Agenda Item No. 10

Meeting of the Cabinet – 31st October, 2019

Joint Report of the Strategic Director Place and the Chief Officer Finance and Legal Services

Review of Housing Finance

Purpose

1. To present the latest financial forecasts for the Housing Revenue Account (HRA) budgets for 2019/20.

2. To consider:

   - rents for council homes with effect from 6th April 2020.
   - charges for sundry services with effect from April 2020.
   - a draft HRA budget for 2020/21 in the light of the latest government announcements on housing finance and our latest spending and resource assumptions.
   - a revised Public Sector Housing capital programme for 2019/20 to 2022/2023.
   - the HRA's 30 Year Business Plan.

3. Cabinet is not being asked to make final decisions in relation to paragraph 2. The proposals in this report will be considered by the Place Scrutiny Committee before returning to Cabinet on 12th February 2020 and where relevant Council on 24th February 2020.

Recommendations

4. That Cabinet:

   a. note the latest HRA budget forecast for 2019/20 (paragraphs 6 - 10 and Appendix 1) and the revised Public Sector Housing capital programme for 2019/20 (Appendix 2);
   b. approve the other proposals outlined in this report as a basis for scrutiny (paragraph 2).

Background

5. The HRA is a ring-fenced revenue account and deals with landlord functions associated with public sector housing. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

   <u>HRA Budget Forecast 2019/20</u>

6. The current budget for 2019/20 approved by Cabinet on 11th February 2019 shows a surplus on the HRA of £1.071m at 31st March 2020. There are now a number of variations to the original budget.

7. The original 2019/20 budget and the latest forecast for 2019/20 are shown in Appendix 1. The latest forecast shows a surplus on the HRA of £1.320m at 31st March 2020. It is not proposed to revise the budget, but to report the forecast variances against the original budget.

8. The balance brought forward from 2018/19 was £2.170m, compared to the £1.821m budgeted.

9. The latest forecast for 2019/20 includes the following key variations to the budget:

   - Improvement in rental income as a result of maintaining good collection rates and reduced void rent loss;
   - Improvement in non-rental income (contributions to expenditure);
   - Increased management costs, owing to expenditure to be funded by reserves brought forward from the previous year, and additional staffing to address key areas of support;
   - Increase in the Transfer to Major Repairs Reserve: this is based on the valuation of the housing stock and the requirement to set aside a certain amount of resource every year to contribute to capital expenditure to maintain the stock in good order;
   - Reduction in the resource available as a Revenue Contribution to Capital, offsetting the increase in resource via the Transfer to Major Repairs Reserve;
   - Increase in Other Expenditure as a result of adjusted accounting practice.

10. These adjustments overall result in an increase in the forecast surplus for the year from £1.071m to £1.320m.

Rent Increase

11. The self-financing system introduced in April 2012 for Housing assumed that rent increases would be in line with government guidance at the time relating to social housing rents: that is, a maximum increase of September CPI plus 1%. From April 2020, social housing providers will return to this policy, following the four years of rent reductions (2016/17 through to 2019/20) announced in the July 2015 budget. It is therefore proposed that the next rent year will start on 6th April 2020 and that weekly rents will be increased by 2.7% compared to 2019/20 levels. The HRA budget for 2020/21 and the 30 year long-term financial forecast for the HRA are both based on this level of increase.

12. The average weekly rent will be £78.53 from April 2020, compared to a current average weekly rent of £76.47.

Service Charges

13. In addition to the rents discussed above, we currently apply service charges in certain properties in respect of items such as furniture and garden maintenance. It is proposed that these service charges be increased by 1.7% in line with inflation (CPI).

14. We also apply service charges to 348 properties in our eleven sheltered housing schemes in respect of heating and lighting. These charges vary according to the scheme and the size of the properties and may be offset against the winter fuel payment received by tenants, plus any cold weather payments. Housing Benefit will also cover these charges where applicable. We have reviewed current charges and the electricity and gas costs incurred at each scheme, and we propose that all charges be maintained with no increase for 2020/21.

15. The Council offers laundry tokens for sale for the use of tenants at three high rise blocks (two in Brierley Hill and one in Dudley). It is proposed that charges be maintained at the current rate of £2.60 per token, as there was a 4% increase last year.

16. It is proposed that pitch licences at Oak Lane be increased by 2.7%, in line with the proposal for general rents, and that weekly charging for water be increased by 1.7% in line with inflation to £6.78 per week.

