Dudley Metropolitan Borough Council

Meeting of the Council – 1st December, 2014

Report of the Cabinet

Review of Housing Finance

Purpose of Report

1. To consider proposed revisions to the Housing Revenue Account (HRA) budgets to reflect latest financial forecasts.

2. To consider proposed revisions to the Public Sector Housing capital programme.

3. To note the Cabinet's approval to the HRA's 30 Year Business Plan.

Background

4. 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.

HRA Revised Budget

5. The current budget for 2014-15, approved by Cabinet on 12th February 2014, shows a surplus on the HRA of £0.523m at 31st March 2015. There are now a number of variations to the original budget.

6. The original 2014-15 budget and the proposed revised 2014-15 budget are shown in Appendix 1. The proposed revised budget shows a surplus on the HRA of £2.835m at 31st March 2015.

7. The balance brought forward from 2013-14 was greater than budgeted, at £5.6m compared to a budgeted £3.8m. £1.1m of this related to housing management savings where it was not possible to spend reserves in the year in which they were forecast, and a number of staff vacancies were not filled in the year. In addition, rental income was £0.4m higher than budgeted as the full bad debt provision was not required, and additional income of £0.4m was received in contributions to expenditure e.g. from leaseholders. An additional £0.1m was required to fund depreciation costs, as a result of accounting adjustments.

8. We are reporting an increase in rental income in 2014-15. This is because we will not need to make the full provision for bad debts that we had estimated in the original budget. Rent arrears have increased, but as yet we are not seeing the level of impact that we had anticipated with the roll-out of the government's welfare reforms.

9. The variance between the original and the proposed revised budgets for contributions to expenditure relates to additional income received from leaseholders and tenants' rechargeable repairs.

10. We have reviewed the reserves held for housing management activities and propose to release £2.1m to accelerate capital improvement works such as adaptations, heating, kitchens and bathrooms and bringing some high cost empty properties back into use. We are also forecasting in-year savings of £0.6m in Management, largely owing to staff vacancies.

11. Demand for responsive and cyclical repairs has increased, leading to an increase of £1.1m in the proposed budget.

12. The decrease in the Transfer to the Major Repairs Reserve reflects adjustments to depreciation on Housing non-dwellings.

13. Discretionary Housing Payments (DHP) are administered by Benefits and provide for tenants to receive additional benefit payments to meet housing needs. These are mainly awarded where a tenant has had housing benefit reduced as a result of underoccupancy penalties or the benefit cap, and 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. DHP is funded via a grant from central government, although the local authority has the option to top this up, to a maximum budget of 2.5 times the grant allocation. This top up can be from the General Fund or, subject to applying to the Department of Communities and Local Government for the appropriate Direction, from the HRA. It is proposed that £375,000 be added to the HRA budget to support Council tenants in receipt of DHP for the current financial year.

Public Sector Housing Capital Programme

14. In February 2014, a 5 year housing public sector capital programme was agreed. A revised capital programme reflecting latest out-turn estimates is shown at Appendix 2.

15. The capital programme follows the principles approved in February 2014 and addresses the following priorities:
    - Continuing investment to target maintaining decent homes;
    - Improving energy efficiency, combating climate change and reducing fuel poverty;
    - Investing in empty homes to ensure that as many of the Council's homes as possible are available for occupation;
    - Maintaining investment, at affordable levels, in community safety, environmental and social programmes such as adaptations for persons with disabilities;
    - Providing new social housing homes within the borough.

16. The revised 2014-15 capital programme includes a proposal for increased expenditure on a number of new build schemes in 2015-16 and 2016-17 funded in part by £6.2m additional borrowing under the Local Growth Fund. It is proposed that this borrowing be approved, which will contribute towards expenditure of £15.6m on a number of schemes across the Borough. In addition, it is proposed to add a further £11.5m to the new build programme up to 2018-19 in order to meet the council's Right to Buy Replacement target.

