

## Meeting of the Council – 27<sup>th</sup> February 2006

### Report of the Cabinet

### Deployment of Resources: Housing Revenue Account and Public Sector Housing Capital

#### Purpose of Report

1. The purpose of this report is:
  - To set the Housing Revenue Account (HRA) budget for 2006/7 in the light of the latest government determinations for housing finance and our latest spending and resource assumptions.
  - To set a rent increase for garages in the Dudley area.
  - To set a capital expenditure budget for the improvement and programmed maintenance of the Council's housing stock in 2006/7, 2007/8 and 2008/9.
  - To review the medium-term financial strategy for the HRA and Public Sector Housing Capital.

#### Background

2. The HRA is a "ring-fenced" revenue account and deals with landlord functions associated with public sector housing<sup>1</sup>. The costs of improvement and programmed maintenance of the Council's housing stock are treated as capital expenditure and are accounted for separately.

#### Proposed HRA budget 2006/7

3. The proposed HRA budget for 2006/7 is attached as **Appendix 1**. This budget is based on recent trends and our latest assessment of government policy on housing finance.
4. The HRA Subsidy settlement for 2006/7 includes a significant change to government policy on rent restructuring, designed to ensure

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<sup>1</sup> The Housing General Fund deals with private sector issues, such as renovation grants and general housing advice, and is to be included in another report to the Council. The separation of expenditure and income between the HRA and the General Fund complies with government guidance.

convergence between councils and registered social landlords by 2011. The Government now expects Dudley to set a 4.8% average rent increase in 2006/7 (compared to 3.9% in 2005/6). The subsidy calculation assumes that this increase takes place in April and that the additional income is available to pay into a national pool – this is reflected in the proposed budget. The budget does not at this stage reflect any actual rent increase - it is anticipated that this will be considered by the Cabinet in the summer and that any increase will be reflected in a revised budget at that time.

5. The other significant change reflected in the budget is a slowdown in Right to Buy sales. This will have a positive effect in revenue terms but will reduce the level of usable receipts available to fund capital expenditure. It is proposed that, in order to maintain the capital programme required to deliver the Government's Decent Homes Standard, we undertake additional borrowing of £1.6m. The impact on revenue of this additional borrowing is taken into account in the medium-term financial strategy (see below).
6. The proposed HRA includes a budget for housing management of £13.0m. This allows for savings of 1% in real terms (as anticipated in the Housing Stock Options Appraisal). These savings have been identified primarily through a review of vacant posts in area management and through a review of senior management and business support functions in the creation of the new Directorate of Adult, Community and Housing Services. Allowance has been made in the budget for the development of choice-based lettings and additional support, in recognition of inflation over a number of years, to Dudley Federation of Tenants and Residents Associations (DFTRA).
7. The budget shows a reserve of £0.2m remaining as at 31<sup>st</sup> March 2007. This reserve is required to support expenditure to deliver the Decent Homes Standard in later years.

#### Garage rents

8. At its meeting on 8<sup>th</sup> September 2004, the Executive agreed garage rent increases with the aim of supporting investment in its garage sites. Following consultation with the Area Housing Panels, these increases (and the level of investment generated) differed from area to area. Following these increases, the Dudley area has the lowest garage rents - £3.25 per week. However, the investment generated in the Dudley area (£236,000) has proved to be inadequate to deal with the level of disrepair in its garage sites. The Dudley Area Housing Panel has reconsidered its original recommendation and now recommends that garage rents in the area be raised to £4.00 per week<sup>2</sup>, and that this be

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<sup>2</sup> This recommendation does not apply to "red" sites. Red sites are those which, for reasons of anti-social behaviour or very poor condition, were earmarked for disposal in September 2004.

used to fund a further £236,000 of borrowing for investment in garage sites.

