appendix D**. The assessment does not identify any adverse impacts on any protected group.

**Data Protection Impact Assessment:**

The impact on Data Protection will be undertaken for each individual project at the appropriate time.

**Risk Assessment (Risk Appetite Statement):**

Risk is identified as a separate section within the report and is considered several times when compiling the Business Plan. For example, risk assessments have been undertaken on each of the projects; in addition, risk in a wider context is closely monitored by the officers involved in each project, who meet regularly for discussion about the programme as a whole. The meetings identify any implications for the pipeline of sites being progressed or internal capacity issues.

**Sustainability Implications:**

After assumptions were presented to members in previous reports, a survey of HRA assets has provided the level of detail necessary to understand the impact of carbon reduction measures on the HRA Business Plan. A plan to

get HRA stock to an EPC 'C' rating is in place. Central to that ambition was the successful bid to the Social Housing Decarbonisation Fund (SHDF). In addition to this retrofitting work, new-build projects are assessed individually to include the potential costs and benefits of carbon-friendly design.

**Other Material Implications:**

Design and construction standards keep pace with current building standards and requirements to comply with Homes England Affordable homes delivery. There is particular focus on sustainability of the products we deliver following on from the Code for Sustainable Homes and exceeding Building regulation standards where possible. The aspiration is to provide zero carbon homes in operation and continually widen the current definitions of zero carbon to erode the embodied carbon in construction. Condensation, Damp and Mould issues should also be easier to manage with a more sustainable design and construction methods, making the living environments more comfortable.

**Exempt from Publication:**

**YES IN PART – Appendix A only**

**This is not for publication by virtue of Paragraphs 2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information**

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## **Report Title: Housing Revenue Account Business Plan 2023-2053**

### **Introduction and Background**

1. The Housing Revenue Account (HRA) is a ring-fenced account, which means the HRA, and its tenants do not contribute to the General Fund, which is funded by tax-payers. Conversely, because it is fully reliant on its own revenue streams for all expenditure, there is no reliance on the General Fund, or Council Tax payers.
2. In order to become self-financing, in April 2012, the Council took on £113.7m of debt. This continues to make up a significant proportion of the HRA's debt portfolio. The HRA debt cap was removed in the autumn of 2018, and the Council now considers the Interest Cover Ratio as an indicator of the resilience of the HRA, which is more aligned to Registered Providers (RPs).
3. This report informs members of the forecast financial position of the HRA, for the next 30 years, with officers using the modelling process to ensure the plans and aspirations of the HRA remain affordable. This report summarises the assumptions within the Business Model, which include the day-to day running of the service as well as development projects.
4. Due to the implementation of the Social Housing (Regulation) Act 2023, which received Royal Assent in July 2023, there are a number of changes that either have been made or are in the process of being made, to the day-to-day running of the service. As a result, there are a number of cost implications that will be referred to throughout the report.
5. The Business Plan is built on a Zero-Based Budget basis each year, using the 2023/24 as year one, then adding in as much detail as possible over the 30-year life of the model. This includes the building/buying of homes, as well as the maintenance and management of the current stock.
6. Forecasting over a 30-year period is incredibly challenging. As a consequence, much of the forecasting is focused on the first five years of the Plan, with as much detail as possible being provided on key areas, such as projects, major works, and resources.
7. The main sources of income for the HRA are rents and service charges, whereas expenditure is mainly repairs, maintenance and management costs. In addition to this, the HRA also has a development programme to build/buy more homes. While there may be some grant funding for these projects, they are mostly funded by borrowing and therefore interest payments also make up a proportion of the HRA's annual outlay.
8. The Business Plan model is produced by both Housing and Finance, with the assistance of consultants from Housing Finance Associates, who have extensive experience of working closely with both councils and housing associations (known as the afore-mentioned RPs). This enables the consultant to act as a 'critical friend' which ensures that the model is rational and robust and works over the 30-year life of the plan.

9. **Members are asked to review and agree the updated HRA Business Plan, and financial projections, and note that the HRA Business Plan will be referred to Overview and Scrutiny (O&S) Budget Task Group, as part of the budget scrutiny process.**

## **Assumptions**

10. The HRA Business Plan is built on a series of assumptions, which are set out in the following pages. The first of these assumptions are the priorities that the Housing service is working towards. These priorities are reviewed each year, in conjunction with members. This was particularly important this year to reflect the focus of new administration.

11. **Proposed HRA priorities.**

12. The HRA's proposed priorities are broadly similar to those presented to members in last year's report. This is, in part, because of the continued work to comply with the Social Housing (Regulation) Act 2023, and because the same emerging trends are still relevant. The priorities include the formulation of Tenant Satisfaction Measures (TSMs) and reflect the certainty of travel under the current national ruling administration. Subject to members approval of the priorities, it is proposed that we present an engagement strategy to a future Cabinet meeting setting out how we intend to engage with our tenants on the wide range of topics impacting on them.

13. The proposed priorities themselves and the main headlines from each strand are outlined below:

- a) Maximising delivery of new housing
- b) Providing excellence in maintenance and in-house repairs
- c) Supporting the 'Green agenda'
- d) Compliance with the Social Housing Regulator
- e) Being a caring landlord and removing stigma
- f) Contributing to wider Council ambitions
- g) Ensuring optimum use of resource

- a. **Maximising delivery of new housing**

14. This priority sees the Council aiming to accelerate the delivery of new build homes and acquisitions that will grow its stock, where it is able, bearing in mind current financial/nutrient constraints.
15. Natural England have stated that new overnight accommodation cannot be given a planning consent without an agreed method of mitigating the nutrients that discharge in rivers and impact on Stodmarsh nature reserve.

16. 'Stodmarsh issues' have stopped the Council delivering its own new-build schemes since early 2022. Proposed developments in the Business Plan are therefore delayed in the short-term until mitigation solutions are found. Consideration is being given to appropriate housing stock improvement schemes which may assist in providing mitigation.
  17. The Council's affordable homes programme has a healthy pipeline outlined in **Exempt Appendix A**. The Council is proactive in terms of identifying opportunities for land and off-plan purchases and has previously detailed this in a presentation to the Overview and Scrutiny committee.
  18. If schemes and individual sites are not viable, then the HRA does have the potential to provide cross subsidy where the sites are of specific need, such as larger properties.
  19. High interest rates, high inflation, plus new social housing regulation have seen many local authorities and housing associations cut back on their own development and acquisition ambitions.
  20. Right to buy numbers are down as a result of the cost-of-living crisis. While this means the Council is losing fewer of its homes, there are lower amounts of 1-4-1 money available with which to buy new stock.
  21. Street purchases remain a critical way of adding to stock levels, given nothing new can be built. They are normally funded through use of 1-4-1 monies (40% can be put towards each property). As many of the homes as possible will be bought using 1-4-1 monies, where they are available. The Plan accounts for a **minimum** of 50 homes being purchased and has an aspiration to achieve higher numbers where finances allow.
  22. Of the 50 homes (**minimum**), 20 will be let on non-secure tenancies, and used primarily as temporary accommodation (TA). Residents in these homes will move-on to secure tenancies once they are able to access more secure and sustainable homes.
  23. It is therefore proposed that a total amount of £2.5m will be spent in 2023/24 (subject to Council approval), and £7.5m will be spent in 2024/25 and 2025/26. Officers will continue to review this position as well as the feasibility of future purchases.
  24. **Members are asked to agree these parameters as part of the report.**
  25. The Council will continue to spend its £3.6m of Local Authority Housing Fund (LAHF) funding, which is ring-fenced to part-fund homes for Ukrainian refugees and Afghan evacuees. These properties revert to being HRA stock once the initial tenants no longer need the homes.
- b. Providing excellence in maintenance and in-house repairs**
26. The safety of tenants is an undoubted priority within the HRA. Providing well-managed, safe, quality homes in line with current Decent Homes standards and free of hazards, such as damp and mould, is paramount.

27. The Social Housing (Regulation) Act demands the council meets a number of standards in relation to Decent Homes and compliance of the regulations. As a result of this:
- a. eight additional posts have been agreed within the repairs and maintenance team at an additional cost of £260,000 per year.
  - b. Investment in tablets is enabling officers to spend more time on-site than on administrative work in the office.

#### *Decent Homes*

28. The Decent Homes Standard is set to be revised in the New Year.
29. A property must comply with four criteria to meet Decent Homes Standards;
- It does not have any Category 1 defects under the Housing, Health and Safety Rating System (HHSRS) assessment.
  - It is in a reasonable state of repair. Dwellings fail if one or more key components (a roof, wall or heating system) are defined as old and in poor condition (needing replacement or major repair), or, if two or more 'other' components are defined as old and in poor condition.
  - It has reasonable modern facilities, such as a kitchen and bathroom.
  - It has effective insulation and efficient heating.