    Development sites include the former Wren's Nest Estate Office; conversion of the former Archives building at Roseville, Coseley; conversion of the former care home at Arcal Lodge, Sedgley; Middlepark Road, Russells Hall; the former Guest Hospital, Dudley; and a number of smaller housing infill and garage sites across the borough including the redevelopment of 14 to 24 Beech Road, Kingswinford, for which the Cabinet, at its meeting held on 29th October, 2014, approved the specific issues in paragraph 18 below.

    In total, for the five year period, this will give a budget of £40.6m for new build, equivalent to around 350 new council homes.

17. As a housing authority, we have the option to buy back any properties that have been sold under Right to Buy, and the vendor's solicitors must give us first refusal on purchase. Up to now, we have not exercised this option. We are also able to buy properties on the open market or as part of a mortgage rescue scheme. Over the last five years 54 mortgage rescues have been successfully undertaken in the Borough, one of which was shared equity and 53 of which were mortgage to rent via housing associations. The Cabinet, at its meeting held on 29th October, 2014, under delegated powers, approved the exercise of our right to buy back former right to buy properties and to buy other properties, either via mortgage rescue or on the open market, subject to a robust assessment that the property will be purchased at a discounted price that offers good value for money and will be sustainable in terms of lettings, maintenance and major works.

18. As part of the new build programme, the Cabinet, at its meeting held on 29th October, 2014, under delegated powers, approved the redevelopment of the site of 14 to 24 Beech Road and authorised:
    - the acquisition of the leasehold interest of flat 22a Beech Road;
    - the termination of the lease of shop 20 Beech Road and the payment of statutory compensation equal to twice rateable value;
    - the rehousing of remaining existing tenants and the payment of homeloss and disturbance payments;
    - approval to acquire or divert vehicular access rights to the rear of 24 Pine Close if necessary;
    - approval of any other agreement necessary to facilitate the redevelopment of the site;
    - approval to use Compulsory Purchase Order powers for the acquisitions, should negotiation fail.

Sundry Charges

19. At present no charge is made to tenants wishing to buy their council flat for the information pack that must be provided to their solicitor. This is required to set up the leasehold and represents a significant amount of work that is not applicable when tenants buy their house (freehold) under right to buy. Many other housing authorities do make a charge, with neighbouring authorities charging between £45 and £75 per pack. Based on recovering our average costs, the Cabinet, at its meeting held on 29th October, 2014, approved a charge of £50, to be levied from 1 January 2015.

HRA Business Plan

20. The financial strategy for landlord housing is the subject of a continuing consultation process that includes tenants and residents. The Cabinet, at its meeting held on 29th October, 2014, under delegated powers, approved the 30-year HRA Business Plan set out in Appendix 3.

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.

21. In addition to determining matters under its delegated powers, the Cabinet, at its meeting held on 29th October, 2014, resolved to recommend the Council to approve the proposals set out in paragraph 26 below.

Finance

22. 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 31st March 2015. 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 31st March 2015 and therefore complies with the requirements of the Act.

Law

23. 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

24. The proposals take into account the Council's policy on Equality and Diversity.

25. 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.

Recommendations

26. It is recommended:

    (1) that the revised HRA budget for 2014-15 as indicated in paragraphs 5 to 13 of this report and set out in Appendix 1 be approved.

    (2) That the revised Public Sector Housing capital programme for 2014-15 to 2018-19 as indicated in paragraphs 14 to 16 of this report and set out in appendix 2, including the increase in HRA borrowing in 2015-16 and 2016-17 to fund new building under the Local Growth Fund, be approved.

    (3) That provision for the buy back of the properties referred to in paragraph 17 above be added to the Capital Programme as the properties are purchased.