Proposed public-sector housing capital budget 2006/7 to 2008/9

9. A proposed three-year public sector capital budget for 2006/7 to 2008/9 and revised budget for 2005/6 are attached as **Appendix 2**. Explanations of the budgets are attached as **Appendix 3**.
10. Recent capital programmes have targeted investment into achieving Government targets to meet the Decent Homes Standard and energy efficiency measures aimed at meeting Government targets under the Home Energy Conservation Act (HECA).
11. Dudley is continuing to address the Decent Homes target and has reduced the number of non-decent homes from 9,881 in 2001, to 6,369 at 31<sup>st</sup> March 2005, the latter representing 26% of the housing stock at the start of the 2005/6 monitoring year. Dudley is also on programme to achieve its HECA targets.
12. The proposed capital programme is based on the following priorities:
  - Providing a repairs service that will not result in a future backlog of routine repairs developing;
  - Maintaining investment to achieve the Government's Decent Homes target of making all homes decent by 2010;
  - Improving energy efficiency and reducing fuel poverty;
  - Maintaining Community Safety budgets at current levels;
  - Maintaining other environmental and social programmes to reflect the priorities of the Council Plan and the views of Area Housing Panels.
13. To ensure effective utilisation of all resources that become available, the Council is requested to authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, to manage the three-year programme so as to use all the resources that become available and commit expenditure to that amount and to report progress and actions to the Cabinet. In doing this, the Council is requested to confirm that all capital receipts arising from the sale of HRA assets (other than those specifically committed in Appendix 2 to support private sector housing) should be used for the improvement of council homes.
14. To facilitate implementation of the programme, the Council is requested to authorise the Director of Adult, Community and Housing Services to prepare specifications, select tenderers from the standing list of tenders, invite tenders and accept the most advantageous (best value) tender. These actions will be carried out in accordance with Standing Orders and Financial Regulations. The Council is also asked to agree that the Director of Adult, Community and Housing Services be authorised to accept tenders on their behalf.

15. During 2003/4 Housing procured term contracts for delivering level access showers and access ramps to homes of persons with disabilities. This term contract approach for delivering Adaptations to Council owned dwellings has reduced procurement costs and timescales. Council approval is sought to negotiate to extend the three contracts for a further twelve month period at an estimated total value of £500,000. The three contracts have all been carried out with a high degree of customer satisfaction and extending them is expected to deliver value for money as well as maintaining procurement efficiencies and the high service standards already being delivered. It will also contribute towards reducing waiting times. Procurement activity in 2006/7 will deliver larger term contracts for 2007/8 onwards, which will further reduce tendering costs and improve the quality of service delivery through increased collaborative working with contractors.

#### Medium Term Financial Strategy for Landlord Housing

16. As part of the Housing Stock Options Appraisal (approved by Council in April 2005) we prepared a financial forecast up to 2010. It was based on financial trends and government policy (including rent restructuring) and showed that, on the basis of delivering a minimum programme of repairs and improvements, it would be possible to deliver the Decent Homes Standard by 2010. We have reviewed our forecasts in the light of changes to rent restructuring, HRA Subsidy and the slowdown of Right to Buy sales. These are set out in our medium-term financial strategy attached as **Appendix 4**.
17. Our forecast, based on the changes made by the Government, suggests a shortfall of around £7m in the resources required to deliver Decent Homes by 2010. As a medium-term forecast, this should be treated with caution. However, it is proposed that we consult with Area Housing Panels on measures that might be taken to offset this shortfall with a view to reporting to the Cabinet again in the summer.
18. On consideration of the information in this report the Cabinet, at its meeting held on 8<sup>th</sup> February, 2006, resolved to recommend the Council to approve the proposals set out in paragraph 22 below.

#### Finance

19. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA at 31st March 2007. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. Reviews carried out can confirm that the HRA will be in surplus at the 31st March 2007 and therefore complies with the requirements of the Act.

## Law

20. HRA finances are governed by Sections 74-88 in Part IV of the Local Government and Housing Act 1989.

## Equality Impact

21. This is primarily a financial report concerned with forecasting of income and application of resources. Some areas of proposed expenditure (e.g. capital expenditure on adaptations) are intended to promote independence and improve quality of life for disadvantaged groups.

## Recommendation

22. That the Council:
- approve the HRA budget for 2006/7 outlined in Appendix 1;
  - approve a rent of £4.00 per week for garages in the Dudley area, with effect from 5<sup>th</sup> June 2006, and further borrowing of £236,000 earmarked for investment in garage sites in the Dudley area as outlined in paragraph 8;
  - approve the public-sector housing revised capital budget for 2005/6 and capital budget for 2006/7 to 2008/9 attached as Appendix 2;
  - authorise the Director of Adult, Community and Housing Services, in consultation with the Cabinet Member for Housing, to manage the capital programme as outlined in paragraph 13;
  - authorise the Director of Adult, Community and Housing Services to procure and enter into contracts for the delivery of the capital programme, as outlined in paragraph 14;
  - approve the extension of contracts for level access showers and access ramps as outlined in paragraph 15;
  - approve the medium-term financial strategy set out in Appendix 4.