#### *How planned maintenance works have historically been undertaken*

30. The planned maintenance programme is set out over 30 years. Particular attention is given to the next five years, on a rolling basis. Programmes and/or specifications are adjusted accordingly to match the available finance and labour resources. The work is packaged to be as efficient as possible. Component parts are replaced only when necessary.
31. The Social Housing Decarbonisation Fund (SHDF) grant award has meant pulling forward actions such as window replacements in some homes before external wall insulation is applied.
32. The Coronavirus pandemic and a slow recovery and staffing shortages as well as a sharp rise in costs of delivering large building or repairs contracts has led to a three-year slippage on some aspects of the refurbishment programme, such as kitchens and bathrooms. Windows and doors are the initial main focus for recovery and the remaining planned programme will be strengthened this year to attempt to recover the position

#### *Stock Condition Survey*

33. A stock condition survey will therefore be carried out to ensure every Council-owned home meets decent homes standards. The council is in the process of procuring a contractor who can undertake a survey including 100% of all council-owned properties in the HRA.
34. An ongoing rolling survey will follow. The costs included in the Business Plan are £600,000 for 2023/24 and then £300,000 per annum on an ongoing basis.



35. It is expected that the survey work will start in January and be completed by the summer of 2024. Simultaneously, a contractor will be on hand to target any properties needing urgent repair. A further £5m has been added to the plan for each of the next five financial years to complete this work and address repairing issues found during the survey work.
36. The average spend per property, per annum is set to £1,200. An additional £220,000 has been added to the major works budget for the life of the plan to meet this level.

### *Repairs*

37. Equans terminated the repairs contract (as of 30<sup>th</sup> November 2023). An in-house solution and a fresh structure have been put in place post Cabinet in July 2023.
38. The assumption is that the project will be delivered within the existing budget, with estimated savings of £700,000 by year five of the Business Plan, in line with the estimates from Housing Quality Network (HQN).
39. This work is critical to the housing service as it seeks to turn around the perception of the work undertaken on repairs in its stock. As well as efficiencies it will provide the council with a greater control over works.

### *Damp and Mould*

40. Publicity concerning damp and mould related issues nationally has led to an increase in reports in Council homes. As a result, the 2023/24 budget has been increased by £62,000 since it was set.
41. Of the 618 inspections that have been inspected and categorised, using the regulator's categorisation scheme, the following hazards have been found:

| Category Type  | No. of Hazards Found |
|--|----------------------|
| Category 1 (requires urgent mould works)                       | 89                   |
| Category 2 (requiring only advice)                             | 171                  |
| Category 0 (no mould was seen on visit)                        | 180                  |
| Appointments to carry out still                                | 55                   |
| Reports found not to be damp and mould related upon inspection | 123                  |

### *Disabled Adaptations*

42. Disabled adaptations continue to be an important element when considering how to enable people to stay in their homes. For 2023/24 there is £850,000 in the budget, with £600,000 each year after that.
43. In 2023-24 currently 147 adaptations have been undertaken at a cost of almost £400,000. A referral is required from an Occupational Therapist or a doctor or scheme manager, for example.

**c. Supporting the 'Green' agenda**

44. The council is working towards all HRA properties achieving a minimum EPC 'C' rating, by 2030, and for new stock this target will be higher.
45. The retrofitting of existing properties is currently under way, through the SHDF work being undertaken with provider E-ON.
46. Here, 1,200 of the HRA's 4,900 homes require retrofitting measures, at a cost of £20m. The SHDF grant of £5m ensures the worst affected 727 homes are targeted first. Work will be completed on the first 727 homes by March 2025.

**d. Compliance with the Social Housing Regulator**

47. The council will put customers at the heart of everything it does, engaging them in its work and decision-making processes, contributing to the environmental, social and economic wellbeing of areas where it has stock.
48. The Social Housing (Regulation) Act 2023 ensures Government standards for operating and managing social housing are met and that action is taken against those RPs not meeting the required standard.
49. New posts have been put in place, mainly within repairs and maintenance, where there is a legal requirement for compliance, such as gas, fire, water and lift safety, as well as addressing the prevalence of asbestos.
50. The council has procured HQN to ensure the Regulator's data requirements can be met. Representatives will work with officers on strategy, complaints and general service provision over a three-week period from 27<sup>th</sup> November.
51. The 22 Tenant Satisfaction Measures are appended to this report in **Appendix E**. The housing service undertook a tenant survey in 2022.
52. This highlighted a general level of satisfaction with council services but less satisfaction with how the council listened and acted on residents' feedback.
53. The Learning Foundation (TLF) has undertaken this work in 2023 to ensure a better response rate across age groups, geographic locations and ethnicities.
54. The data will be shared widely with all stakeholders (including members and residents) in due course.

**e. Being a caring landlord and removing stigma**

55. The council will seek to understand its tenants better and communicate with them more, ensuring they can be involved in the decisions that affect them.
56. Two tenant engagement posts have been created with the intention of changing the culture within the service. These officers meet with stakeholders and have delivered a new newsletter, called *Housing Matters*.
57. Implementing the learning from complaints is crucial to reducing the stigma that tenants feel. Their experiences and advice are shared for free and, as such, are vital evidence for officers shaping service delivery.

**f. Contributing to wider Council ambitions**

- 58. This is to be achieved by delivering decarbonisation, reducing homelessness, enhancing digital solutions that provide better knowledge of the Council's HRA customers, commercialisation and encouraging home ownership.
- 59. As the health and housing agendas become more entwined, many projects being delivered by the Housing service promote health and wellbeing – such as independent living schemes and the HRA's project at Repton. Delivering better outcomes for residents and wider stakeholders is essential.

*Homelessness*

- 60. This is a General Fund function but the HRA assists through providing access to 'move on' accommodation. Around 1,600 households are on the waiting list and over 180 households are in TA.
- 61. Economic circumstances are leading to private sector landlords selling their homes. The Housing Options team are less able to prevent 'no fault' evictions.
- 62. The Henwood modular project will help reduce the reliance on TA. This is now proposed to be an HRA product (please refer to the report using Chief Executive urgency powers on the same agenda).
- 63. It is estimated that in order to reverse the current TA trend the Council would need to move an additional 10 households out of TA each month for a year.

*Commercialisation*

- 64. In order to promote this culture of efficiency a number of savings have been included in the model, including 2% of the annual Supervision and Management cost, which is cumulative, so the saving in 2024/25 will be added to the 2% required in 2025/26.

*Benchmarking*

- 65. Benchmarking affords the council the opportunity to assess where it is performing well and where it needs to improve.
- 66. Officers are in the process of providing benchmarking company Housemark with the necessary information to use its data analysis tools. This is in addition to measuring against Key Performance Indicators (KPIs) through Pentana. The annual cost of the membership to Housemark is £7,800.
- 67. Early results, using 2022 survey data, suggest Ashford is aligned with its peers but significant improvement is required to meet the new requirements arising from the revised consumer standards currently being finalised by the housing regulator. This is a sector wide focus in the light of the new regulation regime being introduced.

**g. Ensuring optimum use of resource**

- 68. Through prudent business planning, the Council will review income and expenditure and seek to streamline working practices to make them more efficient and maximise income generation.

69. While this remains a firm ambition, a number of areas where additional expenditure is required have been identified. The council will continue to review its spend and seek to capitalise on any efficiencies.

### ***Other assumptions***

70. In addition to the HRA priorities, set out above, there are a number of other key assumptions built into the model, these are set out below, and tabled at **Appendix C**. They include a sensitivity analysis showing the impact a 1% movement would have on the 2024/25 budget.

### ***Rent***

71. The government guidance on rent increases states that average rent can be increased by a maximum of CPI+1% (based on the inflation figure in September each year). However, in September 2022/23 inflation was particularly high, and would have meant a rent increase of 11.1%, as a result government intervened and established a rent cap of 7% for 2023/24, to which the council adhered.
72. This rent cap resulted in a reduction in income to the HRA, however costs of repair etc remained high, leading to an unfunded inflation cost within the HRA. Current inflation levels, while lower than last year, are still high, and any cap, by government, on councils' abilities to match increasing costs will have an impact on Ashford's Business Plan as a whole.
73. Inflation for September 2023 was 6.7%, and therefore the Business Plan allows for a rent increase of 7.7%. However, in light of the cap implemented for 2023/24 officers are mindful that government could again implement a rent cap to support tenants with the cost-of-living crises. A 1% movement in rent adds/removes £350,000 rental income for 2024/25. While the in-year impact is one that could be easily mitigated against the long-term impact of this one-year reduction means that over 10 years the income lost would be £3.7m, which may affect the priorities of the HRA.
74. The CPI is difficult to predict for future years, however the model is using the Housing Finance Agency (HFA) assumptions, which are based on recent Bank of England forecasts. The rent increase for 2024/25 is assumed to be 7.7%, 2025/26 is 3.25%, then 2% thereafter. The reason for this reduction in the rent increase is due to the lack of certainty in this area. Government prescribed the CPI+1% until 2025/26, therefore officers have taken the view that rents will increase by CPI only wef 26/27, until further guidance is issued.
75. In line with the recommendation in last year's Business Plan Report (December 2022), from 17<sup>th</sup> July 2023 all dwelling rents are set to formula rent, upon re-let. Formula rent is the Government formula for calculating rent, therefore the rent chargeable, to tenants, should not exceed this amount. Officers ensure that families are not placed in financial hardship as a result of this decision.