17. The Council currently charges an administration fee of £120 per year to its leaseholders, to cover the costs of managing the properties. It is proposed to increase this fee to £130 per year from 1 April 2020 in order to continue to move towards full cost recovery. We will also seek the views of leaseholders specifically in relation to this proposal.

18. It is proposed that the current charge of £60 (plus VAT) per leasehold information pack, introduced from 1 January 2015 to cover the costs of compiling information relating to the sale of council flats, be increased to £75 (plus VAT) with effect from 1 April 2020.

19. The Council currently charges private residents who are in receipt of Telecare services (provision of an alarm service, and also standalone equipment such as pill dispensing service and GPS tracking watches) £14.40 per month, and also charges Housing Association tenants varying amounts for this service. It is proposed to increase these charges by 2.1% to £14.70 per month from 1 April 2020. This represents an increase of 30p per month. Income generated will be used to increase investment in and development of the service.

Garage rents, garage plots and access agreements

20. It was agreed by Cabinet in February 2008 that inflationary increases for garages, garage plots and access agreements be made every three years, with the next increase to take effect from 2020/21.

21. Annual rents for garage plots and access agreements were last increased from April 2017. It is therefore proposed to increase these rents with effect from 1st April 2020 by 7.4% to take into account inflation over the previous three years.

22. Garages have been categorised as Red, Amber or Green, based on their condition, with rent increases being considered every three years. This approach was agreed by Cabinet following consultation at that time with Area Housing Panels. The last general inflationary increase of garage rents took place in April 2017. Maintenance and improvement of garages is now undertaken for the stock as a whole, rather than on an area basis, so we are moving towards one rent level for each category of garage. It is proposed that rents be increased from 6th April 2020, as shown in the table below. Lower increases will apply to those areas which previously had higher rents, while the higher increases bring lower rents into line.

	Red	Amber / Green
Current weekly rent	£2.18	£4.60 / £5.10
Proposed weekly rent	£2.50	£5.30
Increase	32p	70p / 20p

It is proposed that, in view of the small weekly sums involved and the administrative cost of implementing rent increases, general inflationary increases for garages, garages plots and access agreements continue to be considered every three years, with the next increase due from April 2023. However, an internal review of garage sites and plots is taking place, and should this result in a requirement for additional investment or maintenance, an earlier increase may be considered.

Proposed HRA budget 2020/21

23. The proposed draft HRA budget for 2020/21 is also shown in Appendix 1. This budget is based on recent trends and our latest assessment of government policy on housing finance.

24. The key elements of the self-financing system that now operates in relation to local authority housing are:
    - Abolition of the HRA Subsidy system and retention of all rental income.
    - A one-off allocation of housing debt based on an affordability calculation.
    - Transfer of investment, borrowing and inflation risks to housing authorities.
    - Continued compliance with central government rent policy.

25. The proposed draft HRA budget for 2020/21 takes account of the proposed rent increase of 2.7% on the 6th April 2020 (paragraphs 11 - 12).

26. The proposed draft HRA budget for 2020/21 includes a budget for housing management of £18.6m. This covers the day to day management of properties including income collection, tenancy enforcement, support for vulnerable tenants and lettings and void management.

27. Since 2014/15, the HRA has topped up the Discretionary Housing Payments (DHP) allocation received from central government. This allows for discretionary additional benefit payments to meet housing needs, mainly where a tenant has had housing benefit reduced as a result of under-occupancy penalties or the benefit cap. Around 75% of awards relate to council housing tenants, although awards are also made to tenants of housing associations or tenants in the private rented sector. The proposed draft budget for 2020/21 includes a contribution of £550,000, which will be added to the grant from central government.

28. The proposed draft HRA budget for 2020/21 includes a budget for repairs and maintenance of £23.8m. This reflects:
    - Undertaking responsive repairs and routine void works;
    - Undertaking all required cyclical statutory responsibilities such as annual servicing of gas appliances, electrical inspections and maintenance on specialist electrical systems, warden call equipment and alarms, lift servicing, repairs and inspections, and periodic testing of water hygiene;
    - Cyclical maintenance such as painting of communal areas, social decorations for vulnerable residents.

29. The proposed draft HRA budget for 2020/21 includes a budget for interest payments of £17.4m. This covers the payments that are due on the debt taken on as part of the self-financing settlement and additional borrowing under the Local Growth Fund.