*David Caunt*

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**Leader of the Council**

## Appendix 1

### Proposed HRA Budget 2006/7

	£m
<u>Income</u>	
Net rent income	64.2
Supporting People Income	1.3
Other income	1.1
<b>Total income</b>	<b>66.6</b>
<u>Expenditure</u>	
Management	13.0
Responsive and cyclical repairs	20.5
Negative Subsidy	12.5
Transfer to Major Repairs Reserve	13.5
Capital charge	27.9
Other expenditure	2.7
<b>Total expenditure</b>	<b>90.1</b>
<b>Net cost of services</b>	<b>23.5</b>
Adjusting transfer from Asset Management Revenue Account	-24.8
Interest on balances	-0.1
<b>Net operating expenditure</b>	<b>-1.4</b>
Revenue contribution to capital expenditure	3.5
<b>Total deficit for the year</b>	<b>2.1</b>
<b>Surplus brought forward</b>	<b>2.3</b>
<b>Surplus carried forward</b>	<b>0.2</b>

## Appendix 2

### Proposed capital programme 2005-2009

	05/06 £'000	06/07 £'000	07/08 £'000	08/09 £'000
Adaptations	1,497	1,437	964	987
Central heating	2,208	3,262	4,684	4,617
Community Safety	808	2,460	595	609
Electrical Installations	1,025	2,567	2,957	3,865
External Envelope Schemes	48	1,733	1,255	3,795
External Wall Insulation - Brierley Hill	500	0	0	0
Housing for 21st Century	52	120	0	0
Improvements to Stores Facility	134	320	0	0
Insulation	138	86	30	31
Minor Works	1,418	1,131	1,174	1,034
Modernity and Decent Homes	3,298	3,329	5,101	2,710
Non Traditional Construction	110	5	668	0
Programmed Works	10,348	6,964	6,587	6,528
Retention and Overprogramming	-1,713	-1,869	0	980
Tenants Association	89	77	84	86
Void Property Improvements (Decency)	3,544	2,803	0	0
Window Replacement	140	18	0	0
<b>Grand Total</b>	<b>23,644</b>	<b>24,445</b>	<b>24,098</b>	<b>25,242</b>

### Resources:

	05/06 £'000	06/07 £'000	07/08 £'000	08/09 £'000
Borrowing	3,264	5,069	4,887	4,928
Major repairs allowance	13,586	13,486	13,634	13,783
Revenue contribution to capital	1,982	3,453	2,644	1,602
Usable capital receipts	5,926	4,526	4,561	6,598
Less usable capital receipts transferred to support private sector housing capital	-1,199	-2,089	-1,628	-1,669
Other	85	-	-	-
<b>Grand Total</b>	<b>23,644</b>	<b>24,445</b>	<b>24,098</b>	<b>25,242</b>

## **Appendix 3**

### **CAPITAL PROGRAMME 2006-2009**

#### **Adaptations**

The budget funds two types of Borough wide installations. The budget has been increased by £500,000 for 2006/7 but maintained at current levels for 2007/8 and 2008/9. The increased budget proposed for the 2006/2007 is to deal with an increase in referrals and will result in the waiting time from medical application to work commencing on site being reduced by 6 months from eighteen to twelve months. A proportion of the budget, around £50,000 per annum, is targeted towards an estimated 400 minor works per year, such as lever taps, grab rails and additional electrical sockets. These works are carried out within a week of referral. The remainder of the budget is for larger adaptations which, following assessment from Occupational Therapists, range from floor level showers and external ramps to property extensions. Over the three years this is envisaged to deal with around 500 of these type of referrals.

Total budget £3.39m over three years.

#### **Central Heating**

All remaining tenants in non-centrally heated homes were canvassed for central heating during 2004. The three-year programme allows for approximately 1,900 new central heating systems to be installed which deals with all positive replies. A limited part of the budget will be set aside for medical referrals and for central heating installations to void properties where previous tenants refused the works. This will leave approximately 400 homes that have previously refused heating to have it installed in future years upon change of tenancy.

Across the borough 10% of properties remain unheated. The percentage of unheated dwellings in each area is as follows:

Brierley Hill	9% dwellings
Dudley	10% dwellings
Halesowen	9% dwellings
North Dudley	12% dwellings
Stourbridge	11% dwellings

The budget also finances the replacement of around 4,000 existing boilers or gas appliances that are beyond economic repair and would cause a home to become non-decent if not renewed.

