

London Borough of Havering Housing Services Asset Management Strategy 2021-2026



Cleaner, Safer, Prouder *Together*



Havering
LONDON BOROUGH

Contents

1. Introduction	04
1.1- Aim of this strategy	05
1.2- Scope of this strategy	05
1.3- Delegated authority to make minor changes to this strategy	05
1.4 - Data Protection	05
2. Background	06
2.1 - National context	06
2.2 - Local context	07
3. Asset Management – principles and objectives	08
4. Planning requirements and tools	09
4.1 - Stock condition data	09
4.2 - Data and governance to support compliance	09
4.3 - Asset Performance Evaluation (APE)	09
4.4 - Skills and expertise	09
4.5 - I.T. systems	09
5. Standards and regulations	10
6. Strategy structure	11
7. Asset Management strategy	12
7.1 - Demand and the Housing market	12
7.1.1 - Housing market in the London Borough of Havering	12
7.1.2 - Housing Demand	12
7.1.3 - Regeneration and development	13
7.1.4 - Specialist accommodation strategy	14
7.1.5 - Resident priorities	15
7.2 - Our Homes	16
7.3 - Portfolio summary	17
7.3.1 - Overview	17
7.3.2 - Size and type	19
7.3.3 - Investment standard	20
7.3.4 - Stock condition	20
7.3.5 - Compliance and building safety	21
7.3.6 - Energy performance	21
7.3.7 - Garages	22
7.3.8 - Other non-residential assets	22
7.3.9 - Routine and planned maintenance	23

Contents

8. Active Asset Management	24
8.1 - Understanding the performance of our stock	24
8.1.1 - Financial performance	24
8.1.2 - Analysis of social performance	26
8.1.3 - Market context	26
8.2 - Using the results to inform strategy	27
8.3 - Options appraisals	28
8.4 - Stock disposals	30
9. Investment planning	31
9.1 - Business plan and affordability	31
9.2 - Investment priorities	31
9.3 - Investment planning	32
9.4 - Procurement	33
9.5 - Value for money	33
10. Dissemination and communication of this strategy	33
11. Monitoring and review of this strategy	34
11.1 - Performance monitoring	34
11.2 - Governance	34
11.3 - Internal controls	35
11.4 - Risk management	36
11.5 - Review	36
11.6 - Authority and control information	36
APPENDIX 1 - Action plan	37

Introduction



The London Borough of Havering is investing in significantly improving our council housing stock. We are dedicated to the aims and principles of providing high quality social housing for Havering residents.

As a social housing landlord, we manage 9,200 tenanted, and some 2,000 leasehold homes.

Whilst a proportion of council managed homes are flats, there are only 10 'high-rise' blocks, 510 medium-rise and 592 low-rise blocks.

Many of our council managed homes are houses and we have a wide variety of non-traditional construction types across the borough.

These homes and estates are the bedrock of our communities and it is our responsibility to manage and maintain these homes on behalf of our residents for future generations.

Of course there are challenges. In today's housing climate, we have an more pressure on our budget to carry out many building and maintenance projects on an ageing, diverse housing stock.

Therefore, it is essential for us to make the best use of our financial resources to improve existing homes and make best use of our current housing stock.

The rent we receive is held in the Housing Revenue Account (HRA) and this account is ring fenced, by law, to be spent on managing and providing council housing.

It is vital that we have a sound, comprehensive strategy for the management of our assets and plans for future investment.

The Council recognises that there is a need for high quality, affordable homes, especially for vulnerable residents, those on low incomes, and for first time owners, (via shared ownership schemes). Therefore, in this strategy we have set out our ambition for how we will meet these housing needs by using resources generated through the HRA Business Plan.

We will prioritise our investment approaches, ensuring our buildings are safe, meet our statutory and regulatory duties as a landlord and improve the estates and areas in which our residents live.

Running alongside these priorities is our zero carbon objective by 2040, and we will build measures to achieve this into all programmes and approaches touched on in this strategy.

In this strategy, we recognise the importance of sound asset management principles and applying these to our approach to investment. This document is designed as a robust, evidenced-based asset management strategy to lead and inform our business decisions.

Its foundations are rooted in the work we have undertaken to improve our understanding of our properties, and this strategy seeks to drive forward work to deliver value for money for the Council and its current and future residents. It is supported by a live action plan that we will use to direct and monitor activity over the next 5 years. This strategy will be reviewed annually and after 5 years, in line with the business plan.

Introduction

1.1 Aim of this strategy

The Asset Management strategy will contribute to the delivery of our business plan. It structures our ability to deliver three core components of effective asset management:

- Investment in the long-term sustainability of assets – how we keep properties at our agreed investment standard for the life of the business plan.
- Active Asset Management – the practice of taking decisions about on-going ownership and investment in individual properties and estates based on the understanding of their performance on a social, economic and environmental basis.
- Support for wider corporate objectives – consideration of where and how the management of our assets contributes to the delivery of the Council's wider strategic aims, including helping communities and creating great places to live.

1.2 - Scope of this strategy

This strategy sets out the London Borough of Havering's approach to the management of assets within its Housing Revenue Account (HRA).

It includes social rented and leasehold homes, as well as garages. This also includes assets managed by our Tenant Management Organisations (TMOs) for which we retain the responsibility for compliance, safety and performance.

Some blocks have shops underneath and some of our services are delivered from local offices. A clear strategy for these commercial premises needs to be developed in line with our approach to the nearby homes.

This is a high-level strategy for asset management, with the implementation supported by supplementary operational plans and policies.

1.3 - Delegated authority to make minor changes to this strategy

The Assistant Director of Property Services, in consultation with the Director of Housing, will be able to approve minor amendments that do not significantly change this policy or associated procedures.

1.4 - Data Protection

Havering Council takes personal privacy very seriously. Any personal information provided will be kept confidential and never shared without the individual's prior knowledge and consent, unless required to do so by law.



For full details about how the Council protects personal data, please visit [Havering Council Data Protection policy](#).

2. Background

There have been numerous national and local changes in recent years, of which this strategy outlines some of the key aspects affecting asset management.

2.1 - National Context

National priorities for housing are primarily focused around safety of existing buildings, and on the new supply of affordable housing.

'A New Deal for Social Housing', the 2018 housing green paper; and 'Fixing Our Broken Housing Market', the 2017 white paper, articulated the main areas of national housing policy focus. This has been followed by a social housing white paper 'The Charter for Social Housing Residents' published in November 2020.

The white paper strengthens the role of consumer regulation and seeks to strengthen the voice of customers in housing service delivery. It also promises a review of the 'Decent Homes Standard', which is expected to place a greater focus on investment and improvement of external and communal areas, thermal efficiency and building safety.

We wholeheartedly support these areas of focus and this asset management strategy sets out how we will ensure our investment meets residents' priorities, and that we operate with transparency and accountability.

The focus on data and safety has arguably never been higher. In March 2020, the 'Fire Safety Bill' clarified the responsibilities of landlords to manage and reduce the risk of fire.

The 2020 draft 'Building Safety Bill' sets out proposals for new building standards and regulations that will apply to new and existing homes. The Bill focuses landlords' attention on checking the accuracy of data held on assets and ensuring health and safety risks are properly managed. The Bill proposes new requirements for building safety management and greater involvement of residents.

The Regulator of Social Housing (RSH), has recently reminded local authority housing providers that their 'Home Standard' must be met and the white paper proposes increased oversight from the regulator.

The oversight will focus on the role of co-regulation to strengthen customer accountability, and the importance of good quality data to enable all social landlords to prove compliance.