Public Sector Housing Capital Programme

30. In February 2019, a 5 year housing public sector capital programme was agreed. A revised capital programme reflecting latest forecasts is shown at Appendix 2. This includes an increase in new council house building, to ensure that we continue to meet our Right to Buy Replacement target, and also includes investment planned for our sheltered schemes in order to maintain independent living for our older tenants.

31. The capital programme follows the principles approved in February 2019 and reflects the priorities of the Council Plan, the views of members and residents as expressed via the Housing Board, DFTRA and wider consultation events, and the proposed Housing Asset Management Strategy 2019 - 2029, which is the subject of another item on this agenda. Strategic, planned investment therefore continues to target the following key priorities:

- Provision of quality affordable housing to provide safe, affordable homes that people want to live in – investment in our core stock and tackling empty homes efficiently;
- Managing our stock strategically to ensure future viability of affordable housing;
- Measuring and identifying stock quality and performance with de-investment, demolition and / or disposal of non-viable stock;
- Provision of more affordable housing to meet our diverse housing need – developing more affordable homes and mixed tenure estates;
- Improving the offer for supported living to meet the needs of an aging and vulnerable population;
- Addressing the housing and community needs of our residents and estates, particularly around health and wellbeing, addressing fuel poverty and promoting independent living;
- Delivering community and estate regeneration, improving quality, sustainability and safety;
- Ensuring value for money through our housing services – maximising resources, income and opportunities for commercialism supported by efficient procurement;
- Providing opportunities through construction to create jobs, employment, apprenticeships and training opportunities, making a positive impact on the economic prospects for the borough for businesses and individuals.

HRA Business Plan

32. The financial strategy for landlord housing is the subject of a continuing consultation process that includes tenants and residents.

The key elements of this financial strategy, which presents an overall 30 Year Business Plan and covers a rolling five year period in more detail, include:

- maintain the Decent Homes Standard;
- improve the energy efficiency of the housing stock and address fuel poverty;

- invest in housing stock and minimise the number of void properties;
- review the suitability of the housing stock and explore the feasibility of new build to increase stock and / or replace properties that are in poor condition or that do not meet modern requirements;
- support the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
- identify ongoing savings and efficiency gains, through the use of partnerships where appropriate;
- continue to undertake prudent management of reserves and other balances;
- set rents having regard to government rent policy for social housing and our investment needs.

The HRA Business Plan is shown at Appendix 3. Clearly, the government's decision to impose a 1% reduction in social landlords' rents each year for four years represented a significant change to our original forecasts for 2016/17 onwards, which were based on the government's rent policy (CPI plus 1% rent increases).

Finance

33. Section 76 of the Local Government and Housing Act places a duty on the Council to ensure that no action will be taken that may cause a deficit to arise on the HRA at 31 March 2020. A duty is also placed on the Council to review the financial prospects of the HRA from time to time. Reviews and regular monitoring carried out confirm that the HRA will be in surplus at 31 March 2020 and therefore complies with the requirements of the Act.

Law

34. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing.

Equality Impact

35. The proposals take into account the Council's Policy on Equality and Diversity.

36. This is a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure are intended to promote independence and improve quality of life for protected groups.

Organisational Development / Transformation

37. The proposals in this report do not have any direct organisational development, human resources or transformational implications.

Commercial / Procurement

38. The proposals in the report relate to our statutory functions as a social housing landlord, and therefore there are no direct commercial implications.

Health, Wellbeing and Safety

39. The proposals in the report relate to our statutory functions as a social housing landlord and will contribute to the health, wellbeing and safety of our tenants.

Alan Lunt
Strategic Director of Place

Iain Newman
Chief Officer Finance and Legal Services

Contact Officer: Catherine Ludwig
Telephone: 01384 815075
Email: catherine.ludwig@dudley.gov.uk