Leader of the Council

Appendix 1

HRA Revised Budget 2014-15

	Original Budget £m	Proposed Revised Budget £m	Variance £m
Income			
Dwelling rents	-88.948	-89.892	-0.944
Non-dwelling rents	-0.738	-0.728	0.010
Charges for services and facilities	-0.243	-0.245	-0.002
Contributions towards expenditure	-0.100	-0.225	-0.125
Interest on balances	-0.011	-0.020	-0.009
Total income	**-90.040**	**-91.110**	**-1.070**
Expenditure			
Management	17.978	15.278	-2.700
Responsive and cyclical repairs	24.073	25.173	1.100
Negative Subsidy	0	0	0
Transfer to Major Repairs Reserve	22.279	22.176	-0.103
Interest payable	17.998	17.760	-0.238
Revenue contribution to capital expenditure	9.712	11.812	2.100
Discretionary Housing Payments	0	0.375	0.375
Other expenditure	1.316	1.314	-0.002
Total expenditure	**93.356**	**93.888**	**0.532**
Deficit in year	**3.316**	**2.778**	**-0.538**
Surplus brought forward	**-3.839**	**-5.613**	**-1.774**
Surplus carried forward	**-0.523**	**-2.835**	**-2.312**

- We are reporting an increase in rental income. This is because we will not need to make the full provision for bad debts that we had estimated in the original budget. Rent arrears have increased, but as yet we are not seeing the level of impact that we had anticipated with the roll-out of the government's welfare reforms.
- The variances between the original and the proposed revised budgets for contributions to expenditure relates to additional income received from leaseholders and tenants' rechargeable repairs.
- We have reviewed the reserves held for housing management activities and propose to release £2.1m to support capital improvement works such as adaptations, heating, kitchens and bathrooms and bringing empty properties back into use. We are also forecasting in-year savings of £600,000 in Management, largely owing to staff vacancies.
- Demand for responsive and cyclical repairs has increased, leading to an increase of £1.1m in the proposed budget.
- Minor variations to interest on balances and interest payable relate to higher balances and savings on interest rates.

- The decrease in the Transfer to the Major Repairs Reserve reflects adjustments to depreciation on Housing non-dwellings.
- We are proposing to contribute £375,000 to the Discretionary Housing Payment budget. This will support council tenants affected by loss of housing benefit because they are considered to be underoccupying their property.

Appendix 2

Proposed capital programme 2014/15 to 2018/19

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Adaptations	2,713	2,647	2,794	2,825	2,887
Central heating	4,031	4,553	4,133	4,179	4,272
Community Safety and Environmental Improvements	275	730	1,131	1,144	1,702
Electrical Installations	1,648	1,622	1,663	1,682	1,848
External Improvement Programme	8,758	9,086	9,543	9,648	9,864
Insulation and Energy Efficiency	3,935	1,332	640	362	370
Minor Works	3,714	3,199	2,566	2,596	2,507
Internal Improvement Programme	3,429	2,414	2,786	2,819	2,638
New Council Housing	1,618	7,538	17,433	6,632	7,400
Tenants Association	66	64	84	85	86
Accommodation and Property	0	571	217	0	0
Void Property Improvements	12,891	12,249	11,096	11,152	11,055
Sheltered Accommodation	0	1,084	0	0	0
Mortgage Rescue	200	178	189	0	0
Grand Total	**43,278**	**47,267**	**54,275**	**43,124**	**44,629**

Resources

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Borrowing	0	1,500	4,700	0	0
Major repairs reserve	22,176	22,560	22,834	23,104	23,374
Revenue contribution to capital	11,812	13,000	12,000	12,500	13,700
Usable capital receipts	8,274	10,036	15,250	8,042	8,090
Less usable capital receipts transferred to support private sector housing capital	-484	-496	-509	-522	-535
Other	1,500	666	0	0	0
Grand Total	**43,278**	**47,266**	**54,275**	**43,124**	**44,629**

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 previous financial strategy for landlord housing focussed on the period up to 2010/11 and was determined through the Housing Stock Options Appraisal. This was a year-long consultation process involving a range of stakeholders and culminated in a decision by the Council in April 2005. 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, and this was achieved on time.

5. The new 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 / 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 proposed budget 2014/15 and the MTFS(LH)

6. The Decent Homes Standard was delivered by the end of 2010. Resources remain to be required to maintain this 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.