The 'Equality Act' 2010 has brought together over 100 separate anti-discrimination measures including race, gender, disability, religious belief, sexual orientation, age and equal pay.



The Act requires us to have regard to reducing socioeconomic inequalities when we make strategic decisions. A full equalities impact assessment has been completed to support this strategy. This will be continuously reviewed to ensure that our asset management decisions minimise any possible negative impacts on diverse groups.

Energy efficiency, and readiness for changing environmental technologies, have also become more prevalent. The 'Climate Change Act' 2008 (2050 Target Amendment), Order 2019 was adopted in June 2019, and makes a statutory obligation of the net-zero emissions target by 2050 as recommended by the Committee on Climate Change.

Havering Council has signed up to the Amazon Climate Pledge making 'a commitment to be net-zero carbon by 2040

2. Background



2.2 - Local context

As a London borough, we operate in an area of very high housing demand.

This means we need to maintain a strong focus on housing affordability and availability. We are under particular pressure to assist those who find themselves homeless, and therefore, new supply, and making

existing housing supply available to let as soon as possible, are two key priorities for us.

We currently lose around 65 properties a year through right-to-buy and expect to lose 16.5% of our stock over our 30-year business plan period. To balance this, we have significant programmes of regeneration, new development, and acquisition, all funded through the HRA.

We have reviewed the financial capacity within our HRA to ensure viability. This will help with investment planning and scoping our asset management options as we implement this strategy.

The need for resources for new build and regeneration should be balanced by resources for investment in

our existing stock. We face significant investment requirements to ensure our buildings are safe from fire

and other risks. We also need to consider the need for improvements in energy efficiency and reduction in carbon emissions.

The Leader of Havering Council has published our commitment to be net-zero carbon by 2040.

In housing, we can play a big role in helping to achieve this target.

In 2020, we have faced restrictions on how we deliver asset management due to COVID-19. We are pleased to say that services have largely continued. Nevertheless we will see some short-term changes to our maintenance programmes.

We are considering the longer-term impact and the effect on procurement routes should further COVID-19 related issues arise. However, our asset management principles remain the same and are reflected in this strategy.

3. Asset Management: principles and objectives



The Council's Corporate Plan (2019) articulates our vision and priorities that will underpin all of the Council's activities, which naturally impact on the management of the Council's housing stock.

Our vision is for a 'Cleaner, Safer, Prouder, Together' borough.

Some of the factors that will enable us to achieve this are: -

- **Community**

Working as a team with our community to tackle local challenges and improve health, wellbeing and experience in our neighbourhoods.

- **Technology**

Making better use of technology to make life easier for our residents and to provide value for money in all services.

- **Better use of assets**

Optimising the use of council assets to improve the customer experience, increase income and reduce cost.

- **Commercialisation**

Developing a more commercial approach to the way that we deliver public services by understanding the true costs of delivering services, which will lead to more efficient procurement and contract control.

Our core objective is to ensure the long-term viability of a stock base that matches the current and future needs of local residents. Principles for asset management are to: -

- Invest in our homes so they are well maintained, warm, safe and attractive to residents
- Contribute to delivery of the Council's carbon neutral plans
- Provide social housing stock that matches future demographic and social needs in balanced communities
- Reduce inequality by providing homes and services that meet needs of diverse communities, including a focus on property accessibility
- 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 (sub-market)
- 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
- Place residents at the heart of our decision-making and able to influence the delivery and monitoring of all services.

4. Planning requirements and tools



We have a range of tools to assist in the process of delivering this strategy. Central to effective asset management is the collation and use of robust and integrated management information to enable effective planning.

The new strategy relies on information in the following areas that will need to be regularly updated to ensure it is fit for purpose, which will be maintained with an asset management database:

4.1 - Stock condition data

We recently commissioned Savills, an independent body, to carry out a stock condition survey of 25% of our stock alongside a Reduced Data Standard Assessment

Procedure (RdSAP) energy assessment. We will roll out an on-going stock condition survey programme with the aim to provide 100% coverage within five years, including both internal and external surveys.

This will require support from external consultants providing regular external validation of stock data and works required. This will enable us to build up a comprehensive asset register of all stock owned.

This will not only focus on homes, but all assets owned by the HRA, whether managed by housing or otherwise, to ensure we understand our opportunities, risks and costs in the short, medium and long term.

4.2 - Data and governance to support compliance

In order to be fully compliant in relation to the health and safety of our properties we need arrangements in place which clearly set out our responsibilities across the major areas of fire, gas, water, electrical, asbestos and lifts. We have therefore developed a suite of documents that set out the process to be followed, and how performance is monitored.

4.3 - Asset Performance Evaluation (APE)

We have committed to improving our understanding of the financial and social performance of the residential stock in our Housing Revenue Account (HRA). We have invested in Savills Housing Asset Performance Evaluation (SHAPE) tool which enables us to explore and report on this performance at a granular level.

We use the net present value (NPV) of operating cash flows to evaluate the “worth” of properties to the business plan. We also consider the social value of our homes.

We will use this information to lead informed decisions about where and when to invest in our assets, with a view to improving efficiency as well as quality of experience for our tenants.

4.4 - Skills and expertise

We plan to review our staff structures to ensure the correct resources are in place to deliver the objectives of this strategy.

4.5 - I.T. systems

We are committed to ensuring we have a robust asset management database /system. Currently, the Council uses Keystone which provides a comprehensive service in which we will continue to invest and develop, to provide a reliable source of information.

We want to develop a comprehensive asset register with links to mapping systems and existing management systems (Open Housing and Keystone).

We are also looking to introduce a tool, ‘Twinnedit’ which will allow us to demonstrate our building safety through a robust building safety case file and provide a ‘golden thread’ of information for the new Building Safety Regulator, fire service and other stakeholders.

These are the core tools required so that we can understand our assets, make informed decisions about their future, and deliver the component parts of this strategy.

5. Standards and regulations



As a social landlord we are subject to a range of statutory and regulatory requirements relating to the safety and quality of our properties and how we manage them.

We have written policies that cover compliance, and these set out the specific obligations and how we will meet them.

London Borough of Havering is also subject to the Regulator for Social Housing's 'Consumer Standards', some of which relate to asset management. These

cover : - the *Home Standard*, *Tenancy Standard*, *Neighbourhood and Community Standard*, and the *Tenant Involvement and Empowerment Standard*. In addition, 2019 saw the introduction of the *Rent Standard* to local authorities.

The housing white paper introduces the prospect of proactive inspections with publication of findings to hold us to account for our service delivery and accountability to our residents. This will provide a useful framework for us to demonstrate compliance to the regulator and to residents.

6. Strategy structure



This Asset Management Strategy is structured into the following sections:

- Demand and the Housing Market – exploring key drivers underlying demand for social housing and residents’ priorities for our homes and services.
- Our Homes – describing the existing profile of our homes and their condition.
- Active Asset Management – setting out how we will actively manage our assets based on an understanding of their performance against both financial and social objectives.
- Investment Planning – proposals for how we prioritise investment and deliver programmes.
- Review and Monitoring – setting out how we measure success, manage risk and refresh the strategy.

7.1 Asset Management Strategy

– Demand and the Housing market

Key points: Demand and the Housing market

- Although house prices in Havering are lower than in other parts of London, we have a shortage of affordable housing for those in need, with many people on low incomes unable to afford market housing
- Our population is growing. We have a larger than average proportion of householders with elderly occupants. Alongside this we also face demand for home ownership from younger households moving from higher value parts of London
- We need to increase our supply of larger family sized accommodation to meet need (3 and 4 bedrooms)
- We have plans to regenerate 12 of our estates, doubling the number of council properties in addition to an ambitious new build programme
- We are building new specialist provision to assist with homelessness
- Our residents are positive about the quality of their homes and neighbourhoods, but there is more that we need to do to improve overall satisfaction levels and resident engagement.