List of Background Papers - none

Appendix 1

HRA Budget and Forecast 2019/20 and Draft Budget 2020/21

	Original Budget 2019/20 £000s	Latest Forecast 2019/20 £000s	Forecast Variance 2019/20 £000s	Proposed Draft Original Budget 2020/21 £000s
Income				
Dwelling rents	-82,596	-82,911	-315	-85,839
Non-dwelling rents	-817	-803	14	-832
Charges for services and facilities	-243	-246	-3	-246
Contributions towards expenditure	-913	-1,222	-309	-922
Interest on balances	-90	-89	1	-85
Total income	**-84,659**	**-85,271**	**-612**	**-87,924**
Expenditure				
Management	17,970	18,398	428	18,600
Management –homeloss and disturbance	0	20	20	0
Responsive and cyclical repairs	23,266	23,266	0	23,757
Transfer to Major Repairs Reserve	23,431	23,939	508	24,492
Interest payable	17,305	17,327	22	17,354
Revenue contribution to capital expenditure	1,000	312	-688	1,400
Discretionary Housing Payments	550	550	0	550
Other expenditure	1,887	2,309	422	2,334
Total expenditure	**85,409**	**86,121**	**712**	**88,487**
Surplus / Deficit in year	**750**	**850**	**100**	**563**
Surplus brought forward	**-1,821**	**-2,170**	**-349**	**-1,320**
Surplus carried forward	**-1,071**	**-1,320**	**-249**	**-757**

Appendix 2

Proposed capital programme 2019/20 to 2022/23

Thematic Programme	2019/20 (000's)	2020/21 (000's)	2021/22 (000's)	2022/23 (000's)
Maintaining Existing Homes	11,869	10,156	11,620	11,655
Major Works to Empty Homes	8,317	8,253	7,316	7,112
Fuel Poverty	3,992	3,963	3,889	4,198
Independent Living	3,653	4,798	6,575	3,373
Community and Estate Regeneration	2,334	2,547	3,398	1,710
Strategic Stock Management	1,689	6,443	2,080	2,336
New Council Housing	7,858	9,254	9,111	8,973
Total	**39,712**	**45,414**	**43,989**	**39,357**

Resources

	2019/20 (000's)	2020/21 (000's)	2021/22 (000's)	2022/23 (000's)
Borrowing	0	587	7,135	2,509
Major repairs reserve	23,939	24,492	24,982	25,481
Revenue contribution to capital	312	1,400	1,500	1,500
Usable capital receipts	14,418	16,685	8,172	7,867
Less usable capital receipts transferred to support private sector housing capital	0	0	0	0
Other (grants)	1,043	2,250	2,200	2,000
Grand Total	**39,712**	**45,414**	**43,989**	**39,357**

Appendix 3

HRA Business Plan - Thirty Year Business Planning Strategy for Landlord Housing

Purpose

1. The Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) has set out how the Council plans to balance spending pressures and available resources over the medium term, taking into account risks and uncertainties. It relates specifically to the Housing Revenue Account (HRA) and the capital programme for improvement of the Council's own housing stock.

2. The MTFS(LH) should be read in conjunction with the Council's overall Medium Term Financial Strategy (MTFS). The underlying principles set out in the overall document apply equally to the MTFS(LH).

3. In the context of the introduction of Self-Financing for public sector housing, the abolition of the HRA subsidy system, the increased autonomy and flexibility that housing authorities will have to manage their stock and, in Dudley's case, the increased debt taken on, a Thirty Year Business Plan has been developed. This takes into account issues including investment need, treasury management strategy, financial projections and tenants' engagement.

Background

4. The financial strategy for landlord housing takes into account the delivery of the Decent Homes Standard and the new opportunities and challenges arising from the introduction of the self-financing system. This is the subject of an ongoing consultation process that includes tenants and residents. The key elements of this new financial strategy, which will cover a rolling five year period, are:

   - maintain the Decent Homes Standard;
   - Improve the energy efficiency of the housing stock and address fuel poverty;
   - invest in housing stock and minimise the number of void properties;
   - review the suitability of the housing stock and explore the feasibility of new build to increase stock and de-invest in and / or replace properties that are in poor condition, low demand or that do not meet modern requirements;
   - support the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;
   - identify ongoing savings and efficiency gains, through the use of partnerships where appropriate;
   - continue to undertake prudent management of reserves and other balances;
   - set rents having regard to government rent policy for social housing and our investment needs.

The proposed budget and the MTFS(LH)

5. Ongoing resources are required to maintain the Decent Homes standard, and deal with properties where the age of the fittings mean that a replacement is required, and non-decent properties as they become void. The rolling five-year capital programme includes resources to maintain the Decent Homes Standard.

6. Regular stock validation surveys have been undertaken to externally validate and support existing stock investment information for the housing stock. The detailed output of this is now embedded within the 30 year investment cost plan, which is continually updated to reflect investment undertaken and newly arising investment need.

