

Report to: **Housing Review Board**

Date of Meeting: 28 March 2019

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 13

Subject: **Brexit preparations for Housing Services.**

Purpose of report: This report looks at some of the implications that may occur on leaving the European Union and the potential impact on tenants and customers of the Housing Service.

We have an opportunity to stress test our Housing Revenue Account Business Plan using a number of different scenarios and it will be useful exercise to ensure it remains fit for purpose in adverse conditions be that Brexit induced or otherwise.

Recommendation: **To stress test a number of our housing plans as part of our preparations for Brexit to ensure service continuity for tenants and customers.**

To note ongoing communications with all contractors and partners currently being undertaken to prepare for potential impact of Brexit.

Reason for recommendation: To demonstrate that we have had regard to the possible impacts of leaving the European Union.

Officer: John Golding Strategic Lead – Housing, Health & Environment, jgolding@eastdevon.gov.uk

Financial implications: The financial implications will become more apparent once the stress testing has been completed, an updated capita model has been requested in order for us to be able to do this. It is worth noting that the £1.6m volatility reserve is in place for such unforeseen events.

Legal implications: There are no immediate legal implications on which to comment.

Equalities impact: Medium Impact

There is the potential to impact on our more vulnerable tenants and our preparations are intended to mitigate any negative effects.

Risk: Medium Risk

There is a risk of service interruption and disruption to tenants if our partners experience supply problems with components, labour and/or financial restrictions.

Links to background information:) .

Link to Council Plan: Encouraging Communities to be outstanding
Developing an outstanding local economy

1. Preparing for Brexit

- 1.1 Housing organisations in common with many businesses are considering the impacts of Brexit, including a no deal scenario. Whilst there have been many exaggerated claims linked to project fear, it is worthwhile stress testing our plans.
- 1.2 The Regulator for Social Housing has issued advice to housing associations (interestingly not local authorities with housing stock) and I have reproduced this in **annex 1**. The advice seems to centre on housing market conditions; interest rates; inflation; access to finance; availability of labour; access to materials and components; and access to data.
- 1.3 We are in contact with all contractors and suppliers seeking reassurance that they can continue to provide their services post the UK leaving the European Union at the end of March. We are compiling a comprehensive database of this information and will keep the information up to date as and when updates are received.
- 1.4 We have received confirmation from both of our current responsive repairs contractors that they are continuing to monitor their supply chains carefully and remain committed to working closely with us to minimise risks as far as possible. Maintaining a supply chain is business critical and any interruptions could cause issues for us in terms of maintenance and improvement programmes.
- 1.5 As with all correspondence around Brexit, there are a significant number of unknown scenarios and therefore it is difficult to secure any certainty on what could happen.
- 1.6 Several of our contractors are increasing their stock of components and we have increased our stock levels at Home Safeguard although there are limitations in our storage capacity.
- 1.7 Our contractor's supply of labour is largely sourced from the local community so we are not anticipating any significant impact in this regard.
- 1.8 It is important that our partners and contractors have robust business continuity plans that are up to date and cover the issue of service interruption due to supplier problems.
- 1.9 We have a significant number of vulnerable tenants where we need to ensure continuity support so any interruption of fuel supplies would impact on our officers' ability to visits and deliver services to tenants. Fuel supply issues could also affect repairs and improvement programmes and worse case we might need to adjust response time to reflect the situation.
- 1.10 The Chartered Institute of Housing has produced a Brexit note that covers migration and the housing market, EU regulation and the labour market. This is attached as **annex 2**.

2. Housing Revenue Account Business Plan

- 2.1 As part of our preparations we can stress test our Business Plan running a number of adverse scenarios and model the affects. We previously performed some sensitivity testing on the Business Plan

- 2.2 A number of Registered Providers are testing a scenario where rent restrictions are perpetuated despite Government advice that social/affordable rents can rise next year by CPI + 1% from 2020/21. This follows four years of 1% rent reductions in respect of General Needs housing.
- 2.3 I have suggested that we model rent increase/decrease scenarios and inflation. It would also be worth looking at borrowing costs and some assumptions around an increase in loan interest rates. Whilst our existing loans are fixed at a low interest rate, any new borrowing may only be available at a higher rate for refinancing, new build or acquisitions.
- 2.4 There are predicted to be Brexit related impacts on house prices and house values. Whilst short term changes in property values will not worry us unduly, changes in property prices will have an impact on our acquisition programme.
- 2.5 A risk register is contained in the HRA Business Plan and Brexit is being added to the risks using the mitigations set out in this report.
- 2.6 We have been talking to other Registered Providers and sharing information on Brexit preparations.

3. Potential impact on 4 areas of the housing service

3.1

Property and Asset	<p>Repairs, maintenance and compliance contractors may be impacted by leaving the EU in the following areas: Materials/supplies, data, labour, transport, costs, insurances and warranties.</p> <p>Changes to procurement regulations are being monitored and assessed through Advantage South West.</p>
Landlord Services	<p>Any shortages (e.g. food, fuel) or increases in living costs are likely to impact most on those who are already vulnerable in our homes and communities.</p> <p>Supplies to these groups could be impacted, as well as care and support services if workers are unable to travel due to fuel restrictions.</p> <p>The Council's emergency planning procedures may be evoked in some circumstances.</p> <p>Home Safeguard has systems and support contractors providing services to our sheltered homes and some private households for alarm services.</p> <p>There may be increased sensitivity in local communities during a period of political/economic uncertainty.</p> <p>In the longer term, rent arrears may increase if living costs increase.</p>
Housing Needs and Strategy	<p>Reassurance on data access is required from housing systems suppliers</p> <p>Contracts with housing/homelessness advice services and Homemaker for financial assessments, as well as Housing Associations delivering affordable housing.</p> <p>In the longer term, there may be impacts on housing needs and the social housing sector arising from property market changes. Cost of living increases could also place more people at risk of homelessness and increase demand for social and affordable housing.</p>
Private Sector Housing	<p>Contractors engaged in property adaptations, the supply of stair lifts, home insulation and boiler installation may be impacted.</p>

	<p>Testing of private water supplies are likely to continue to be regulated by standards brought in by EU Directive – users of such supplies may have different expectations about future regulation.</p> <p>In the longer term, private sector landlords may be facing negative impacts of a changing property market - any fall in property values and/or borrowing restrictions could lead to a decrease in private rented homes.</p>
--	--

4. Conclusion

- 4.1 A risk assessment based on responses from our contractors across the range of housing activity has been carried out and is attached as **annex 3**. Mitigating actions to address the highest risks identified by our contractors have been included, as well as actions by EDDC should the need arise. Currently, the highest risks from a contractor perspective are potential fuel shortages as there is little in the way of mitigating actions that they can do.
- 4.2 The Housing Service is also preparing a more detailed plan to ensure continuity of service across all housing teams during the period leading up to leaving the EU and in the immediate aftermath.
- 4.3 There is a steady flow of information being cascaded corporately in relation to wider District Council risks, these are being constantly monitored for risks that will impact on the housing service. The position will continue to be closely monitored over the coming months as the government continues to manage the process of leaving the European Union.