7.1.1 - Housing market in London Borough of Havering

The Council remains committed to doing everything we can to provide much needed new affordable homes for local people in Havering, and to support vulnerable members of society to have a home that they can be proud to live in. In our area, demand for properties is higher than the supply.

We have included several maps and charts that illustrate the key characteristics of our housing market in this strategy. The key points are summarised below.

The housing market has a bearing on our approach to asset management because it determines need for new homes, the demand for existing homes and the price for any stock sold. House prices in Havering, while lower than London as a whole, are higher than national averages. While we have pockets of high value, the average tends to be around £330,000 to £380,000.

There is a lack of affordable housing priced for those with household incomes of between £15,000 and £50,000 per annum, affecting c.18,200 households in Havering. This indicates a strong need for both more

social housing, and for a sub-market offer to other households who may not qualify for social housing but who cannot access the housing market.

7.1.2 - Housing demand

The population of Havering was estimated to be 260,882 in 2020 with a projected increase to over 285,000 by 2026 – an 8.5% increase. Population estimates in 2019 suggest 18% of Havering's population are aged over 65 compared to a London average of 12.1%. In Havering, 64.7% of households comprise of one family, whilst 29% comprise one person with the remaining 6.3% comprising 'other' households such as those all aged 65 and over, full time students and those with dependent children. There is an influx of younger families moving into the borough from central London locations driven by the relative value for money compared to other London boroughs. This is increasing the pressures on home ownership.

The population of Havering is diverse with 13% from Black, Asian and Minority Ethnic groups with BAME groups representing 19% of applicants on the Council's housing register. We value cultural differences and ensure our housing and facilities meet the needs of different communities as far as possible.

Our asset management challenge is to ensure that the profile of our properties (e.g. size and location) matches what people need. While demand is high across all our stock, we face acute shortages of larger family sized accommodation our research has indicated a far higher ratio of households waiting for larger accommodation (4 bed +) compared with those waiting for one bedroom/bedsit accommodation.

We have recently converted eight of our sheltered schemes operating as bedsits into one and two bedroom properties to meet demand for these property types.

Whilst the supply of Council properties to let has increased from 428 in 2017 to 455 in 2019, the increase has been focussed on smaller property sizes in this strategy. This reflects the lower turnover of larger family homes (2.28% for 3+ bed properties compared with 4.55% for studio/bedsit, 1 and 2 bed properties).

1. Havering Population Projections 2019, source table GLA 2017 – All Ages
2. Havering Data Intelligence Hub – Population estimates
3. Havering Data Intelligence Hub – Household composition
4. ONS Population in England and Wales by ethnic group 2016
5. LBH Allocations Policy Review July 2020

7.1 Asset Management Strategy

– Demand and the Housing market



In order to meet demand through our asset management strategy, we will improve re-let times, and continue to explore opportunities for extensions and conversions where feasible. We will also review our acquisition strategy to focus on the size of properties most needed.

We have targets in our Prevention of Homelessness and Rough Sleeping Strategy to encourage under occupiers to free up larger properties and develop our tenant incentive scheme targeted at underoccupiers to enable them to move into home ownership.

Our asset management actions will be linked to our Housing Strategy review. We are looking to create and develop a new Housing Strategy for the borough setting out the major changes in the housing sector, as well as the demographic and economic changes and the impact on our council housing tenants and communities. The housing strategy will set out the strategic aims of housing for the next five year period and beyond, and forms part of a joined up, strategic approach to tackling the housing challenges for all residents of Havering.

The housing strategy will also set out our proposed solutions to what types of housing are genuinely needed in our borough and how new housing relates to infrastructure planning and ‘place-making’, so making that crucial link with social care, healthcare, mental health and wellbeing of those living in our homes.

6. Source Prevention of Homelessness and Rough Sleeping Strategy 2020 - 2025

Our focus in our asset management strategy is to take action to preserve and enhance our housing properties, and to care about those living in our homes and their aspirations for the future.

7.1.3 - Regeneration and development

As part of our response to the need for more affordable housing, we have plans to completely regenerate 12 of our existing council sites. These plans are expected to deliver some 3,500 new homes for local residents over the coming years. We are working with partners to support delivery that will seek to double the amount of Council homes on these estates and more than double the number of affordable homes on these 12 sites.

Our HRA business plan assumes an increase in stock as a result of regeneration of approx. 1,950 rented and over 900 shared ownership properties. It also assumes another approx. 175 additional rented homes through new build and acquisition over the next two years for schemes already identified. As further schemes are identified, these will be included in the plan.

Our asset management team will lead the work to preserve and enhance our existing housing properties.

We expect this to lead to more opportunities for small-scale, place-enhancing regeneration. It will also provide useful information to inform the development of plans for existing projects. We also want to develop a systematic approach to reviewing land and other non-housing assets within the HRA in order to identify opportunities for small-scale regeneration.

7.1 Asset Management Strategy – Demand and the Housing market



7.1.4 - Specialist accommodation strategy

Our Prevention of Homelessness and Rough Sleeping Strategy includes objectives to work with partners to develop a long-term solution for the borough's rough sleepers and to develop a flexible tenure scheme to allow flexibility for those at risk of homelessness.

We are also looking to enhance our cold weather provision. We are phasing out our existing hostel accommodation and replacing it with a high quality welcome and assessment centre for families. As new provision is handed over, our asset management strategy will include plans for the long-term investment in these assets to maintain quality.

We are in the process of developing a Supported Housing Strategy to meet the needs of residents who require assistance in order to support their independence. The strategy covers both HRA and general fund (GF) council assets, however the key investment in supported housing for the HRA are:

- Development of a new welcome centre for homeless families in Harold Hill
- Disposal of two garage sites from the HRA into the GF for the development of supported housing

- Acquisition of properties for the use for single homeless people
- Conversion of selected former sheltered housing, due for regeneration, to be used as supported housing.

We will also explore the options for the development of new supported housing initiatives through the regeneration programme.

Each year, we undertake adaptations to our properties to meet the needs of disabled tenants. There are 134 households on the housing register who need to move on medical or welfare grounds including disability. We have a budget of £850,000 a year for major adaptations to our properties and also to carry out 2-3 extensions each year.

We are keen to build on our work with Adult Social Care to ensure all practical and viable options are explored to meet residents' needs, including helping residents to move when their needs could be better met in a new home. We will ensure our register of adapted properties on our system is up to date and that this data is linked to our 'Open Housing' database to maximise the re-use of adaptations to those with a need at re-letting.

7.1 Asset Management Strategy

– Demand and the Housing market

7.1.5. - Resident priorities

We are keen to ensure that we understand the priorities our residents have for their homes, and that we use this information to inform our investment programmes and service delivery. We are therefore focusing on resident engagement. We are also increasing resources for resident communications through work programmes including resident liaison officers and clerks of works.

Our 2020 resident satisfaction survey showed that the aspects that residents were most positive about was that their homes were safe and secure, that rent provided good value for money, satisfaction with the neighbourhood as a place to live and the overall quality of homes. Residents were also pleased with the repairs response during the pandemic.

However overall tenant satisfaction scores have reduced from 79% in 2017 to 73%. Leaseholder satisfaction is lower at 51% compared with 53% in 2017.

Residents were more critical of the extent to which their views were listened to and acted upon, repairs to communal areas, complaints and anti-social behaviour handling. Many of these issues we can address through our asset management strategy.