### ***Bad Debts***

76. The current, in-year, collection rate is 97.31%, this compares to 95.32% at the same point in 2022/23 and 97.36% in 2021/22. This indicates that collection rates have improved in the last year, and are back in line with 2021/22, when,

although it was during the height of the pandemic, tenants were not experiencing the significant increases in living expenses, as a result of high inflation, due to the increase in prices of food and fuel.

77. The in-year collection rate is 97.31%, with about 2% of the rent being collected in subsequent years. Therefore, the rent loss (bad debts) included in the model are 0.7%. Officers will continue to monitor this position to ensure that it continues to reflect actuals.

#### *Voids*

78. The total number of void properties in the HRA during 2022/23 was 220, with an average of 22 days per void, compared to the target of 21 days. While the target is not quite being achieved, this is a significant improvement on last year when the average number of void days was 30. The average cost of each void was £4,600.
79. This improvement in void turnaround times is a result of a number of procedural changes that have been developed to streamline the void process. For example, where it is reasonable, some works, such as simple adaptations, are carried out while the new tenant is in-situ. In addition, the Neighbourhood Housing Team carries out viewings with the prospective tenant while the void work is in progress. Lastly, a void tracker has been introduced, by the Allocations Team, working in consultation with the Repairs Team, and contractors, to ensure all voids are monitored, which should result in a faster turnaround.

#### *Termination of Equans Contract*

80. The termination of the Equans contract has provided the Council with the opportunity to look at its working practices and members took the decision to bring the repairs service in house. It is expected that both void turnaround time and average cost (per void and per repair) will reduce as a result. A consultant (HQN) was engaged to examine current working practices and compare it to best practice in the sector.
81. The consultant advised that the typical cost of an 'in-house' void service is £3,500, an average saving of £1,100 per property (compared to current spend), assuming 220 voids this is a potential annual saving of £242,000.
82. An officer working group has driven the work to implement the in-house service wef 1<sup>st</sup> December 2023, and includes the transfer of staff into the Council under TUPE arrangements. This work is on target to meet the deadline for expiry of the current repairs contract. It is expected that the new service area will deliver an improved level of service for tenants, with improved customer service and quicker turnaround of repairs and void periods. The assumption for the Business Plan is an estimated overall saving of £700,000 per annum by year five of the Plan to bring the repairs service, including void work, in-house.

#### *Inflation*

83. Inflation is showing signs of appearing to slow down but is still high. As stated, September's inflation figure was 6.7%, compared to 11.1% back in

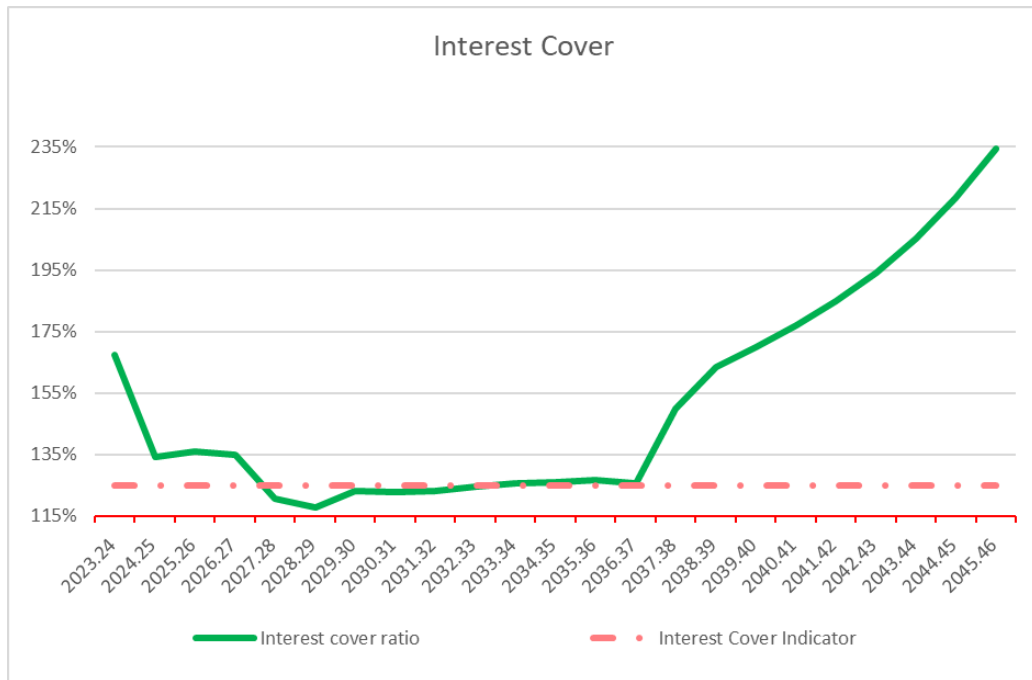
October 2022 and has fallen again to 4.6% since. The inflation assumptions in the model are based on Bank of England forecasts.

### *Interest Rates*

84. Interest rates impact both interest paid and interest received. The model does include a significant amount of borrowing, not only to finance proposed schemes but also to re-finance those that expire throughout the life of the 30-year model. The cost of borrowing is currently high, with average interest rates of 5.22% for a 40-year annuity, compared to 1.79% 2 years ago.
85. This increase in capital costs means projects that may have been financially feasible three years ago are no longer providing the required return on investment. However, forecasts are predicting that Bank of England rates will start falling in the next two years.
86. At the time of writing, the Bank of England base rate is 5.25%, the Council's treasury advisors, Arlingclose, are predicting that rates will remain at this level for the rest of the financial year.

### *Interest Cover Ratio*

87. While there is no longer a government-imposed debt cap, it is important the debt in the HRA is repayable and that the Business Plan is viable over the 30-year period.
88. The Council uses 'Interest Cover Ratio' (the number of times the HRA is able to repay its loan interest, based on net income) as an indicator of the financial wellbeing of the HRA. This is a metric more commonly used by RPs. An average ratio is 1.25%, based upon benchmarking from a number of Registered Providers, but this will fluctuate depending of where we are in the interest rate cycle. Where interest rates are higher the interest cover ratio drops, and when interest rates are lower the ratio is higher.
89. As can be seen from the Interest Cover Ratio graph below, the forecasting does indeed drop below 125% from 2027/28 for a number of years. This drop is due to the current and prolonged higher interest rate environment, and the impact on the current short-term debt, that is adding additional borrowing costs to the HRA, coupled with new projects, including decarbonisation of the stock, which will add further debt.
90. The Interest Cover Ratio will continue to be monitored and rises up and down considered in the context of fluctuating interest rate levels. Based on current assumptions on interest rates and borrowing levels it is anticipated that the interest rate ration will dip below 125%, but still leaves the HRA in a healthy financial position. The sharp improvement on the graph is where we start to reduce debt levels.
91. **Graph 1** shows the estimated Interest Cover Ratio, compared to the 125% recommended level of debt:

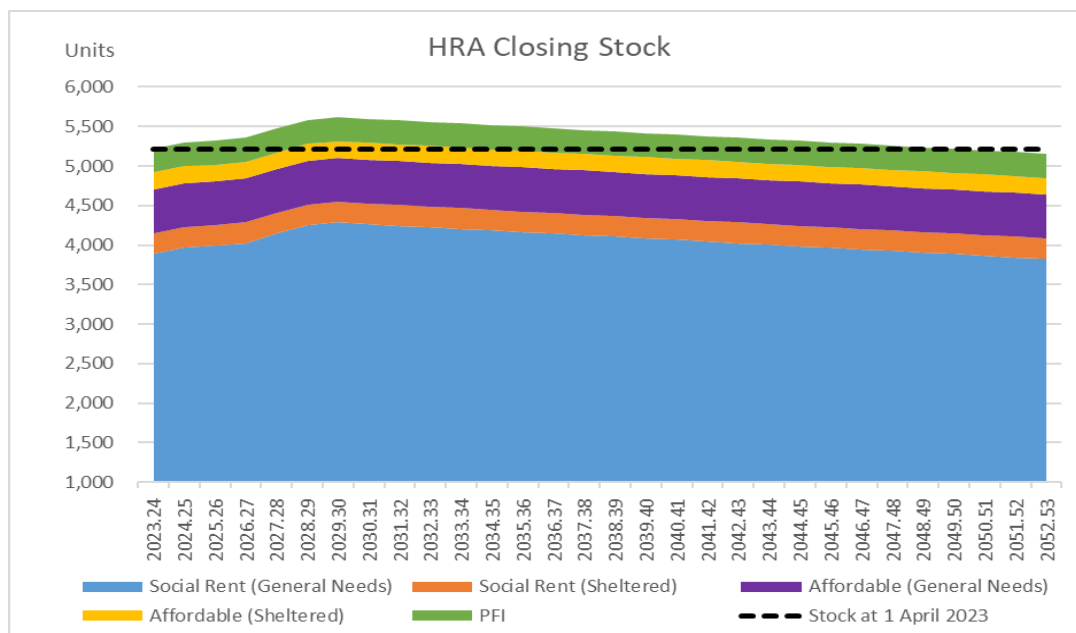


### Right to Buy

92. Right to Buy sales are, in 2023/24 a lot lower at this point of the year, compared to previous years. There have been five sales in 2023/24, at the time of writing, compared to 15, at the same time in 2022/23.
93. It is thought the cost-of-living crisis is the main catalyst for this, with high inflation levels, leading the Bank of England to increase the base rate. This has, in turn, affected mortgage offers, and bank interest rates, which is leading to a reduction in Right to Buy sales.
94. Due to the low take up in the current year, the Business Plan is assuming 12 sales in 2023/24, 15 in 2024/25, and back to 20 sales per year for the remaining life of the model, which is in line with sales for the past few years.
95. When a Council house is sold the Council gets to keep the capital receipt (the gross income from the sale of the house, net of any discounts and expenses). Part of this capital receipt is known as 1-4-1 funding and is used to part fund (up to 40%) a new build or acquisition. However, the remaining 60% of the capital expenditure is funded from borrowing, which is, at the present time, expensive, due to high interest rates.
96. Because 1-4-1 funding does not cover the full cost of acquiring new property, the effect of Right to Buy is detrimental to the HRA as it is one unit lost, with only two-fifths of the receipt usable to replace the loss.

### Graph 2 – Anticipated stock levels throughout the 30-year Business Plan

97. The graph below shows stock levels for the life of the plan. There is a small increase in the early years, up to 5,600 in 2029/30 (as per the development programme, in **Exempt Appendix A**), however the impact of Right to Buy shows stock numbers gradually reducing, until, by the end of the plan unit numbers are around 5,100, which is 100 units lower than current stock levels.



## Risks to the HRA Business Plan

98. The main risk to the Business Plan is the uncertainty of the assumptions, above, as well as future 'unknown unknowns', such as a pandemic, or war, or another global financial crisis.

99. However, the 'known unknowns' are detailed below:

### *Inflation*

100. Inflation for September was 6.7%, which means that although it is slowing, prices are still a lot higher than a year ago. The Business Plan assumes that this downward trajectory will continue.

101. The Business Plan assumes that CPI for 2024/25 will be 6.7%, falling to 2.25% in 2025/26, and then staying at 2% for the remaining life of the plan.

102. If inflation is higher than anticipated in the model, then costs will inevitably be higher. However, income will stay at the budgeted level for 2024/25, as this is based on September's CPI, creating a shortfall. In addition, high inflation in future years could lead to another government-imposed cap on rent increases, leading to further pressure due to higher costs not being met by higher income levels.

103. However, if inflation is lower than anticipated then while costs should also be lower it will also mean lower rent income over the life of the plan.

104. Officers will continue to monitor budgets, and where there are increases in prices, savings will need to be found to mitigate the additional expenditure.

### *Interest Rates*

105. In August interest rates were increased for the 14<sup>th</sup> consecutive time to 5.25%. This level was maintained in September. It is assumed that interest rates have now plateaued. However, this rate is significantly higher than it



was last year and as a result the borrowing costs for development projects and street purchases are higher than they were, impacting their feasibility.

106. While it is expected that interest rates will eventually start to level off at around 4%, there is a risk economic recovery will not happen at the expected rate, meaning interest rates will stay higher for longer. This will affect both the cost of borrowing and the Interest Cover Ratio.
107. The interest rates in the HRA Business Plan are in line with the Medium-Term Financial Plan. They are currently expected to average 4.5% in 2023/24, rising to 5.75% in 2024/25, 4.75% in 2025/26, and 4% thereafter.
108. Most of the new borrowing in the model is through the Council's debt pool, which is managed by the General Fund, however, some of the existing borrowing is through the Public Works Loan Board (PWLB). The Internal borrowing rates are, therefore, often more favourable, than those we might expect from external sources.
109. A 1% change in the interest rate, for 2024/25, would lead to a +/- £256,000 for external borrowing and £362,000 for internal borrowing, as illustrated in Appendix C.

#### *Stodmarsh*

110. While the recent attempt by the government to unblock the nutrient neutrality issues affecting Ashford and other local authority areas were themselves blocked in the House of Lords, there is still no certainty as to when they will be resolved and developments can begin.
111. However, it is not only Stodmarsh that has slowed development. The current economic climate, such as high interest rates and an increase in the cost of labour and materials has led to a worsening financial outlook for development programmes. Financial feasibility of each project will need to be re-assessed to ensure that an acceptable rate of return can be realised.
112. With this in mind, Mabledon Avenue, Mill View and Oakleigh House are sites that will be prioritised.

#### *Termination of Repairs Contract*

113. While the termination of the Equans contract does provide opportunities it is not without risk. Typically, bringing a service in-house would take around 18 months to complete, however officers were given six months' notice, and while significant progress is being made there is a small risk that handover will not be as straightforward as hoped. The savings included in the model are £700,000 per annum, from year five of the Plan. It is possible that these savings are not realised, which will add pressure to the HRA finances. In addition, an in-house service may not deliver the service improvements anticipated, leading to higher costs, or perhaps procurement costs for an alternative solution, further adding to the financial pressures.

#### *Government Policy*

114. In September 2022/23, CPI was 10.1%, which should have meant rent increased by 11.1%. However, government intervened and capped social

rent increases at 7%. This obviously had a detrimental effect on income generation, and the consequences will be felt for a number of years. If the government were again to intervene, then mitigating action would need to be taken, with potentially substantial savings, not only in year, but for the remaining life of the Business Plan.

115. With a General Election expected in 2024, and there being a possibility of a potential change in government, the impact on government policy for rents, house building, housing standards, and financing is all unknown. However, officers will ensure that any impact to housing and the Business Plan is communicated to members, as soon as they become clear.
116. Government is in the process of revising the Decent Homes Standard, at the current time it is unknown what this will mean, and whether there will be an increase in the standard, which will put pressure on the Major Works budget.
117. In addition to this the current aim for the EPC rating is "C" (by 2030), however a new Decent Homes Standard could increase this to an "A" rating, which will be a challenge, both in practical and financial terms.
118. All relevant legislation, that the Council and Housing service is aware of, is factored into the Business Plan.

#### *Arrears*

119. With the effects of interest rates and inflation, there are a growing number of tenants in increasingly difficult financial positions. As a result, officers are working with tenants to ensure they are able to continue paying their rent.
120. The cost of living crisis continues to affect tenants, especially those not in receipt of Housing Benefit to cover the cost of their rent. The longer the high levels of inflation continue the more impact it will have as people choose between items such as food and fuel. While the cost of fuel is beginning to come down it is still a lot more expensive than it was a few years ago. There is a risk that the hardship tenants' face could, in the future, start to be reflected in the arrears levels.

#### *Right to Buy Sales*

121. The risk of Right to Buy is a double-edged sword. Each Right to Buy sale generates a capital receipt, which is used to fund capital projects, such as building and buying more homes in the HRA. However, this capital receipt is not enough to fully fund a replacement unit.
122. So, if Right to Buy sales fall even further than predicted then there will be less capital receipt available to use towards funding new projects. However, each Right to Buy sale also results in one less home in the HRA. This leads to additional pressure in the General Fund, which is housing homeless families in TA for longer periods due to the lack of 'move-on' accommodation in the HRA. While a reduction in Right to Buy is a negative in terms of the assumptions made for capital receipts, the positive side of this is that the HRA retains more stock.

## *Voids*

123. Void turnaround is key in terms of getting households off the waiting list and into suitable accommodation. Decreasing void turnaround time increases the rent collectable on a property as it sits empty for a shorter period.
124. The risk of an increase in void turnaround is low, due to the processes and procedures that have been established over the past few months. However, this is an area that will be covered by the new in-house repairs service, which is not yet up and running.
125. In addition to this the cost of void work is dependent on inflation, if the cost of labour and materials increases so does the cost of voids.