The Housing Asset Management Strategy has the following key priorities:

- Provision of quality affordable housing to provide safe, affordable homes that people want to live in – investment in our core stock and tackling empty homes efficiently;
- Managing our stock strategically to ensure future viability of affordable housing;
- Measuring and identifying stock quality and performance with de-investment, demolition and / or disposal of non-viable stock;
- Provision of more affordable housing to meet our diverse housing need – developing more affordable homes and mixed tenure estates;
- Improving the offer for supported living to meet the needs of an aging and vulnerable population;
- Addressing the housing and community needs of our residents and estates, particularly around health and wellbeing, addressing fuel poverty and promoting independent living;
- Delivering community and estate regeneration, improving quality, sustainability and safety;
- Ensuring value for money through our housing services – maximising resources, income and opportunities for commercialism supported by efficient procurement;
- Providing opportunities through construction to create jobs, employment, apprenticeships and training opportunities, making a positive impact on the economic prospects for the borough for businesses and individuals.

7. Our forecasts are been based on recent financial trends and our current assessment of the Government's housing finance policy and, like any forecast, should be regarded with caution (risks to the forecast are considered later). In view of our commitment to stock retention and maintenance of the Decent Homes Standard, it is proposed that we continue when necessary to give consideration to the following:

- ongoing review of spending and resource forecasts;
- further efficiency and other savings, including those achievable from use of partnerships;
- review of the existing housing stock provision to consider de-investment options and re-configuration of high investment need and low demand homes;
- addition to and replacement of the housing stock via new build programmes;
- the level of housing debt;
- service charges[1].

[1] Government subsidy calculations assume charges over and above the rent for special services to flats and for supported housing – the HRA is financially disadvantaged as a result of not applying these charges.

8. Whilst in some areas the volume of smaller responsive repairs has generally decreased due to recent investment, particularly around central heating, there is an emerging trend of increasing investment need to deliver major improvements to homes and to maintain decent homes, which was only ever a minimum tolerable standard, to a housing stock that is, on average, 63 years old. Delivering planned programmes of improvements in cyclical, strategic programmes (such as the current planned boiler and double glazing programmes) is the optimal solution to delivering value for money through efficient procurement and planned works delivery

9. A proposed rolling capital programme has been developed as a continuation of the existing programme to maintain current standards and improvements following the achievement of the Decent Homes standard, and in line with the priorities of the Housing Asset Management Strategy.

10. Resources have been identified for a new build programme which will meet our current Right to Buy Replacement targets and also fund the schemes for which we have Local Growth Fund approval. Resources have been allocated to future years assuming that government rules will continue as they are currently.

<u>Risks to the financial forecast</u>

11. The main risks to the financial forecast are considered below:

Risk	**Impact**
Inflation higher than forecast	While increased inflation has an impact on costs, in the case of the HRA, it also affects resources, through the rent increase (or decrease) applied. If cost inflation is lower than general inflation as used to determine rent levels, this will have a positive budgetary impact. However, if cost inflation is higher than general inflation as used to determine rent levels, this will have a negative budgetary impact.
Income levels not achieved	<u>Rent loss from void properties</u> We have seen over recent years an increase in void properties, which has resulted in an increased rent loss of up to 3% of total rent available. We have seen an increase in the number of hard-to-let properties, for instance two-bedroom flats, particularly in high rise blocks, and some three-bedroom houses. We are working on improving processes to reduce the time that properties are empty.

The cost for each 1% void loss is around £1m per annum.

Rent loss from non-payment of arrears
As part of the Government’s proposed welfare reforms, many tenants will start to receive Universal Credit direct and will therefore be responsible for paying their own rent. Currently, tenants in receipt of housing benefit have their rent paid as a transfer from Benefits. This is likely to lead to an increase in arrears and potentially in bad debts.

The long-term impact of Universal Credit on rent collection rates is difficult to assess at this stage, but initial estimates from the pilot projects suggest that the collection rate may fall from the current 98% to 80% - 90%. The management cost of collecting rents is also expected to rise as more payments are made direct by tenants rather than via transfer from the Benefits system.

Dudley was in the first tranche of the national roll-out of Universal Credit to new, single claimants nationally, which started in March 2015. Numbers were fairly low, although managing this caseload has proved very intensive in terms of staff time and we are seeing higher arrears for this group (average 80% of Universal Credit claimants are in arrears, compared to around 26% of all tenants).

All new claimants and many existing claimants who have changes in circumstances have been moving to Universal Credit in Dudley from July 2017. We are working actively to mitigate the risk of loss of income, including tenant profiling, pre-tenancy training, support for tenants experiencing financial difficulties, increased automation and other efficiencies in the income recovery process, and partnership working across the council and with DWP, CAB and other agencies.