The residents' priorities identified through the survey focus on repairs and maintenance, anti-social behaviour, value for money and listening to residents' views and acting on them. We are investigating the driving factors and reasons behind these scores to enable us to continuously improve our services.

The global pandemic in 2020 and impact of coronavirus has made engagement with tenant groups more difficult. Going forward we plan to build on engagement with tenants through the Resident Engagement Panel and refine the way in which we work. We will engage with residents on repairs and asset management issues and enable residents to scrutinise our service delivery.

We will develop a regular and systematic approach to gathering and recording resident feedback in future with an aim to carry out a bi-annual satisfaction survey to provide an understanding of our performance against a number of key indicators. We are committed to a regular programme of faster feedback mechanisms (e.g. following repairs).



Key actions: Demand and the Housing market

- We will build a plan to increase the availability of larger family homes through improvements in re-let times, incentives for under-occupiers, conversions/extensions and acquisitions
- We will use our understanding of asset performance to identify additional opportunities for small-scale regeneration alongside a review of land opportunities within our estates and agree a preferred approach/strategy for sites
- We will consult with residents and seek more information to understand the current and future needs of diverse groups and assess the impact of current policies and approaches on these groups
- We will establish an appraisal process for major disabled adaptations, working with Adult Social Care and Children's Social Care to explore all viable options to meet residents' needs
- We will ensure our register of adapted properties is up to date on Keystone and linked to Open Housing to inform re-letting
- We will increase our engagement with residents through more detailed satisfaction surveys and a systematic approach to gathering and recording feedback
- We will establish a resident group specifically focussed on repairs and asset management, as a sub group of the Resident Participation Panel, and;
- Develop mechanisms for regular and timely feedback from residents.

7.2 Asset Management Strategy – Our Homes

7.2 - Our Homes

Key points: Our Homes

- The council is responsible for approx. 12,000 homes across the borough.
- A large proportion of our stock was built in post-war period and as a consequence we have high numbers and a wide variety of homes built with non-traditional construction techniques, some of which will need significant structural work to extend their lives
- Our investment standard has followed the government's Decent 'Homes Standard' and we are looking to revisit this in consultation with our residents and reflect the proposed review of this standard set out in the Social Housing White Paper
- We have up to date survey data on 25% of our stock and aim to complete 100% surveys over the next five years
- This information tells us we need to spend over £500m on planned investments in our homes and estates over the next 30 years.



7.3 Asset Management Strategy – Portfolio Summary

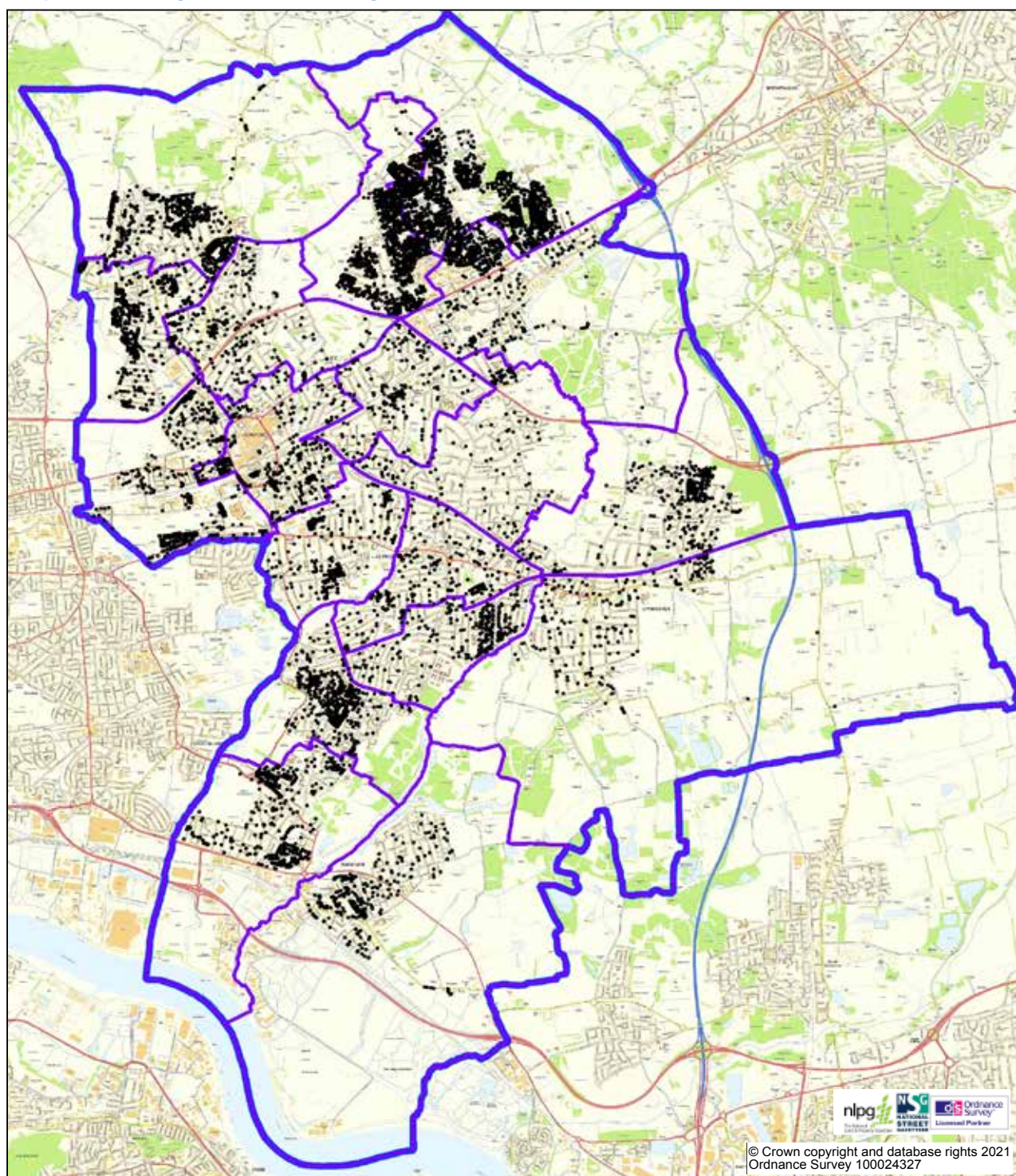
7.3.1 - Overview

This strategy covers all HRA assets. This includes tenanted homes along with properties occupied by leaseholders and a variety of non-residential assets including commercial properties (shops) and

garages. Excluding properties on estates undergoing regeneration, this strategy focusses on the condition and investment plans for the circa 8,250 properties remaining.

The location of our homes is illustrated below.