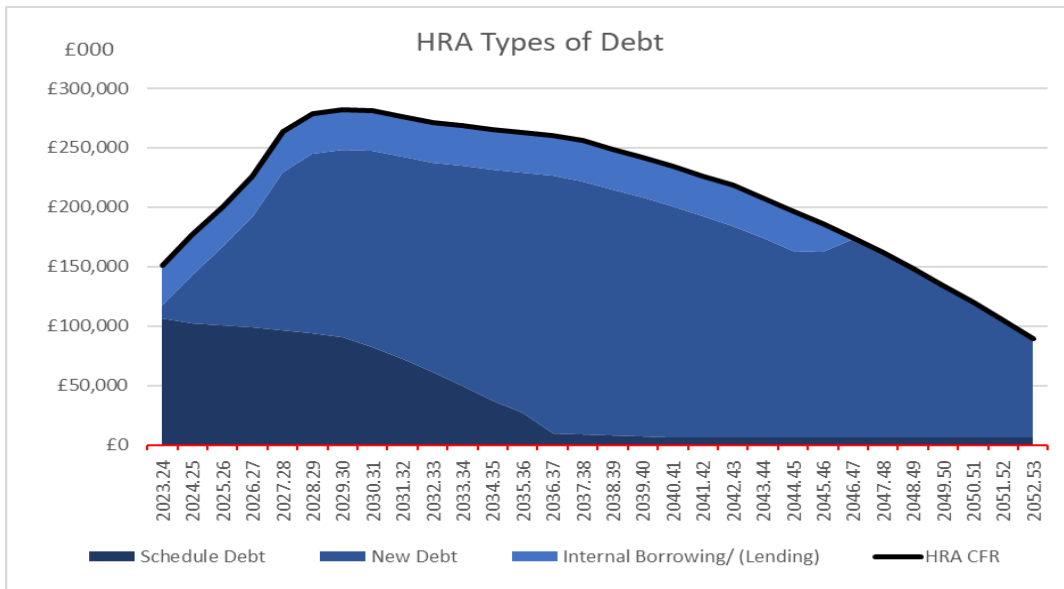
## *Site Availability*

126. Suitable development sites, already owned by the council, have either been exhausted, or are already included in the programme for future development. As a result, officers have been investigating the acquisition of a number of sites and have established enough for a pipeline to sustain development for several years but are always keen on more options.
127. There is a risk that landowners will retain land, in the hope they will be included in the Local Plan, which could lead to a higher asking price, as the council would be competing with developers. This increase in land value could lead to potential projects not being financially feasible for the council, therefore reducing the number of units that are able to be built each year.
128. The council is also seeing an increase in developers offering larger, off-plan, purchase options. These sites are section 106 sites, that are too costly or too small for other RPs in the current economic climate; and, while this is an expensive option each opportunity will be investigated for its feasibility.
129. As mentioned, the acquisition of street purchases is being amended in the current business model. This enables the council to source individual properties for specific needs, as well as to acquire larger quantities of move-on accommodation. This situation will remain under review, as it is closely linked to the economic climate and Right to Buy activity, as it is these capital receipts that part fund any purchase.

## **Business Plan modelling outcomes**

130. The model is balanced and sustainable, assuming the assumptions built into the model are broadly accurate, and the need to lower the Interest Cover Ratio requirement is only needed in the short term. The borrowing taken out to finance new projects will be repaid by 2046/47, with a small balance remaining, that is a result of the HRA subsidy buy out in 2012.
131. **Graph 3**, below illustrates the debt position, and shows the downward trajectory of debt held, after the development programme, included in the model, has concluded.

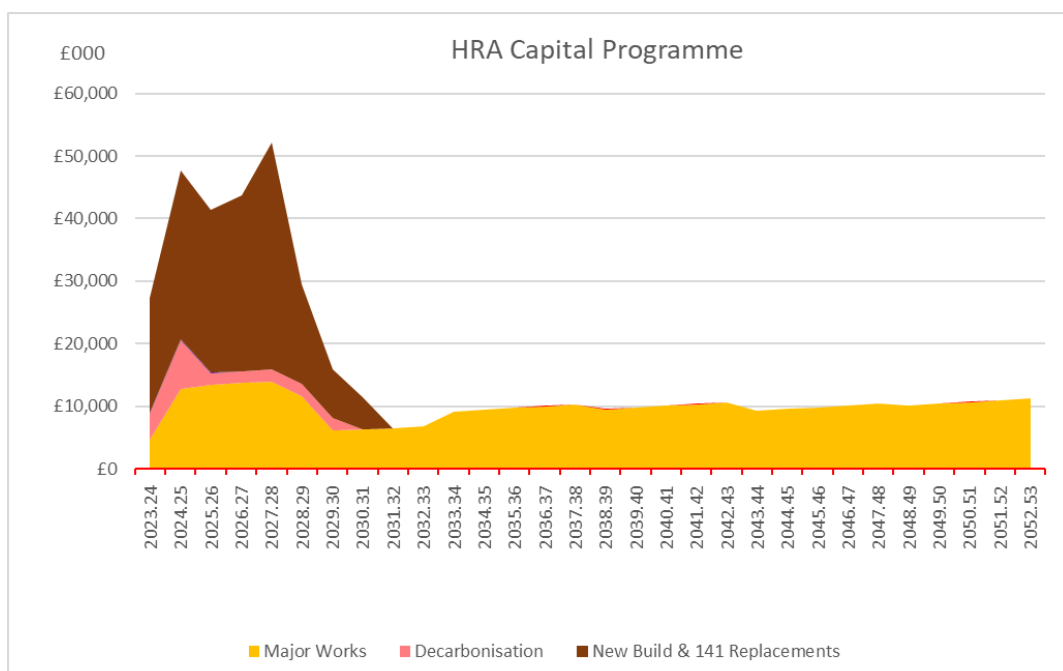
## **Graph 3 – Types of Debt**



- 132. Key to the success of the HRA Business Plan is the ability to build and buy new homes, assuming they provide a return on investment. Otherwise, stock numbers will continue to reduce and the efficiencies made on being able to complete repairs on a number of similar homes at the same time will be lost.
- 133. Another important aspect is the capital expenditure required to ensure that all units are meeting decent homes and reaching EPC C. The graph below shows the capital programme, with the next graph showing how this capital expenditure will be financed.

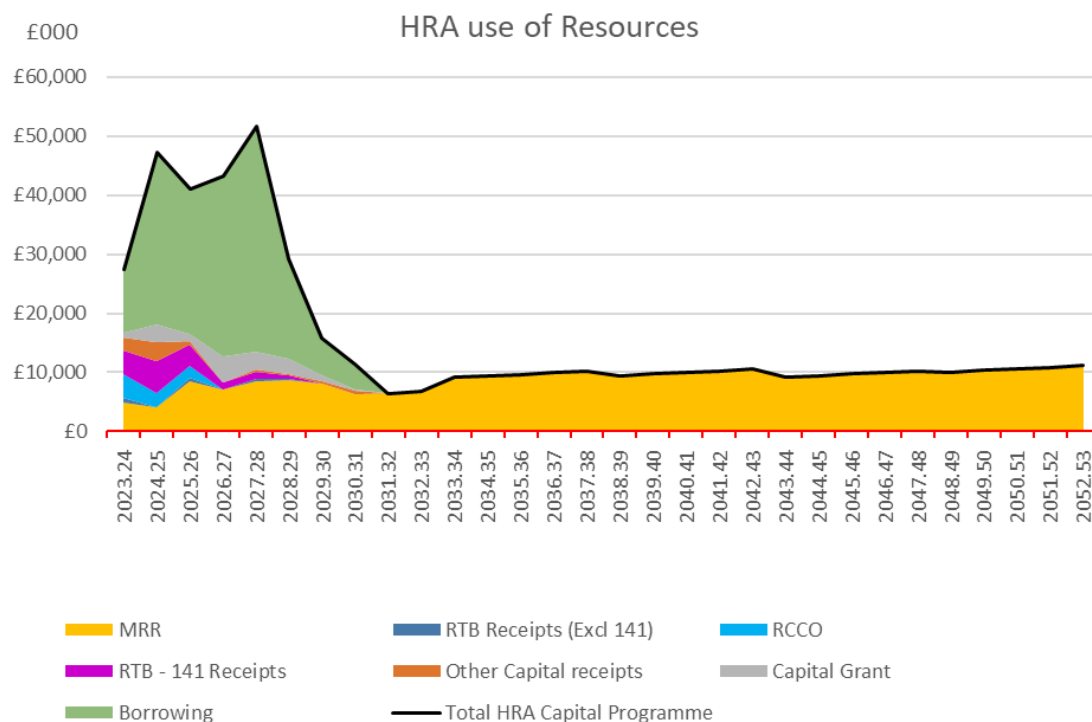
### HRA Capital Programme

- 134. The large block at the start of the programme shows the impact of the development programme. This is a significant amount of expenditure, so it is crucial to ensure that each project is financially sound, in order that the rent revenue collected in the future can not only repay the debt taken out for the build, but also to fund the repairs and maintenance required as the unit ages.



## HRA Use of Resources

135. The graph (overleaf) is showing how the expenditure in the above graph is financed. There is a significant amount of borrowing, also shown in the graph relating to the council's levels of HRA debt. However, officers do utilise any available funding streams to ensure that the borrowing required by the council is as low as possible.



136. **Exempt Appendix A** includes further details on the projects included in the model, with the expected timescales.
137. **Appendix B** shows the revenue income and expenditure, including assumptions for interest rates and inflation, for the first 10 years of the plan. The final line of this table illustrates that a minimum balance of £1m is maintained for the life of the plan.

