



CABINET

20th October 2021

Subject Heading:

Housing Asset Management Strategy

Cabinet Member:

Cllr Joshua Chapman, Cabinet Member for Housing

SLT Lead:

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Policy context:

LBH Corporate Plan

HRA Business Plan

Financial summary:

The Housing Asset Management Strategy is the key document which will determine our long term approach to investing in our housing assets. It will therefore have a significant influence on the HRA Business plan and long term expenditure on our homes

Is this a Key Decision?

Yes, significant effect on two or more wards

When should this matter be reviewed?

October 2022

Reviewing OSC:

Towns and Communities OSC

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering

[x]

[x]

Cabinet, 20th October 2021

Opportunities making Havering
Connections making Havering

[x]
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SUMMARY

Havering Council owns and manages circa 11,200 properties (9,200 tenanted and 2,000 leasehold), including 10 tower blocks and around 1,000 medium and low rise blocks.

The high level objectives for our housing assets should be to;

- provide the best quality, safest and cost effective home for our residents which meet their needs
- maximise the value of the assets and ensure a positive impact on the HRA business plan
- address the social impacts housing can have on individuals and communities through investments in estates and environment
- meet the council's zero carbon objectives

In order to achieve this we have developed a new strategy, to replace the previous 5 year strategy adopted in 2016, which sets out our keys aims and action plan to deliver them effectively.

This report outlines the new proposed strategy and the full strategy is attached in appendix 1.

RECOMMENDATIONS

That Cabinet;

1. Adopt the Housing Asset Management Strategy and the associated action plan as set out in Appendix 1.

REPORT DETAIL

Havering Council owns and manages a diverse housing portfolio across a relatively large geographical footprint, when compared to other London boroughs. To effectively manage these properties we have developed a new Housing Asset Management Strategy (AMS) which sets out the context in which we operate, the current performance of our properties, the upcoming changes in the housing sector which we need to address, and the approaches to how we meet these challenges.

It is essential that the council has a clear strategic approach which is based around a thorough understanding of the assets and which continually assesses the most appropriate and affordable options to stock investment.

This has become even more relevant over the last few years, as emerging agendas of building safety, zero carbon, decent homes 2 and regeneration targets have put increased pressure on the HRA business plan.

In addition the Regulator for Social Housing has increased powers to ensure registered providers, such as the council, effectively manage their housing stock in line with the consumer standards and engage fully with residents in this process.

The council's previous 5 year AMS was adopted in June 2016 and given these changing agendas a new approach is now required.

In order to develop the new strategy a number of steps were undertaken to provide sufficient context in which to determine the appropriate approaches;

- Undertook a 25% stock condition survey and EPCs across circa 3000 homes
- Developed a new 30 year asset plan which was incorporated into the HRA business plan and adjusted to ensure the financial measures (IC) are met
- Developed a new asset assessment model based on financial (NPV) and social criteria to assess the stock
- Developed a zero carbon model to understand the requirements and costs involved in de-carbonising our housing stock.

The AMS includes a number of core objectives which will be delivered through the detailed action plan;

- Invest in our homes so they are well maintained, warm, safe and attractive to residents
- Contribute to delivery of the Council's carbon reduction plans, all housing stock to have an EPC band C by 2030 and carbon neutral by 2040
- Provide a social housing stock that matches future demographic and social needs in balanced communities
- To reduce inequality by providing homes and services that meet needs of diverse communities
- Ensure we derive good value for money from our housing and non-residential stock
- Contribute to an overall increase in the number of properties available to rent
- Ensure we meet our legal and contractual obligations as a social landlord
- Make decisions based on quality information about our assets and our customers
- Ensure our asset management strategy is affordable within the business plan
- To place residents are at the heart of our decision making and influencing the delivery and monitoring of all services.

The new AMS will ensure that we gather sufficient data on a regular basis to make informed decisions through a regular stock condition approaches. A cyclical 5-year stock condition approach will be implemented and option appraisals will be triggered using this information for;

- Stock with a negative NPV
- Stock with a marginal NPV (below £5,000)
- High market value/poor performing stock where there may be opportunities to release value to contribute to our development programme
- Stock where cost to bring to EPC C/zero carbon is prohibitive.

Appraisals will be a two staged approach which:

1. Will explore the reasons for poor NPV, and to understand how the delivery of our social objectives can be improved. We will carry out a high-level assessment of opportunities for improvement. We will then identify the available options to be appraised based on the location, property type and current occupancy and conclude with a high-level view on the solutions which merit more detailed appraisal.
2. Will be an in-depth appraisal of the identified options, including estate regeneration for identified estates or stock types alongside other options including tenure conversion and disposal where these fit with our social objectives and deliver the best outcomes for our business plan and our residents.