Map of existing Council housing

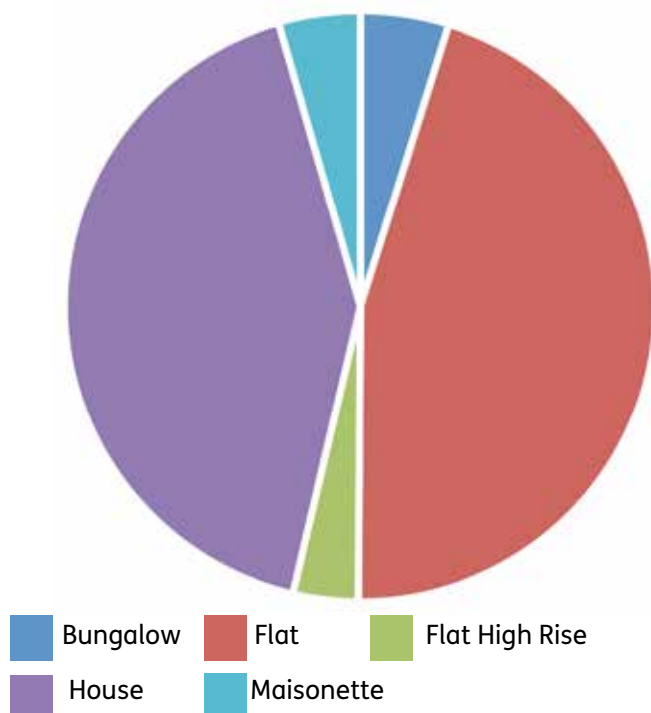


7.3 Asset Management Strategy – Portfolio Summary

7.3.2 – Size and type

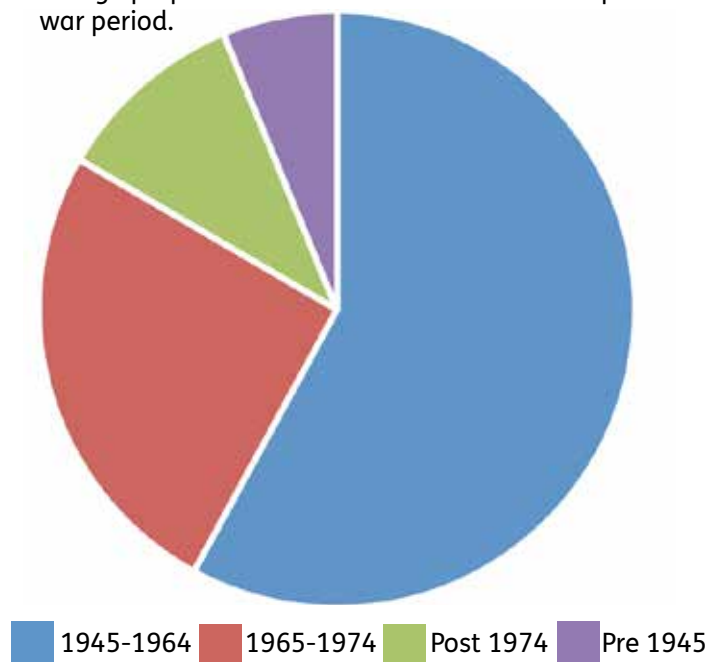
53% of our stock are flats spread across some 1,000 blocks including 10 ‘high-rise’ dwellings, (these are buildings which are over 18 metres in height).

Property Type – tenanted

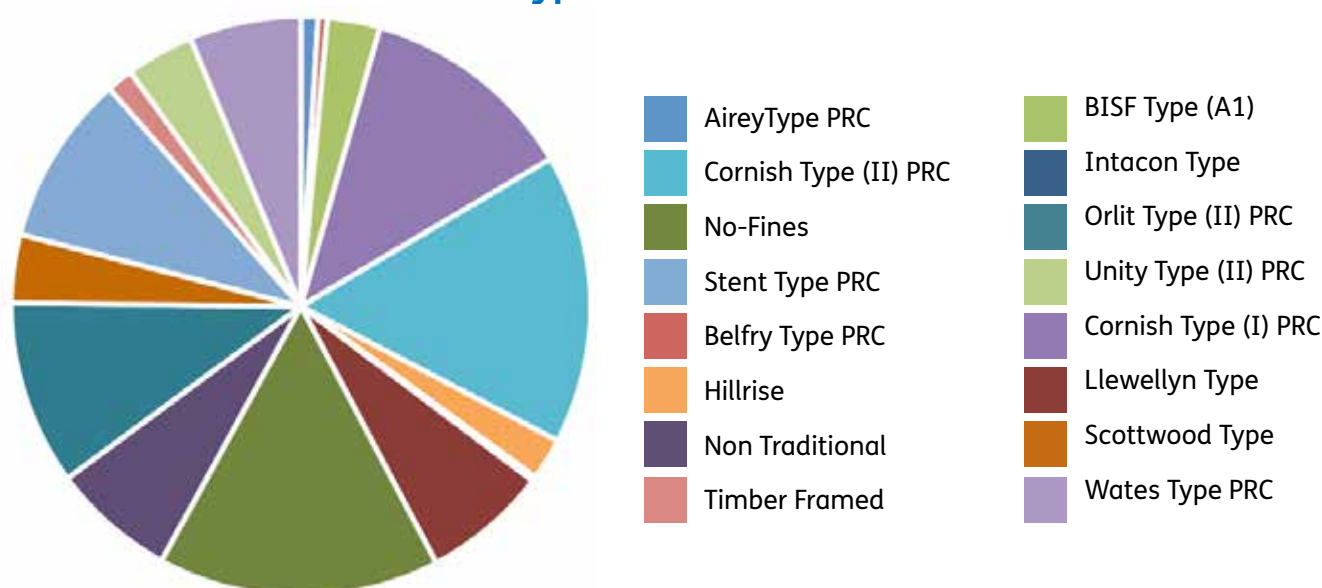


Property Age – tenanted

A large proportion of our stock was built in the post war period.



Non-traditional construction types



We have a significant proportion of properties (circa 1,150 homes / 14%) built of the type of non-traditional construction types common of the post war period.

We have carried out significant investment to upgrade external wall insulation to improve the thermal efficiency of these homes.

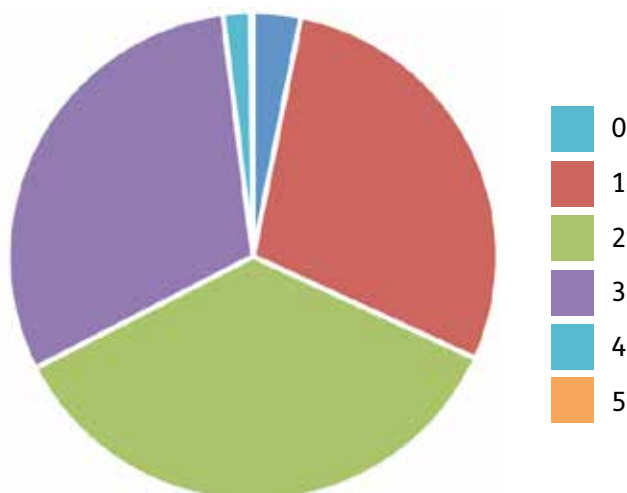
There remains some risk of future structural defects on some construction types; this is kept under review with regular surveys to identify issues in good time.

7.3 Asset Management Strategy – Portfolio Summary

7.3.2 – Size and type (continued)

Property Type – bed size

32% of our rented homes are one beds or bedsits and we have very few larger family homes as set out in the previous section.



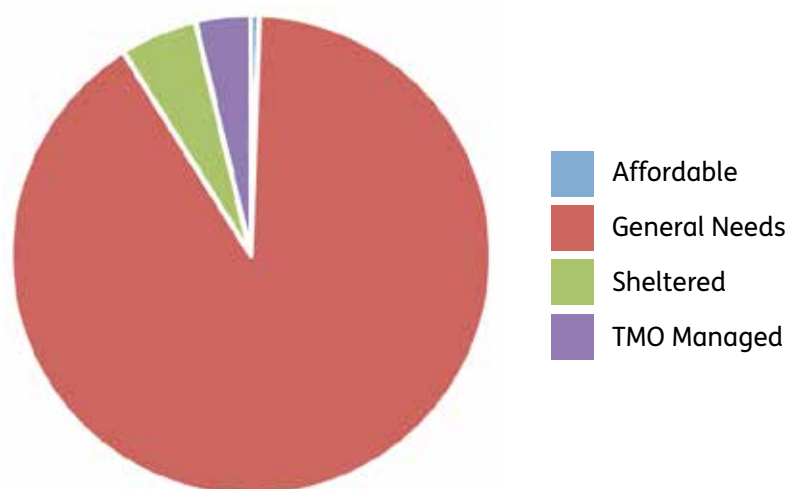
The majority of our homes are let to general needs tenants. We have a little under 500 sheltered housing properties or older people across 14 schemes. We believe that this level of provision broadly matches demand. We have carried out significant investment in our schemes to remove non-self-contained dwellings and bring all properties up to the decent homes standard.