## Equalities Impact Assessment

138. Members are referred to the attached assessment in **Appendix D**. There are no adverse impacts on groups with protected characteristics.

## Consultation Planned or Undertaken

139. Consultation will continue to be held with ward members where acquisitions or proposals for development fall within their ward boundaries. This often leads to good outcomes and the engagement of ward members and parish councils is necessary to help shape development schemes. All sites within any future delivery 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 before proposed plans are submitted, giving

them an additional opportunity to respond to the proposals outside of the formal planning consultation process.

140. Consultation with tenants is clearly required, as the council develops its tenant engagement plans, in line with the requirements in the new Act. This is a focal point of the council's HRA priorities at both a strategic and operational level. The involvement of residents living in council-owned homes will improve service delivery, accountability, performance and therefore tenant satisfaction will also improve.
141. The Council will also continue to consult with those whose homes are part of the Social Housing Decarbonisation Fund bid. It is paramount that this work is undertaken and, as identified, engagement is key to the success of delivering the necessary outcomes.

### **Next Steps in Process**

142. The HRA Business Plan is used as a basis to build the 2024/25 budget, which is presented to Cabinet as a separate item on the same agenda as this report on 30<sup>th</sup> November 2023. This will form part of the public consultation on the draft budget. The final budget report will be presented to Cabinet in February with final approval being sought through Council a week later.
143. The Council will progress its current priorities, including the delivery programme of sites included in the Business Plan and some sites not yet included in the HRA Business Plan model. This process will be reviewed as everything becomes more certain.

### **Conclusion**

144. Of course, everything the Council does or does not do has a consequence. Not delivering on the new Regulator's expectations means it could be criticised by government. Not delivering on decarbonisation objectives would go against the Corporate Plan, at a time of widespread pressure to take environmental matters seriously. Not delivering new homes means the number of households on the Council's waiting list will continue to rise and the gap between demand and supply will continue to grow. Many of the households on the waiting list may end up presenting to the council as homeless as a result, increasing pressure on the General Fund.
145. The HRA Business Plan remains a viable model. Admittedly the 'perfect storm' of pressures and requirements has forced the hand of officers to accept a lower interest ratio cover, but given the projects that must be delivered in order to be 'regulator ready' is to be expected.
146. As a result of the improvements to processes and procedures, implemented at the start of the year, housing is now in a position where it can continue to build a stronger service, address the issues that matter to tenants and look to start building new homes.
147. There are a number of uncertainties in the national picture and officers will continue to horizon scan and mitigate for those risks that are foreseen. With clear direction from members on HRA priorities aligning with the Corporate

Plan and with expectations firmly set by the Regulator, there is much to do but housing is now well equipped to move its plans forward quickly.

## **Portfolio Holder's Views**

*Cllr. Bill Barrett, Cabinet Member for Homes and Homelessness*

148. Given the huge change being handed down to the housing sector, I am delighted the council is able to embrace the new legislative requirements and adapt its plans accordingly. The past couple of years have been a challenge, as the service has tried to innovate to find ways to deliver new homes and keep its stock as resilient as possible, at a time of enforced inactivity, due to Stodmarsh nutrient neutrality.
149. When those rules are eventually lifted, the council will be able to lead the way once again in providing brand new, energy efficient, quality homes that will make a real difference to those in housing need. But, more than that, this Business Plan shows that housing has its finger on the pulse and is delivering across management and maintenance areas, as well as addressing the real concerns of its tenants, to whom it is ultimately responsible.

*Cllr. Noel Ovenden, Leader of the Council, and Cabinet Member for Prosperity and Resource*

150. This year's HRA update illustrates the challenges of making difficult decisions while balancing the books. I am satisfied that the Plan addresses the key issues facing the service, in terms of new regulation and heightened demand, while at the same time mitigating against the volatility of the external factors that sit outside of our control. I am pleased to see that the service is striking the right balance between commercialism and sensitivity on rent collection and that it is involving residents more in its operational and strategic decision-making. This culture shift illustrates how services can adapt and how local government can have a really positive impact.

## **Contact and Email**

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## Appendix B

| © Housing Finance Associates     | Local Authority HRA Model |                 |                 |                 | Ashford Borough Council |                 |                 |                 |                 |                 |
|----------------------------------|---------------------------|-----------------|-----------------|-----------------|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Description                      | 1<br>2023.24              | 2<br>2024.25    | 3<br>2025.26    | 4<br>2026.27    | 5<br>2027.28            | 6<br>2028.29    | 7<br>2029.30    | 8<br>2030.31    | 9<br>2031.32    | 10<br>2032.33   |
| <b>Income</b>                    |                           |                 |                 |                 |                         |                 |                 |                 |                 |                 |
| Gross Rental Income              | £29,780                   | £32,168         | £33,894         | £34,773         | £35,909                 | £37,698         | £39,614         | £40,839         | £41,555         | £42,282         |
| Void Losses                      | -£378                     | -£409           | -£397           | -£372           | -£384                   | -£403           | -£424           | -£437           | -£445           | -£452           |
| Other Rental Income              | £5                        | £5              | £5              | £5              | £5                      | £5              | £6              | £6              | £6              | £6              |
| Tenanted Service Charges         | £1,104                    | £1,185          | £1,220          | £1,253          | £1,287                  | £1,313          | £1,339          | £1,366          | £1,393          | £1,421          |
| Leasehold Service Charges        | £147                      | £157            | £162            | £166            | £171                    | £174            | £178            | £181            | £185            | £189            |
| Non-Dwelling Income              | £0                        | £0              | £0              | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| Grants                           | £3,000                    | £3,000          | £3,000          | £3,000          | £3,000                  | £3,000          | £3,000          | £3,000          | £3,000          | £3,000          |
| RTB - Administration             | £0                        | £0              | £0              | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| Other Income                     | £37                       | £40             | £41             | £42             | £43                     | £44             | £45             | £46             | £46             | £47             |
| <b>Total income</b>              | <b>£33,693</b>            | <b>£36,147</b>  | <b>£37,926</b>  | <b>£38,868</b>  | <b>£40,031</b>          | <b>£41,831</b>  | <b>£43,757</b>  | <b>£45,001</b>  | <b>£45,741</b>  | <b>£46,493</b>  |
| <b>Expenditure</b>               |                           |                 |                 |                 |                         |                 |                 |                 |                 |                 |
| General Management               | -£10,046                  | -£10,374        | -£10,694        | -£11,015        | -£11,372                | -£11,700        | -£12,011        | -£12,312        | -£12,621        | -£12,938        |
| Special Management               | -£1,924                   | -£2,062         | -£2,119         | -£2,171         | -£2,225                 | -£2,270         | -£2,315         | -£2,361         | -£2,409         | -£2,457         |
| Other Management                 | -£734                     | -£711           | -£653           | -£591           | -£526                   | -£458           | -£467           | -£476           | -£486           | -£495           |
| Bad Debt Provision               | -£207                     | -£224           | -£236           | -£242           | -£250                   | -£262           | -£275           | -£284           | -£289           | -£294           |
| Responsive & Cyclical Repairs    | -£6,451                   | -£5,925         | -£6,111         | -£6,309         | -£6,552                 | -£6,799         | -£7,018         | -£7,215         | -£7,418         | -£7,627         |
| Other revenue expenditure        | £0                        | £0              | £0              | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| <b>Total expenditure</b>         | <b>-£19,362</b>           | <b>-£19,297</b> | <b>-£19,813</b> | <b>-£20,328</b> | <b>-£20,925</b>         | <b>-£21,489</b> | <b>-£22,086</b> | <b>-£22,649</b> | <b>-£23,222</b> | <b>-£23,811</b> |
| <b>Capital financing costs</b>   |                           |                 |                 |                 |                         |                 |                 |                 |                 |                 |
| Interest paid on debt            | -£4,225                   | -£6,879         | -£7,557         | -£7,798         | -£8,953                 | -£9,952         | -£10,371        | -£10,830        | -£10,817        | -£10,710        |
| Interest paid on 141 receipts    | £0                        | -£67            | -£170           | -£134           | -£59                    | £0              | £0              | £0              | £0              | £0              |
| Debt management expenses         | -£89                      | -£95            | -£97            | -£99            | -£101                   | -£103           | -£105           | -£107           | -£109           | -£112           |
| Interest Received                | £11                       | £8              | £6              | £5              | £3                      | £3              | £7              | £12             | £16             | £19             |
| Depreciation                     | -£7,173                   | -£7,729         | -£7,976         | -£8,180         | -£8,464                 | -£8,813         | -£9,105         | -£9,299         | -£9,451         | -£9,605         |
| <b>Capital financing costs</b>   | <b>-£11,476</b>           | <b>-£14,762</b> | <b>-£15,794</b> | <b>-£16,206</b> | <b>-£17,575</b>         | <b>-£18,865</b> | <b>-£19,574</b> | <b>-£20,224</b> | <b>-£20,362</b> | <b>-£20,408</b> |
| <b>Appropriations</b>            |                           |                 |                 |                 |                         |                 |                 |                 |                 |                 |
| Revenue provision (HRA CFR)      | £0                        | £0              | £0              | -£2,269         | -£1,570                 | -£1,497         | -£1,950         | -£2,155         | -£2,068         | -£2,268         |
| RCCO                             | -£4,000                   | -£2,416         | -£2,061         | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| Other appropriations             | £0                        | £0              | £0              | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| <b>Appropriations</b>            | <b>-£4,000</b>            | <b>-£2,416</b>  | <b>-£2,061</b>  | <b>-£2,269</b>  | <b>-£1,570</b>          | <b>-£1,497</b>  | <b>-£1,950</b>  | <b>-£2,155</b>  | <b>-£2,068</b>  | <b>-£2,268</b>  |
| <b>Net income/ (expenditure)</b> | <b>-£1,144</b>            | <b>-£328</b>    | <b>£258</b>     | <b>£65</b>      | <b>-£38</b>             | <b>-£20</b>     | <b>£146</b>     | <b>-£28</b>     | <b>£89</b>      | <b>£7</b>       |
| <b>HRA Balance</b>               |                           |                 |                 |                 |                         |                 |                 |                 |                 |                 |
| Opening Balance                  | £2,043                    | £898            | £571            | £828            | £893                    | £855            | £835            | £981            | £954            | £1,042          |
| Generated in year                | -£1,144                   | -£328           | £258            | £65             | -£38                    | -£20            | £146            | -£28            | £89             | £7              |
| Appropriated in                  | £0                        | £0              | £0              | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| Appropriated out                 | £0                        | £0              | £0              | £0              | £0                      | £0              | £0              | £0              | £0              | £0              |
| <b>Closing Balance</b>           | <b>£898</b>               | <b>£571</b>     | <b>£828</b>     | <b>£893</b>     | <b>£855</b>             | <b>£835</b>     | <b>£981</b>     | <b>£954</b>     | <b>£1,042</b>   | <b>£1,049</b>   |