Total budget £12.57m over three years.



### **Community Safety**

This budget is maintained at current levels and continues the work commenced in previous years dealing with local community issues such as fencing and improving property security.

The works are determined in consultation with the Area Panels and target issues to reduce void levels and provide a safer community.

The budget also includes an amount in 2006/7 to improve garage sites across the borough, which is the reason for the significantly larger budget in 2006/7.

Total budget £3.66m over three years.

### **Electrical Installations**

Following on from the previous approved programmes this budget addresses different areas of work, dealing with domestic rewiring of dwellings to rewiring of communal areas.

2006/2007 will commence communal re-wiring at Firmstone Courts, Stourbridge and the rewiring of domestic dwellings to ensure that they meet the requirements of the Decent Homes Standard. Over three years around 3,000 homes are expected to be rewired.

The budget also targets investment in the planned replacement of existing inefficient door entry systems, worn out warden call systems at sheltered accommodation and completes the upgrading of communal TV aerials in preparation for Government's predicted switching off of analogue transmission in 2010.

Provision is made within 2007/8 to deal with any potential remedial repairs to lifts in flatted developments.

Total budget £9.39m over three years

### **External Envelope Schemes**

A programme for the planned maintenance repairs and improvements to the external fabric of dwellings (predominantly roofing type works) is planned to commence in 2006/7. This is the start of a longer-term programme to address the Decent Homes standard and the budget should deal with around 1,000 issues of non-decency.

Total budget £6.78m over three years.

## **Insulation**

Following receipt of match funding for insulation works this programme has now offered the installation of cavity wall insulation to all tenants whose homes can benefit from cavity wall insulation. The nominal programme from 2006/2007 onwards will now deal with dwellings where previous tenants have refused the insulation and it is expected that over the three years the cavity wall insulation programme will be complete. The budget also provides for additional draught stripping and increased levels of loft insulation to allow void properties to be insulated to meet the Decent Homes Standard and to improve the SAP (Standard Assessment Procedure) rating of the housing stock which measures how energy efficient the housing stock is.

Total budget £147,000 over three years

## **Minor Works**

This budget is used to deal with urgent repairs and health and safety issues that arise throughout the year. Works already identified include dealing with outstanding high cost structural and subsidence works.

The budget also makes financial provision to deal with minor improvements and access arrangements (appropriate to the Disability Discrimination Act) for sheltered accommodation following a survey of communal facilities undertaken during 2005.

Total budget £3.34m over three years.

## **Modernity and Decent Homes**

The programme of modernisations to pre-war estates has now been completed and this budget is proposed to continue the programme of kitchen and bathroom improvements where the homes are currently non-decent. Over the three year programme approximately 3,000 kitchens or bathrooms will be made decent.

The 2006/7 budget also provides for the completion of the current programme to convert 21 pairs of one-bedroom Duplex flats into 21 three-bedroom homes. These Duplex homes are primarily located within Stourbridge and Brierley Hill. The works also incorporate conversions to Lifetime Homes standard where appropriate, including alterations for people with disabilities.

Total budget £11.1m over three years.

### **Non Traditional Construction**

This programme allows for the structural repair and external cladding/insulation of non-traditional properties.

Budgetary provision has been made in 2007/8 for a potential second phase of structural repairs and refurbishment to the Unity Houses in Orchard Street, which may be required following the outcome of the current period of structural monitoring.

Total Budget £673,000 over two years.

### **Programmed Works**

The budget provides for the efficient delivery of programmes of grouped works to continue the initiative commenced in 2004/5.

The planned approach to programmed repairs has now dealt with the repair back-log and the 2006-9 budgets are reduced to a level that is anticipated will deal with future programmed works within agreed response times.

Total budget £20.1m over three years

### **Retention and Overprogramming**

This budget provides for costs that are committed for completed programmes which are required to be met in following years and facilitates the management of a rolling three-year programme.

### **Tenants Association**

The budget is allocated in each of the three years to schemes identified by Tenants and Residents Associations, and prioritised by the Dudley Federation of Tenants and Residents Association.

Total budget £247,000 over three years.

### **Void Property Improvements**

This budget is used to fund works of a capital nature arising from carrying out works to void properties to ensure that they are internally in a reasonable state of repair and have modern facilities (kitchens and bathrooms) in accordance with the Decent Homes Standard. It is envisaged that in 2007/8 the combination of historic improvements carried out to empty homes and the introduction of targeted decent homes programmes will remove the need for this budget.