Since July 2017, we have seen numbers on Universal Credit increase significantly, from an average of 4 new tenants a week moving to Universal Credit previously to around 50 a week since the full roll-out.

In addition to Universal Credit, tenants may also be affected by underoccupancy charges (since April 2013) and the reduced Benefit Cap (since November 2016).

	We expect the final phase of the Universal Credit rollout (managed migration for existing claimants) to take place at some point towards the end of 2020/21 but as yet we have no firm dates and no detail from DWP on how this process will be undertaken.
Change in rent policy	The requirement for social landlords to reduce their rents by 1% annually from April 2016 for four years has had a significant impact on future budgets and has required us to revise our HRA Business Plan to reflect this lost income. Compared to our forecasts for 2015/16 original budgets, this ongoing, cumulative rent reduction represents a loss of income of almost £28m by 2019/20. We have now had confirmation that from April 2020 we will be able to increase rents by up to September CPI plus 1%, and that this national formula for rent increases will be in place at least until 2025.
Changes to other Government housing policies	We always keep under review proposed changes in Government housing policy and the potential impact on the HRA.
Interest rates higher than forecast	Our debt on housing properties is around £470m following the introduction of self-financing. Hence, interest rate risk is much more significant than it was under the subsidy system. Risk is mitigated by borrowing at fixed rates and spreading repayment dates to minimise refinancing risk. As the HRA takes out additional borrowing we will mitigate the risk of interest rate rises in the same way.
Reduction in property values in the borough	Any reduction in property values will reduce the value of usable capital receipts.
Reduction in land sales and capital receipts	We recognise that with a new council house building programme we are likely to be disposing of fewer housing sites.

Reinvigoration of Right to Buy	The Government has increased the cap on Right to Buy (RTB) discount from £26,000 to £80,900 per property, and in future years this will continue to increase by inflation annually. The maximum discount for houses has also been increased to 70%, and in May 2015 the requirement to have been a council tenant for 5 years before exercising right to buy has been reduced to 3 years. The changes have resulted in increased sales from the last quarter of 2012/13 onwards, although sales have been fairly consistent at around 180 – 200 per year from 2013/14 onwards. However, because the value of the maximum discount has increased and there has been a reduction in the average value of the properties sold, increased sales will not necessarily result in a proportionally greater value of capital receipt income. New regulations have replaced the capital receipts pooling arrangements and require councils to build replacement homes for all extra homes sold under Right to Buy.
Suitability of stock	Some of our stock is old and not particularly suited to modern styles of living. In addition, changes to the benefit system mean that some of our properties are less attractive than they were previously (e.g. two-bed high rise flats or three-bed maisonettes). We are already experiencing difficulty in letting such properties, which leads to a loss in rental income and also potentially an increase in security costs and an increase in anti-social behaviour. Work is ongoing to assess the sustainability of the housing stock addressing the net present value of housing investment needs and rental income against demand, resulting in an assessment of the housing stock at an individual unit level, and leading to proposals which may include stock remodelling, disposal and or demolition according to the principles in the Asset Management Strategy.
Availability of borrowing	Following the removal of the HRA borrowing cap, we are exploring options for the prudent use of additional borrowing power to improve and increase our stock.

Brexit	We are working in partnership with colleagues across the Council and the region to assess the potential impact of leaving the EU and ways in which adverse impacts can be mitigated. Contracts with suppliers have been negotiated with this in mind.
Unforeseen costs or costs greater than estimated	Any unbudgeted costs would have to be met from economies or reductions in planned spending in the year in which they arise or from any balances available in that year.

<u>Partnerships</u>

12. Housing Services is continuing to deliver on its partnership working and currently has a number of such arrangements, for example:

    - A strategic partner for delivery of new council housing under a framework arrangement to 2020;
    - Strategic partnerships that are being delivered in accordance with the principles of Sir John Egan's report 'Rethinking Construction'. Through innovative payment mechanisms, incentivising good performance and modern methods of collaborative working, partnerships are delivering improved services at a measurably lower cost and have allowed valuable and limited resources to be re-invested in the housing stock.

13. Funding partnerships have also been forged with Homes England (formerly the HCA) to support new council housing and historically with energy service providers to increase resources for reducing carbon emissions under the Government's ECO (Energy Company Obligations).

14. Procurement consortia are also used (e.g. the LHC Framework, Procurement for Housing) and other partnership arrangements will also continue to be used where appropriate, forming partnerships with established bodies to deliver procurement efficiencies.