## Appendix C

### Key Assumptions

Below is a table showing the key assumptions for the first 10 years of the model. There is also a sensitivity analysis which shows the impact on various components of the model, if the assumptions were to change by 1%. For example, if CPI were to change then expenditure would be +/- £70, 000; if the rent increase changed then that would lead to an in-year impact of £350,000; any deviation in the interest rates would affect the interest paid/received:

|                                      | 1       | 2       | Sensitivity | 3       | 4       | 5       | 6       | 7       | 8       | 9       | 10      |
|--------------------------------------|---------|---------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                      | 2023.24 | 2024.25 | Analysis    | 2025.26 | 2026.27 | 2027.28 | 2028.29 | 2029.30 | 2030.31 | 2031.32 | 2032.33 |
|                                      | £000's  |         |             |         |         |         |         |         |         |         |         |
| <b>Underlying inflation rates</b>    |         |         |             |         |         |         |         |         |         |         |         |
| Consumer Prices (Excl Housing Costs) |         | 6.70%   | 70          | 2.25%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   |
| <b>Rent Increase</b>                 |         |         |             |         |         |         |         |         |         |         |         |
| Dwelling Rents                       |         | 7.70%   | 350         | 3.25%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   | 2.00%   |
| <b>Interest rates paid</b>           |         |         |             |         |         |         |         |         |         |         |         |
| New external borrowing               | 4.50%   | 6.00%   | 256         | 5.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   | 4.00%   |
| Internal borrowing                   | 4.50%   | 5.75%   | 362         | 4.75%   | 4.00%   | 3.50%   | 3.25%   | 3.25%   | 4.00%   | 4.00%   | 4.00%   |

# Equality Impact Assessment

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1. An Equality Impact Assessment (EIA) is a document that summarises how the council has had due regard to the public sector equality duty (Equality Act 2010) in its decision-making. Although there is no legal duty to produce an EIA, the Council must have **due regard** to the equality duty and an EIA is recognised as the best method of fulfilling that duty. It can assist the Council in making a judgment as to whether a policy or other decision will have unintended negative consequences for certain people and help maximise the positive impacts of policy change. An EIA can lead to one of four consequences:

- (a) No major change – the policy or other decision is robust with no potential for discrimination or adverse impact. Opportunities to promote equality have been taken;
- (b) Adjust the policy or decision to remove barriers or better promote equality as identified in the EIA;
- (c) Continue the policy – if the EIA identifies potential for adverse impact, set out compelling justification for continuing;
- (d) Stop and remove the policy where actual or potential unlawful discrimination is identified.

## Public sector equality duty

2. The Equality Act 2010 places a duty on the council, when exercising public functions, to have due regard to the need to:
- (a) Eliminate discrimination, harassment and victimisation;
  - (b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it (ie tackling prejudice and promoting understanding between people from different groups).

## Appendix B to November 2023 Cabinet report

3. These are known as the three aims of the general equality duty.

### Protected characteristics

4. The Equality Act 2010 sets out nine protected characteristics for the purpose of the equality duty:
- Age
  - Disability
  - Gender reassignment
  - Marriage and civil partnership\*
  - Pregnancy and maternity
  - Race
  - Religion or belief
  - Sex
  - Sexual orientation

\*For marriage and civil partnership, only the first aim of the duty applies in relation to employment.

### Due regard

5. Having 'due regard' is about using good equality information and analysis at the right time as part of decision-making procedures.
6. To 'have due regard' means that in making decisions and in its other day-to-day activities the council must consciously consider the need to do the things set out in the general equality duty: eliminate discrimination, advance equality of opportunity and foster good relations. This can involve:
- removing or minimising disadvantages suffered by people due to their protected characteristics.
  - taking steps to meet the needs of people with certain protected characteristics when these are different from the needs of other people.
  - encouraging people with certain protected characteristics to participate

in public life or in other activities where it is disproportionately low.

7. How much regard is 'due' will depend on the circumstances. The greater the potential impact, the higher the regard required by the duty. Examples of functions and decisions likely to engage the duty include: policy decisions, budget decisions, public appointments, service provision, statutory discretion, decisions on individuals, employing staff and procurement of goods and services.
8. In terms of timing:
  - Having 'due regard' should be considered at the inception of any decision or proposed policy or service development or change.
  - Due regard should be considered throughout development of a decision. Notes shall be taken and kept on file as to how due regard has been had to the equality duty in research, meetings, project teams, consultations etc.
  - The completion of the EIA is a way of effectively summarising this and it should inform final decision-making.

### Case law principles

9. A number of principles have been established by the courts in relation to the equality duty and due regard:
  - Decision-makers in public authorities must be aware of their duty to have 'due regard' to the equality duty and so EIA's must be attached to any relevant committee reports.
  - Due regard is fulfilled before and at the time a particular policy is under consideration as well as at the time a decision is taken. Due regard involves a conscious approach and state of mind.
- A public authority cannot satisfy the duty by justifying a decision after it has been taken.
- The duty must be exercised in substance, with rigour and with an open mind in such a way that it influences the final decision.

- The duty is a non-delegable one. The duty will always remain the responsibility of the public authority.
- The duty is a continuing one so that it needs to be considered not only when a policy, for example, is being developed and agreed but also when it is implemented.
- It is good practice for those exercising public functions to keep an accurate record showing that they have actually considered the general duty and pondered relevant questions. Proper record keeping encourages transparency and will discipline those carrying out the relevant function to undertake the duty conscientiously.
- A public authority will need to consider whether it has sufficient information to assess the effects of the policy, or the way a function is being carried out, on the aims set out in the general equality duty.
- A public authority cannot avoid complying with the duty by claiming that it does not have enough resources to do so.

The Equality and Human Rights Commission has produced helpful guidance on "Meeting the Equality Duty in Policy and Decision-Making" (October 2014). It is available on the following link and report authors should read and follow this when developing or reporting on proposals for policy or service development or change and other decisions likely to engage the equality duty. [Equality Duty in decision-making](#)

|  |   |
|--|---|
| <b>Lead officer:</b>   | Mark James  |
| <b>Decision maker:</b>   | Cabinet   |
| <b>Decision:</b> <ul style="list-style-type: none"> <li>• Policy, project, service, contract</li> <li>• Review, change, new, stop</li> </ul>   | <p>Note the priorities of the HRA, as set out in the Business Plan report, the updated Business Plan, and financial projections</p> <p>Note the HRA Business Plan will be referred to Overview and Scrutiny (O&amp;S) Budget Task Group, as part of the budget scrutiny process</p> <p>Agree that decisions for acquisitions are taken on a case-by-case basis within the existing delegations, by the Assistant Director for Housing, giving due regards to the HRA Business Plan and its priorities</p> <p>Authorise the Solicitor to the Council and Monitoring Officer to negotiate, finalise and complete all necessary legal agreements and other documents to give effect to the above.</p> <p>Agree that given the positive impact street purchases will have on the overall programme at the current time, these will continue as set out in paragraphs 73 and 76, the latter of which sees an additional 20 properties be purchased in the HRA as temporary accommodation</p> |
| <b>Date of decision:</b><br>The date when the final decision is made. The EIA must be complete before this point and inform the final decision.  | 30 <sup>th</sup> November 2023  |
| <b>Summary of the proposed decision:</b> <ul style="list-style-type: none"> <li>• Aims and objectives</li> <li>• Key actions</li> <li>• Expected outcomes</li> <li>• Who will be affected and how?</li> <li>• How many people will be affected?</li> </ul> | <p>Note the priorities of the HRA, as set out in the Business Plan report, the updated Business Plan, and financial projections</p> <p>Note the HRA Business Plan will be referred to Overview and Scrutiny (O&amp;S) Budget Task Group, as part of the budget scrutiny process</p> <p>Agree that decisions for acquisitions are taken on a case-by-case basis within the existing delegations, by the Assistant Director for Housing, giving due regards to the HRA Business Plan and its priorities</p> <p>Authorise the Solicitor to the Council and Monitoring Officer to negotiate, finalise and complete all necessary legal agreements and other documents to give effect to the above.</p> <p>Agree that given the positive impact street purchases will have on the overall programme at the current time, these will continue as set out in paragraphs 73 and 76, the latter of</p>   |