The strategy commits us to building on the work to date to understand our zero carbon position, by developing a full road map to achieve the Council's 2040 zero-carbon commitment and includes this in the HRA business plan.

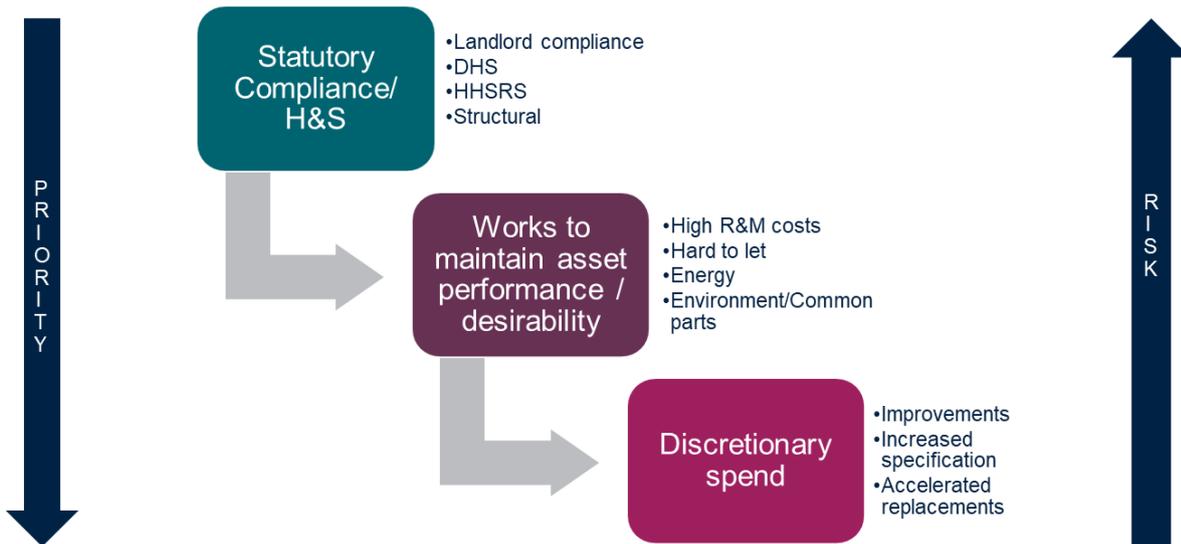
The strategy put residents safety as a paramount priority and makes it clear that we will prioritise spend in these areas ahead of other areas.

The recent government White Paper, the Charter for Social Housing Residents, made it clear that communication and engagement with resident has to improve significantly and we have therefore committed to a wider engagement strategy through resident boards and peer groups who will help us deliver and evolve the AMS.

The AMS will also support the delivery of new homes, by undertaking proactive assessments of our existing stock based on current financial and social performance, which will determine the best investments approaches, whether that be through planned programmes of works, regeneration or possibly stock disposal.

The strategy will be key to ensuring we have a robust HRA business plan, which is fully costed for works to all assets across all necessary areas and allows us to identify additional capacity for growth. The asset plans which flow from this strategy will feed into the HRA business planning activities due in October.

The strategy proposes to adopt the investment priorities approach for our existing stock as detailed below



The strategy also embeds value for money principles, through longer term procurement, approaches which move responsive works to more planned approaches and through the grouping of works whilst at a property (being mindful that we do not undertake works too early), which is especially relevant in blocks. This will maximise our investment capacity but also be efficient for leaseholders.

The AMS also includes a clear governance structure and a range of performance measure against which to measure progress and success;

- Overall growth in NPV above forecast
- Option appraisals within 24 months for all properties which meet the triggers established
- To have no properties with an EPC rating below C by 2030 with alternative options explored where this is not feasible
- Maintain decent homes standard including adopting any new guidance issued
- Adherence to planned works budget and timescales
- Compliance with all health and safety, regulatory and statutory standards
- Top quartile resident satisfaction.

REASONS AND OPTIONS

Reasons for the decision:

It is essential that Registered Providers can demonstrate a strategic approach to managing their properties and how they will meet the Regulator for Social Housings consumer standards. A fully developed and implemented AMS is therefore essential to meet this obligation.