We recognise however, that there will be further work to do in some of our schemes to ensure they remain attractive to residents in the long term, for example the installation of lifts and improvements to communal areas.

We are particularly keen to develop additional extra care facilities and this is being progressed in partnership with Adult Social Services and in conjunction with our regeneration plans.

We are reviewing our current extra care provision to decide our future development needs. We are developing a Retirement Village with 172 flats; these are a mix of sheltered affordable rented, shared ownership and outright sale for older people.

Property Type – tenure



In addition to the rented homes described above, we manage some 2,000 leasehold properties.

We remain responsible for repairs to shared facilities such as lifts, lighting, shared heating and hot-water

systems, the roof and structure of the building, as well as internal and external communal areas, and the cost of these works is recharged to leaseholders under the Council's policy.

7.3 Asset Management Strategy – Portfolio Summary



7.3.3. – Investment standard

Our 'Investment Standard' to date has followed the Government's 'Decent Homes Standard'. This means that we aim to keep properties warm and safe, and to ensure that components are replaced regularly to ensure they remain in good condition. When we replace things, we also aim to bring them up to modern standards.

When putting together programmes of investment we consider age and condition of components. We have taken an enhanced approach to bring forward the replacement of kitchens to 20 years and bathrooms to 30 years. We are mindful that the expectation of our residents is that we also maintain the communal and external areas to a reasonable standard and we need to consider how our investment approach can be expanded to reflect this. We also need to make sure that we contribute to national targets around thermal efficiency and reduction of carbon.

The Social Housing White Paper has promised a review of the case for a change in the 'Decent Homes Standard' by autumn 2021. In the meantime, we will work with our residents to review our approach to investment and standards. This will establish a Havering 'Investment Standard' that is affordable in our business plan and meets residents' priorities.

Our new 'Investment Standard' will also need to reflect enhanced requirements for building safety and ensure our homes are future proofed from a digital perspective including digital inclusion for our residents and smart technology to assist the maintenance of our homes and the comfort of our residents.

7.3.4. - Stock condition

We have up to date information on the condition of our stock, based on a 25% sample survey carried out by Savills in 2020.

The survey data indicates that we need to spend a total of £360m over the next 30 years to maintain our stock in its current condition. In addition, we estimate the need to spend £18.7m on environmental improvements and £19.6m on related assets (e.g. garages, paths etc.).

We have included additional allowances to address the need to remove asbestos from some of our properties when we carry out component replacements (£3m in the next 15 years) and an allowance of £10m over the next 10 years for mechanical and electrical repairs to our blocks.

We have included a further £18m for building safety improvements and £75m for zero carbon. All these estimates will need to be refined with further detailed survey work. This results in a combined total of over £500m of investment needed in the stock over the next 30 years. This is in addition to c. £13.2m per annum needed for regular repair and maintenance, cyclical decoration, void works and health and safety compliance.

We plan to continue a programme of surveys so that we have data on 100% of our stock within five years. We also have systems in place to update the data regularly as work is carried out on our homes. We aim to build up the data in our keystone system to provide a comprehensive register of all our stock holding. This will be fundamental to our ability to plan investment and consider options for the future of our stock.

Of our stock, 99.8% is currently at the decent homes standard. This reflects some programme delays in 2020 due to coronavirus restrictions. We continue to aim for our target of 100% compliance as these restrictions are relaxed.

In addition to the allowances above, we are aware that over time there is a risk that major structural work will be needed to extend the life of some of our homes of non-traditional construction. Further surveys will be carried out on this stock in order to inform our understanding of these properties and the cost of remedying any major defects in future.

7.3 Asset Management Strategy – Portfolio Summary



7.3.5 - Compliance and building safety

We are closely following the government's consultation on building safety and the emerging 'Building Safety and Fire Safety Bills'. In the meantime, we need to do everything that we can to make sure our homes are safe. We will need to invest to improve fire stopping and replace some of the older cladding on our tower blocks.

Our detailed policies covering our major areas of compliance including fire safety, asbestos, gas, legionella, electrical testing and lifts, and these have been subject to third party review. We are now focussing on ensuring we have the right checks and balances and competencies in place to support delivery including a documented controls environment.

We report on our position in all six areas monthly to the senior leadership team and Cabinet Members, and maintain an up to date risk register. Specialist third party support is provided to ensure information is scrutinised and acted upon appropriately.

Our data is currently held across a variety of systems and spreadsheets and we are working on consolidating this into our single asset register on 'Keystone'. We expect the majority of data to be on 'Keystone' by 2021.

In addition, we have a continued commitment to carrying out works identified through fire risk assessments. We continue to monitor the progress of the Building Safety Bill so that we can put in place a proportionate response to any emerging requirements in a timely manner.

7.3.6 - Energy performance

We are committed to ensuring that our homes are warm, and easy to heat for our residents. The current fuel poverty regulations require a minimum EPC standard of 'C' by 2030, which is the target we are committed to make. We are also mindful of the government's commitments to reduce carbon emissions to net zero by 2050, as well as the shorter timescales of 2040 endorsed by the Leader of Havering Council.

Currently we have approximately 2,620 homes below the standard required by 2030 (based on a SAP (-standard assessment procedure - rating below 69). The solutions for these properties will vary based on different property types.

Longer term our approach to carbon reductions will require a tailored approach for different buildings. We are working to understand the range of interventions that are possible, and the implications for the different options in terms of cost of works, reductions in cost of use for residents and reductions in carbon emissions.

Once this work is complete, we will refine the cost estimates in our business plan and develop an investment strategy that will deliver and comply with regulatory requirements.

Our delivery plan will need to take into account the lifecycles of existing components and upgrade facilities as they become due for renewal. At the same time, we will explore all possible options for funding to support this work, and work with other landlords and experts

7.3 Asset Management Strategy – Portfolio Summary



7.3.7 - Garages

It is recognised that parking is one of the three top issues for residents in Havering but it has also been long acknowledged that the garage sites in the HRA are not realising their maximum benefit.

We have approximately 1,000 garages and parking areas on hard standings that together generate an income of circa £320,000 p.a. for the HRA. To ensure garages don't remain void for too long, we have a dedicated garage manager who is developing a proactive approach to secure more lettings. Rents vary based on an assessment of demand in each area.

Various options have been explored for the future of sites in low demand, including demolition and provision of parking on-site via hard standings, exploring alternative uses for the site including redevelopment, and ultimately disposal. Our regeneration programme will address some of the issues on a proportion of these sites.

We will develop a strategy for the remaining garage sites. Where there is clear demand from residential customers and where this is the best use of the site, we will continue to make garages available, but, in other cases, we will seek to support corporate priorities relating to development and income generation through active management of our garage portfolio. Consequently, over time the number of garages available for rent will reduce.

Going forwards our strategy will be:

- Developing a proactive lettings policy, allowing use of garages for parking or storage, ensuring rent levels are aligned with market rates in high demand areas and investing to secure long-term demand
- Continuing to explore development potential across all sites, looking at the sites themselves and adjoining land and surrounding properties where these demonstrate the need for regeneration

- Targeting low demand sites for disposal where this would not create barriers to our own development or effective estate management and where there is no other viable commercial use.