Total budget £2.8m in 2006/7.

### **Window Replacement**

All known metal and timber windows have now been replaced. Future replacement windows will be on an isolated basis identified through the routine repair process and funded from Programmed Repairs. This budget makes financial provision for final payments on completed schemes.

Total budget £18,000 in 2006/7.

### **Housing for 21<sup>st</sup> Century**

This budget is a residual budget remaining from 2004/5 to complete existing schemes to modernise the front line service delivery at local and area offices.

Total budget £120,000 in 2006/7

### **Improvements to Stores Facilities**

This budget is a residual budget remaining from 2004/5 to complete existing schemes to modernise the management of material stores and depot accommodation. It also makes a financial provision to undertake necessary improvements or replacement of the depot at Pear Tree Lane.

Total budget £320,000 in 2006/7

## **Appendix 4**

### **Medium Term Financial Strategy for Landlord Housing (MTFS(LH))**

#### **Purpose**

1. The Medium Term Financial Strategy for Landlord Housing (MTFS(LH)) sets 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. Unlike the overall MTFS, the MTFS(LH) covers five years. This is considered appropriate in the light of the Government's target to deliver the Decent Homes Standard by 2010.

#### **Background**

4. The financial strategy for landlord housing, focussing on the period up to 2010, was determined through the Housing Stock Options Appraisal. This was a year-long consultation process involving:
  - Area Housing Panels of members and tenants;
  - the Dudley Federation of Tenants and Residents Associations (DFTRA);
  - individual tenants and residents associations;
  - tenants and leaseholders more widely (through a range of communication channels culminating in a survey of opinion);
  - "hard to reach" groups;
  - a project board including representatives of the above and of other council directorates;
  - the Select Committee for the Environment;
  - the Cabinet;
  - Full Council.
5. This culminated in a decision by the Council in April 2005. The key elements of the financial strategy were:
  - delivery of the Government's Decent Homes Standard by 2010 and maintenance of that standard in later years;
  - support to the aims of the Council Plan - promoting strong, caring communities through the provision of decent housing in a safe and clean environment;

- identifying ongoing savings and efficiency gains, through the use of partnerships where appropriate;
  - the prudent management of reserves and other balances;
  - compliance with government policy on rent restructuring;
  - honouring the outcome of the Housing Stock Options Appraisal and the view of the majority of tenants and other stakeholders that the housing stock should remain under direct council control.
6. This strategy showed that, on the basis of financial trends and government policy known at the time, it would be possible to deliver the Decent Homes Standard and other priorities for council housing by 2010. The Housing Stock Options Appraisal was signed off by the Government Office West Midlands on this basis.
7. A first review of the financial strategy (reported to Cabinet in September 2005) supported the view that it would be possible to deliver the Decent Homes Standard by 2010.

#### **The proposed budget 2006/7 and the MTFSLH**

8. At the same time as preparing the proposed budget for 2006/7, we have considered the implications of financial trends and government policy for our medium term financial forecast. This forecast is very sensitive to small changes and some factors which have a manageable impact in 2006/7 have a more far-reaching impact when viewed over five years.
9. We now anticipate a shortfall up to 2010 approaching £7m. The main reasons for this anticipated shortfall are outlined in the table below:

	<b>Capital £m</b>	<b>Revenue £m</b>
HRA Subsidy Determination 2006/7 - changes to the subsidy formula	0.9	13.4
Changes to the rent restructuring formula	-	-8.7
<b>Net effect of subsidy and rent restructuring changes</b>	<b>0.9</b>	<b>4.7</b>
Slowdown in Right to Buy sales. The revenue position improved by additional rental income net of the additional cost of repairs and additional negative subsidy. The capital position worsened by reduced capital receipts and additional need to spend on a larger housing stock.	7.7	-2.2
Reduced Supporting People funding due to recalculation of unit costs	-	1.6
Proposed additional borrowing to offset shortfall in capital funding	-8.6	1.1
Other	-	1.6
<b>Total change in forecast</b>	<b>0.0</b>	<b>6.8</b>

10. This forecast has 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). However, it now appears most likely that a shortfall will arise. In view of our commitment to stock retention and delivery of the Decent Homes Standard, it is proposed that we give consideration to the following:
- ongoing review of spending and resource forecasts;
  - further efficiency and other savings, including those achievable from use of partnerships;
  - the option of further borrowing replacing direct revenue funding of capital, though this would have to be done cautiously and with a view to future sustainability;
  - the timing of rent increases<sup>3</sup>;
  - service charges<sup>4</sup>.
11. A number of the options outlined above would be difficult and potentially unpopular. It is proposed that they be considered more fully by the Cabinet in the summer following consultation with the Area Housing Panels.