7. A new stock condition survey was commissioned and undertaken during late 2013 to validate and support existing stock investment information. The detailed output of this is being evaluated, but has initially identified a five year investment need to 2018/19 of circa £200m and a 30 year capital investment of circa £750m. In addition there is an estimated demand for around £600m over 30 years required to address ongoing responsive repairs, statutory servicing (e.g. gas appliances) and cyclical maintenance. Further work is planned to be undertaken to develop more detailed 5 and 30 year financial plans that will also consider the financial implications and need delivering other wider housing issues in addition to basic stock ‘bricks and mortar‘ investment such as new build housing, conversions, adapting properties for vulnerable persons and persons with disabilities and estate based improvements to ensure sustainable communities are maintained together with other contingent major repairs. This is planned to be undertaken during 2014/15.

8. 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). 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;
   - addition to and replacement of the housing stock via new build programmes;
   - the level of housing debt;
   - service charges[1].

9. The volume of responsive repairs has generally decreased since the back-log of routine repairs was eliminated over the past few years. The increase in capital investment over the last few years together with efficiencies in the way repairs and capital works are delivered have resulted in significant cost savings.

10. A proposed rolling five-year 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.

[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.

11. Resources have been identified for a new build programme, with £40.6m identified up to 2018/19, which will meet our current Right to Buy Replacement targets and also fund the schemes for which we have Local Growth Fund approval.

12. The table below summarises the 30 year financial business plan (based on the PriceWaterhouseCoopers self-financing 30 year model and detailed in the HRA Estimates 2014-15 detailed 30 year financial plan). This is updated at least annually and will take into account changes in policy. It reflects our current approach of stock retention, maintenance of the Decent Homes Standard, investment in the maintenance and improvement of our stock, and regard to national rent policy.

	Years 1-5 £m	Years 6-10 £m	Years 11-15 £m	Years 16-20 £m	Years 21-25 £m	Years 26-30 £m
Income						
Dwelling rents	-472,880	-532,337	-602,290	-681,436	-770,983	-872,296
Other	-6,001	-6,296	-6,723	-7,194	-7,713	-8,287
Total Income	-478,881	-538,633	-609,013	-688,630	-778,696	-880,583
Expenditure						
Management and maintenance (net of retained surpluses	212,795	239,555	263,840	291,497	321,780	355,485
Depreciation and transfer to Major Repairs Reserve	114,049	124,078	136,992	151,251	166,993	184,374
Revenue Contributions to Capital / Debt Repayment	63,012	83,886	114,811	152,512	196,553	247,354
Interest Payments	89,025	91,114	93,370	93,370	93,370	93,370
Total Expenditure	478,882	538,633	609,013	688,630	778,696	880,583
Balance	0	0	0	0	0	0

Risks to the financial forecast

13. 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 applied. If cost inflation is lower than general inflation as used to determine the rent increase, this will have a positive budgetary impact.