Decisions to invest will be made based on a systematic assessment of the future financial viability of each site alongside the potential to increase income through proactive lettings and/or options for alternative use. All options for alternative use will be considered including storage, micro energy generation, Electric vehicle charging and advertising hoarding.

7.3.8 - Other non-residential assets

We have 175 shops across 11 sites held within the general fund, some of which have residential properties attached to them. Some of the sites are on our regeneration estates and their future will be considered as part of the master planning for each estate.

Others will be managed by the Council along with other corporate assets. We also have one community centre which is managed in this way. We will work with the Council's commercial management team to ensure the potential of these units is maximised for the benefit of local residents whilst exploring alternative uses where there is limited demand.

We have included an allowance in our stock condition survey for the maintenance of parking areas, bin stores, boundary fencing and garages on our estates but only limited allowances are included at this stage for any improvement due to the limits on business plan affordability.

We will add details of all non-residential assets to the comprehensive asset register that we are creating so that we can proactively manage their future in consultation with local residents.

7.3 Asset Management Strategy – Portfolio Summary



7.3.9 - Routine and planned maintenance

We want to move to a proactive repairs approach. The aim of this approach is to reduce the demand on repairs, moving from an ad-hoc to a planned basis.

We will do this by the introduction of a cyclical 'MOTs' programme in our properties and through the introduction of cyclical planned external redecoration, drain clearance and gutter clearance.

We will have a new repairs contract in 2022 and will monitor the impact of these cyclical programme on future repairs budgets and on resident satisfaction. We will continue to monitor the drivers for repairs volumes and use this information to inform planned investment.



Key actions: Portfolio summary

- Develop a Havering Investment Standard in consultation with residents
- Build a comprehensive asset register including up to date data on all our owned stock and its condition, with links to mapping and existing management systems
- Carry out additional surveys to understand level of investment needed in mechanical and electrical upgrade works in our blocks and the structural requirements for homes of non-traditional construction.
- Understand the range of solutions to improve the thermal efficiency of our dwellings and deliver zero carbon through a costed delivery strategy.
- Develop a systematic approach to evaluate the performance of our garages
- Ensure details of all non-residential assets are included in our asset register.
- Develop a proactive approach to the management of our shops, community centre, play areas and office space, maximising income while ensuring a viable provision of important community services, exploring alternative options where there is low demand
- Monitor the drivers for repairs volumes and use this information to inform planned investment.

8.1. Active Asset Management

– Understanding the performance of our stock

Key points: Active Asset Management

- We have a good understanding of the performance of our stock against our financial and social objectives. This is used to improve financial viability and target interventions and option appraisals.
- We are establishing a framework of option appraisals prioritising homes / schemes with poor financial performance. Appraisals are informed by the social performance analysis so that we take decisions in the context of the social value that our homes contribute.
- We have included information on the market values of our properties alongside our performance assessment to inform our approach to disposals of poor performing properties at void to remove major liabilities and release resources for new development.
- Clear principles are in place to guide consideration of property acquisition to support our regeneration and asset management strategies, should the opportunity arise.
- As our understanding of the costs of improving energy efficiency and reducing carbon emissions is better understood, we will build this into our performance assessment and options appraisal framework.

8.1 - Understanding the performance of our stock

We take an active approach to the management of our assets, supported by our understanding of the performance of our homes. The current evaluation was completed in 2020. The evaluation considers performance from three aspects:-

- The financial performance of properties in the business plan
- The social housing outcomes that we want to achieve
- Local markets and demand

The analysis relies on robust data including up to date information on the future investment needs of our stock, and a good understanding of the cost of day-to-day operations, as well as a good understanding of social issues including rates of anti-social behaviour, deprivation and fuel poverty (for example). Further details of the evaluation of stock follows: -

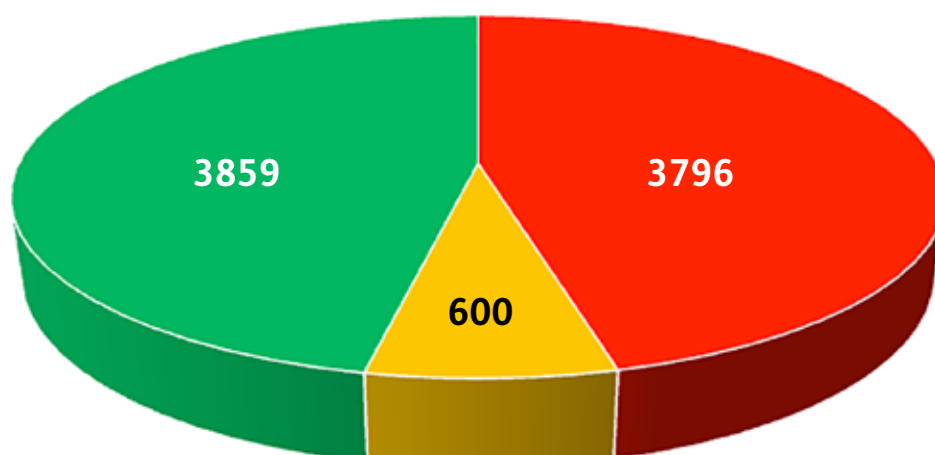
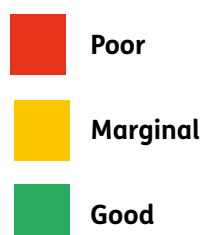
8.1.1 - Financial performance

Our evaluation shows a total NPV of £49.30m across 8,255 rented homes, equivalent to an average Net Present Value (NPV) of £5,973. Performance varies across the portfolio and this presents some challenges for our asset management strategy. 46% of the homes (3,796) show a negative NPV over 30 years representing a liability to the business plan of over £33.31m.

A further 7% (600 homes) show a marginal NPV (defined as between £0 and £5,000) representing a further risk to the business plan. Nearly 47% of homes show good strong cash flows above £5,000 per unit. It is these properties that support the business plan to allow the Council to deliver across all homes.

The range of performance is illustrated in the table below

Financial performance (NPV)



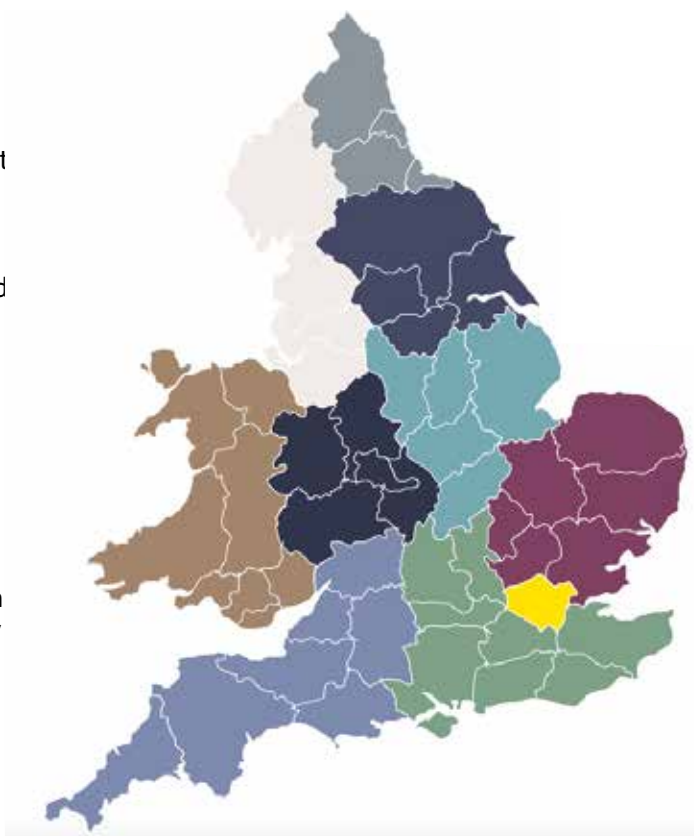
8.1. Active Asset Management

– Understanding the performance of our stock

Our NPVs are lower than benchmarks in London due to the lower rent levels that reflect Havering's position as an outer London borough. Our rent levels are closer to benchmarks in the East of England, reflecting the affordability of our market. Our costs are higher than benchmarked in both London and the East of England.