The HRA assets also represents a significant financial value to LBH and it is important that we protect and grow the value of those assets, the AMS is the key document which helps determine how we achieve this.

Consultation:

The resident engagement panel, which included both tenants and leaseholders, has been consulted as part of the development of the strategy. The Cabinet Member for Housing has been consulted on this strategy and relevant changes incorporated.

Other options considered:

To continue with the previous AMS.

This was rejected because the previous strategy did not reflect on the new changing agendas and legislative changes and therefore no longer reflected our duties as a landlord and property owner.

IMPLICATIONS AND RISKS

Financial implications and risks:

The financial impact of adopting the Housing Strategy is likely to have Revenue and Capital, costs and income implications. The implementation of the various elements of the strategy will be subject to the availability of funding and further reports to the Cabinet.

Although provisional funding for the priorities is available in the latest HRA Business Plan, delivery of the strategy will be extremely challenging in the current economic climate and all provisional funding will be subject to annual review.

The costs of preparation of the Housing Asset Management Strategy and its constituent elements are being met from within existing revenue resources.

It is important to reflect that data provided in the Asset management strategy is current and relevant changes will be reflected in the annual review of the HRA business plan.

Legal implications and risks:

The Council has a statutory duty under Section 8 of the Housing Act 1985 to consider housing conditions in its district and the needs of the district with respect to the provision of housing accommodation.

The regulator of social housing derives its powers from the Housing and Regeneration Act 2008 and its stated objectives are to undertake economic regulation of providers of social housing, focusing on governance, financial viability, and value for money. As identified in this report, the White Paper on Social Housing published in November 2020 suggests that the direction of travel is for the regulator to have wider powers in enforcing a revised Consumer Standard and Code of Practice.

The proposed strategy covers those properties which are within the Housing Revenue Account (HRA). There are statutory requirements as to the keeping of a HRA as set out in the Local Government and Housing Act 1989. Section 76 of the Act sets out the duty on the Council to budget to prevent a debit balance on the HRA and to implement and review the budget. Further, sections 167 to 175 Localism Act 2011 deal with housing finance, and replaced the subsidy system with self-financing arrangements, allowing Councils to implement longer term strategies and plans in respect of the HRA stock.

Stock within the HRA is set out as being predominantly rented as social housing with the Council as landlord, the remainder being leasehold properties. To rented properties under section 11 Landlord and Tenant Act 1985 the Council is under a duty to keep in repair the structure and exterior, provision for sanitation and heating. Amendments made to that Act by the Homes (Fitness for Habitation) Act 2018 have also introduced a requirement for properties to be fit for human habitation. Obligations to leaseholders will depend on the contractual arrangements set out in the Lease, but the Council is likely to retain a responsibility to repair and maintain communal areas and the exterior of the building, including the roof.

The Asset Management Strategy as proposed, is likely to assist the Council in complying with these statutory and regulatory obligations.

Further, the proposed Strategy makes specific reference to the need to address green energy and emissions targets. The Fire Safety Bill as referenced in the proposed Strategy and this paper, is now the Fire Safety Act 2021, having received Royal Assent on 29 April 2021, but is not yet in force. Further, the draft Building Safety Bill was published in July 2020. Flexibility has been built into the draft strategy to be able to respond to any such changes, and there is already a robust compliance process in place as set out in the strategy. If changes are required

then a delegation has been requested both in this report and the draft strategy to be able to make amendments if required during the 5 year period the strategy is intended to run.

Human Resources implications and risks:

There are no direct HR risks identified.

Equalities implications and risks:

An EqHIA has been undertaken (see appendix 2) and the strategy is consider to have a neutral impact on all groups

Health and Wellbeing implications and Risks

Provision of an effective housing asset management service is essential to ensure residents are able to safely and comfortably use their homes, being provided with good quality services which support promote good health and wellbeing

Poor housing has been shown to have serious negative impacts on individual's health and wellbeing and a significant negative impact on communities

The council is responsible for improving and protecting health and wellbeing of local residents under the Health and Social Care Act 2012

This strategy aims at ensuring LBH provide the right homes for our resident which are affordable, safe and of high quality, provide good communities in which to live and work, whilst meeting the challenges of zero carbon and building safety across the estates

The strategy promotes an intelligence led approach to ensuring appropriate decisions are made and that sufficient funding is available in the HRA to meet the challenges.

The strategy will work alongside the Housing Strategy to ensure future demographic changes and social need can be accommodated.

BACKGROUND PAPERS

Appendix 1 - Housing Asset Management Strategy

Appendix 2 - EqHIA