	However, if cost inflation is higher than general inflation as used to determine the rent increase, 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 owing mainly to greater tenant mobility and this has resulted in an increased rent loss of up to 3% of total rent available, although this is now starting to reduce as the impact of recent investment in void property works is beginning to have an effect. We are however seeing an increase in the number of hard-to-let properties, for instance two-bedroom high rise flats and some three-bedroom houses. We have allowed in our forecasts for a rent loss of 2.7% of total rent available. The cost for each 1% void loss is around £1m per annum. <u>Rent loss from non-payment of arrears</u> As part of the Government's proposed welfare reforms, it is proposed that many tenants will in future start to receive Universal Credit direct and will therefore be responsible for paying their own rent. Currently, tenants in receipt of 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. Around 2,600 tenants of working age in receipt of benefits have already been affected by benefit restrictions from April 2013 as they were deemed to be under-occupying their property. We estimate that around £1.8m rent, which was previously paid directly via Benefits, is now being collected from tenants as a result of the new underoccupancy rules. We have seen an increase in arrears during 2013/14 and 2014/15. The 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. There have been a number of delays to the Universal Credit programme, with only a small number of claimants, very few of whom currently have housing needs, having been transferred to the new system. At the moment the timescale for transfer of more claimants, including those with housing needs, remains uncertain, as does the government's approach to the ICT systems that will be adopted when Universal Credit is rolled out more widely than the current pilot schemes.
Change in rent policy	The national formula setting / advising the maximum rent increase for social landlords is now September CPI plus 1%. "Convergence" has also ended from 2014/15 i.e. one year early, and more flexibility is available for social landlords around charging market rents for more affluent tenants. It is expected that the move from RPI plus 0.5% to CPI plus 1% will be broadly neutral. The decision to increase rents in 2014/15 by only 1.5% effectively superseded any change to the government rent formula, and we have carefully considered the longer-term affordability of our proposed rent increase. Recent government guidance on the changes to social rent policy makes it clear that while housing associations are expected to comply with the policy, housing authorities are expected to have regard to it.
Interest rates higher than forecast	Our debt on housing properties is around £467m following the introduction of self-financing. Hence, interest rate risk is much more significant than it was under the subsidy system. Risk will be mitigated by borrowing at fixed rates and spreading repayment dates to minimise refinancing risk.
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 have seen as a result of the general economic situation a diminution in the value received for sale of housing land. We also expect that with a new council house building programme we are likely to be disposing of fewer housing sites. A specific risk applies in relation to £700k of the anticipated receipt for North Priory which is payable as Kickstart grant by the Homes and Communities Agency (HCA) to our developer partners on the successful completion of Phase 1 of the project. This will then be passed on to the Council. We are actively monitoring our developer partners' progress in claiming this grant.
Reinvigoration of Right to Buy	The Government has increased the cap on Right to Buy (RTB) discount from £26,000 to £77,000 per property, and in future years this will continue to increase by inflation annually. The maximum discount for houses has also been increased during 2014/15 from 60% to 70%. The changes have already resulted in increased sales from the last quarter of 2012/13 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. 2014/15 is the last year of the current arrangements, under which councils are required to contribute a share of Right to Buy capital receipts to the Treasury. As yet, we have had no guidance on proposed arrangements from 2015/16 onwards. There is a risk to future new build investment, should funding arrangements change to our disadvantage.
Suitability of stock	Some of our stock is old and nor 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 will lead to a loss in rental income and also potentially an increase in security costs and an increase in anti-social behaviour.
Availability of borrowing	The HRA is currently at the government's borrowing cap, so all capital expenditure on housing stock must be funded from annual revenue (mainly dwelling rent income) or capital receipts from house or land sales. Our strategy is to invest our annual rental income into maintaining and improving our stock, and building new homes as resources permit. In the short to medium term we are not planning to repay any debt, as our priority is improving and extending our stock. However, this restricts the size of any redevelopment / new build scheme as we are not able under current rules to borrow on the strength of future rental income. We have been successful in our bid under the Local Growth Fund to increase our borrowing cap by £1.5m in 2015/16 and a further £4.7m in 2016/17, which will contribute to our new build programme. However, this has set us another challenging target for new build and, like the Right to Buy replacement target, also requires a contribution from other HRA resources.
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. Calculations indicate that any costs to the HRA arising from Single Status can be met within proposed budgets. We anticipate that any Equal Pay settlement costs would be capitalised through a government dispensation.

Partnerships

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

- Funding partnerships with energy service providers to increase resources under the Government's ECO (Energy Company Obligations) - which replaced CESP from spring 2013 - to deliver energy efficient whole house measures to combat climate change and CO_2 emissions in Council Homes.

- 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 (eg gas servicing, maintenance and repairs).
- A strategic partner is also planned to assist in the delivery of new build homes.

15. Procurement consortia and other partnership arrangements will also continue to be used where appropriate, forming partnerships with established bodies to deliver procurement efficiencies.