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|  | <p>which sees an additional 20 properties be purchased in the HRA as temporary accommodation</p>   |
| <p><b>Information and research:</b></p> <ul style="list-style-type: none"> <li>• Outline the information and research that has informed the decision.</li> <li>• Include sources and key findings.</li> </ul>  | <p>Building on solid foundations: delivering affordable homes in Ashford – delivery plan for 2019-2023</p> <p>Housing Strategy Framework Priority 1 – Improve the supply of affordable housing to meet local housing needs in urban and rural areas, and Housing Statement 2018-2023</p> <p>Reform of Housing Revenue Account (HRA) – Cabinet endorsed five key priorities for further spend, as a result of greater freedom within the HRA.</p> <p>National Housing Strategy 2011 – delivering new homes under the affordable rent model.</p> <p>A Charter For Social Housing Residents – Social Housing White Paper 2020.</p> <p>A Guide to Developing Affordable Homes in Rural Communities (Kent Housing Group [KHG]) – February 2021</p> <p>Housing Ombudsman Service – Spotlight on: Damp &amp; Mould Repairs Contract – Cabinet report (July 2023) to approve the exploration of an in-house repairs service.</p>   |
| <p><b>Consultation:</b></p> <ul style="list-style-type: none"> <li>• What specific consultation has occurred on this decision?</li> <li>• What were the results of the consultation?</li> <li>• Did the consultation analysis reveal any difference in views across the protected characteristics?</li> <li>• What conclusions can be drawn from the analysis on how the decision will affect people with different protected characteristics?</li> </ul>  | <p>Consultation will continue to be held with ward members where acquisitions or proposals for development fall within their ward boundaries. Previously, this has led to good outcomes and the engagement of ward members is always appreciated to help shape development schemes in particular. All sites within any future delivery programme are subject to planning approval and the formal consultation process as part of that. Consultation will take place with local residents, stakeholders and ward members, before proposed plans are submitted, giving them an additional opportunity to respond to the proposals outside of the formal planning consultation process.</p> <p>Consultation, or rather engagement and conversation, with tenants is clearly required as the Council develops its tenant engagement plans, in line with the requirements in the Social Housing Regulation Bill. This is a focal point of the Council’s HRA priorities and both at a strategic and operational level, and the involvement of residents living in Council-owned homes will improve.</p> <p>The Council will also consult, with those whose homes are part of the Social Housing Decarbonisation Fund bid. It is paramount that this work is undertaken and, as identified, engagement here is one of the keys to the success of delivering the necessary outcomes.</p> |
| <p><b>Assess the relevance of the decision to people with different protected characteristics and assess the impact of the decision on people with different protected characteristics.</b></p> <p>When assessing relevance and impact, make it clear who the assessment applies to within the protected characteristic category. For example, a decision may have high relevance for young people but low relevance for older people; it may have a positive impact on women but a neutral impact on men.</p> |  |

| <b>Protected characteristic</b>   | <b>Relevance to Decision</b><br>High/Medium/Low/None | <b>Impact of Decision</b><br><b>Positive</b> (Major/Minor)<br><b>Negative</b> (Major/Minor)<br><b>Neutral</b> |
|-----------------------------------|--|---|
| <u>AGE</u><br>Elderly             | High   | Positive (major)  |
| Middle age                        | High   | Positive (major)  |
| Young adult                       | High   | Positive (major)  |
| Children                          | High   | Positive (major)  |
| <u>DISABILITY</u><br>Physical     | High   | Positive (major)  |
| Mental                            | High   | Positive (major)  |
| Sensory                           | None   | Positive (major)  |
| <u>GENDER RE-ASSIGNMENT</u>       | None   | Neutral   |
| <u>MARRIAGE/CIVIL PARTNERSHIP</u> | None   | Neutral   |
| <u>PREGNANCY/MATERNITY</u>        | None   | Neutral   |
| <u>RACE</u>                       | None   | Neutral   |
| <u>RELIGION OR BELIEF</u>         | None   | Neutral   |
| <u>SEX</u><br>Men                 | None   | Neutral   |
| Women                             | None   | Neutral   |
| <u>SEXUAL ORIENTATION</u>         | None   | Neutral   |

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| <b>Mitigating negative impact:</b><br>Where any negative impact has been identified, outline the measures taken to mitigate against it. | Where the assessment has been carried out above it is on the basis of the new developments planned and new acquisitions in the pipeline. |
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**Is the decision relevant to the aims of the equality duty?**

Guidance on the aims can be found in the EHRC's [Essential Guide](#), alongside fuller [PSED Technical Guidance](#).

| Aim  | Yes / No / N/A |
|--|----------------|
| 1) Eliminate discrimination, harassment and victimisation  | N/A            |
| 2) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it | Yes            |
| 3) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it           | N/A            |

|   |   |
|---|---|
| <p><b>Conclusion:</b></p> <ul style="list-style-type: none"><li>• Consider how due regard has been had to the equality duty, from start to finish.</li><li>• There should be no unlawful discrimination arising from the decision (see guidance above ).</li><li>• Advise on whether the proposal meets the aims of the equality duty or whether adjustments have been made or need to be made or whether any residual impacts are justified.</li><li>• How will monitoring of the policy, procedure or decision and its implementation be undertaken and reported?</li></ul> | <p>Due regard has been considered throughout this proposal to each protected group.</p> <p>No unlawful discrimination has arisen from the decision.</p> <p>The effect on the community will be positive due to the aims of the programme delivery. No adjustments required.</p> <p>The programme will be monitored by a Housing Project group with regular updates to our Portfolio Holder and Cabinet.</p> |
| <b>EIA completion date:</b>   | 30 <sup>th</sup> October 2023   |



## The 22 Tenant Satisfaction Measures (TSMs) and how they are measured

### Overall satisfaction

1. Overall satisfaction with the service provided by the landlord. **Measured by: tenant perception survey**

### Keeping properties in good repair

2. Satisfaction with repairs. **Measured by: tenant perception survey**
3. Satisfaction with time taken to complete most recent repair. **Measured by: tenant perception survey**
4. Satisfaction that the home is well-maintained. **Measured by: tenant perception survey**
5. Homes that do not meet the Decent Homes Standard. **Measured by: landlords' management information**
6. Repairs completed within target timescale. **Measured by: landlords' management information**

### Maintaining building safety

7. Satisfaction that the home is safe. **Measured by: tenant perception survey**

### Safety checks

8. Gas safety checks. **Measured by: landlords' management information**
9. Fire safety checks. **Measured by: landlords' management information**
10. Asbestos safety checks. **Measured by: landlords' management information**
11. Water safety checks. **Measured by: landlords' management information**
12. Lift safety checks. **Measured by: landlords' management information**

### Respectful and helpful engagement

13. Satisfaction that the landlord listens to tenant views and acts upon them. **Measured by: tenant perception survey**
14. Satisfaction that the landlord keeps tenants informed about things that matter to them. **Measured by: tenant perception survey**
15. Agreement that the landlord treats tenants fairly and with respect. **Measured by: tenant perception survey**

### Effective handling of complaints

16. Satisfaction with the landlord's approach to handling of complaints. **Measured by: tenant perception survey**
17. Complaints relative to the size of the landlord. **Measured by: landlords' management information**
18. Complaints responded to within Complaint Handling Code timescales. **Measured by: landlords' management information**

### Responsible neighbourhood management

19. Satisfaction that the landlord keeps communal areas clean and well-maintained. **Measured by: tenant perception survey**

20. Satisfaction that the landlord makes a positive contribution to neighbourhoods.

Measured by: [tenant perception survey](#)

21. Satisfaction with the landlord's approach to handling anti-social behaviour. Measured by: [tenant perception survey](#)

22. Anti-social behaviour cases relative to the size of the landlord. Measured by: [landlords' management information](#)