### **Risks to the financial forecast**

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

<b>Risk</b>	<b>Impact</b>
Inflation higher than forecast	While increased inflation has an impact on costs, in the case of the HRA, it also affects resources, through: <ul style="list-style-type: none"> <li>• HRA Subsidy calculations</li> <li>• Rent formulas under government guidance</li> </ul> <i>Increased inflation would therefore have a relatively neutral effect.</i>
Management and Maintenance allowances lower than forecast	Management and Maintenance Allowances for 2006/7 have already been fixed. We have assumed increases 1.5% higher than general inflation in later years. The figure of 1.5% is based on our assessment of government policy as outlined in the informal commentary to the HRA Subsidy Determination 2006/7. A 0.1% reduction in this figure would worsen our projected shortfall by £0.4m up to 2010/11.

<sup>3</sup> Government subsidy calculations assume April rent increases and the HRA is financially disadvantaged as a result of our historic practice of increasing rents in the Autumn.

<sup>4</sup> 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.

Income levels not achieved	We have been very successful over the years in controlling rent loss on empty properties. We have prudently allowed in our forecasts for a rent loss of 2% of total rent available. If losses were to rise above this level the cost for each 1% increase would be around £0.6million per annum.
Reduction in property values in the borough	A 10% reduction in property values would reduce the value of usable capital receipts and would reduce available resources by around £0.7million per year.
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.

### **Prudential indicators**

13. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence and affordability. These criteria are set out in more detail in the CIPFA Prudential Code which specifically requires us to set a number of prudential indicators. The full range of prudential indicators are to be set as part of another report on this agenda. Those indicators that relate to HRA capital expenditure are set out below:

	<b>Actual 2004/5</b>	<b>Latest budget 2005/6</b>	<b>Forecast 2006/7</b>	<b>Forecast 2007/8</b>	<b>Forecast 2008/9</b>
Ratio of financing costs to net revenue stream: HRA	3.7%	4.4%	4.2%	4.3%	4.4%
Estimated incremental impact of capital investment decisions on HRA rents	N/a	Zero	Zero	Zero	Zero
Capital expenditure: HRA	£24.8m	£23.6m	£24.4m	£24.1m	£25.2m
Capital Financing Requirement: HRA	£45.2m	£48.4m	£53.5m	£58.4m	£63.3m

14. The ratio of financing costs to net revenue stream shows the costs of servicing housing debt as a percentage of total HRA income. This is a measure of the affordability of debt.
15. The estimated incremental impact of capital investment decisions on HRA rents is shown as zero. This is based on the fact that rents are determined by government rent restructuring guidance and assumes that



the Council will continue, as in the last two years, to comply with this guidance. Borrowing forecasts have been set at levels which will not necessitate a rent increase above guidelines.

16. The HRA Capital Financing Requirement is a measure of the share of the Council's overall portfolio of debt and investments that results from public sector housing capital expenditure.

### **Partnerships**

17. Housing entered into a partnership with the West Midlands Fire Service during 2005/6 to ensure that every Council owned home within the borough of Dudley would benefit from the protection afforded by two smoke alarms over a four year programme. The alarms are supplied by the West Midlands Fire Service to be installed and maintained by the Council, and this has major health and safety benefits for the tenants of Dudley, as well as generating significant cost savings to the Council.
18. Housing have recently awarded two partnerships to deliver gas servicing, installation and maintenance works and cyclical painting and decorating works. These Egan compliant strategic partnering contracts are envisaged to deliver cost savings as a result of shared accommodation, ICT and contract management, as well as improving the quality of service quality through local regeneration initiatives, continuous improvement cycles and incentivised payment mechanisms.
19. Further partnerships are planned for electrical rewiring and general building works, the cost benefits of which have been built into the financial investment strategy to deliver an efficient repair service.
20. We have also entered into a partnership with the Citizens Advice Bureau (CAB) for the provision of debt counselling for tenants in rent arrears. This fits with the Council Plan aims of caring and providing quality service while helping to maintain good performance in rent collection.