In part, this is due to the fact that we are using up to date survey data which reflects emerging requirements for building safety and initial estimates for zero carbon which are not necessarily present in comparisons from other providers.

Our operating costs are also higher than benchmarks and this is something that requires review.



East of England

14.1% of the sample
Rents – £103.55 p.w.
Void & bad debt – 1.48% p.a.
M&M – £1,990 p.u. p.a.
30Yr SCS – £31.140 p.u.
30Yr NPV – £26,400 p.u.

London

12.6% of the sample
Rents – £116.47 p.w.
Void & bad debt – 2.25% p.a.
M&M – £2,420 p.u. p.a.
30Yr SCS – £30,280 p.u.
30Yr NPV – £30,600 p.u.

Havering

Rents – £100.52p.w.
Void & bad debt – 1.92% p.a.
M&M – £3,366 p.u. p.a.
30Yr SCS – £42,891 p.u.
30Yr NPV – £5,973 p.u.

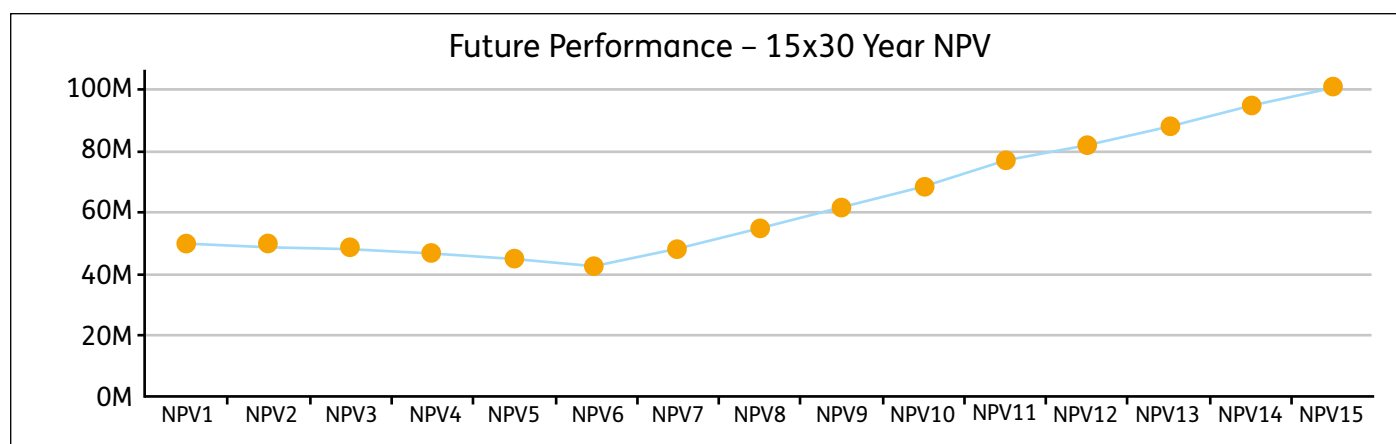
Benchmark NPV performance and key performance drivers

The model provides a projection of future NPV. In 2020, NPV growth was predicted to decline in the short term and then increase sharply reflecting reduced investment rates in later years.

Our framework of appraisals to tackle poor performance will aim to reduce this decline in the short term and improve on the longer-term growth rate in order to

increase business plan capacity to deliver the Council's social housing objectives.

The rate of growth should increase as new properties are developed as part of the regeneration programme, which are currently not included within the asset performance modelling.



8.1. Active Asset Management

– Understanding the performance of our stock



8.1.2 - Analysis of social performance

We also looked at the performance of homes against our corporate objectives, looking at measures linked to our themes of helping communities, place making, providing opportunities, and improving connectivity.

This analysis showed a clear difference in our ability to achieve our social objectives in different parts of the borough. It enables us to identify areas where social sustainability is weak and take action through neighbourhood planning and asset management to improve the extent to which the Council is meeting its social housing objectives.

Where homes score poorly, these represent areas where our asset management and community investment strategies need to target social issues, alongside investment and regeneration of our existing homes.

8.1.3 - Market context - Analysis of social performance

Our development and regeneration strategies aim to increase the numbers of affordable homes available to our residents. Our asset management strategy includes actions to support these objectives.

We have included information on the values of our homes on the open market (based on valuations prepared for our HRA accounts) so that we can compare the value of homes in their existing use (measured by NPV and social performance assessment) with their value if disposed of vacant.

Where we have poor financial performance (measured by NPV) and relatively high open market values, we will consider whether disposal of properties that become void may release resources that could deliver an increased number of new affordable homes.

Before decisions on void disposals are made, the social value of the homes, as measured using our social performance assessment will be considered. Conversion for alternative uses such as temporary accommodation will be considered prior to disposal.

This analysis will enable us to develop a proactive strategy of void disposals that will retain stock where it is serving a strong social purpose and release resources where they may be better deployed on new homes.

We have a programme of acquisitions of properties including those previously sold under the right-to-buy. This supports our regeneration strategy as well as responding to local needs and to take opportunities from the market.

It provides an opportunity to meet housing need where development opportunities are more limited. The business case required will ensure we acquire properties with strong NPVs into our plan to increase capacity. The recent government consultation on the use of receipts from right-to-buy sales extends the period local authorities have to spend the receipts from three to five years.

The percentage cost of a new home that we can fund using right-to-buy receipts has also increased from 30% to 40%. This will make it easier for us to undertake longer term planning and fund replacement homes.

8.2. Active Asset Management

– Using the results to inform strategy



8.2 - Using the results to inform strategy

The results from this performance analysis have been used in the development of this asset management strategy including:

- Establishing a 5-year investment strategy for the stock, based on a transparent investment standard which prioritises investment decisions based on the performance of homes and business plan's affordability
- The production of a 30-year investment profile that manages critical points in the cash flow
- Identification of candidate asset groups for more detailed options appraisals

- Developing further local regeneration plans, using an understanding of the performance of existing assets to inform future regeneration priorities and opportunities to support future new homes.

Our aim over time is to replace poor performing stock with new housing of higher quality to meet our affordable housing needs. This will improve the satisfaction of residents with homes that are better suited to current aspirations, demand and household size.

It will also mean that over time our average NPV will improve, and NPV growth will be stronger in future increasing business plan capacity to deliver our objectives.

8.3. Active Asset Management – Options appraisals



8.3 - Options appraisals

We propose a framework of options appraisals to be carried out over the next 24 months targeted at properties that perform poorly on a financial basis, and informed by an understanding of social performance and market context. All feasible options for improvement will be explored where these deliver our objectives and improve our offer to residents.

Our approach will prioritise those properties that perform poorly at an asset group level, for example an entire block or street of houses is, on average, poorly performing financially. There will be pepper-potted properties elsewhere that show a negative NPV. These will be picked up at void.

Triggers for options appraisal will be:

- Stock with a negative NPV (3,585 properties in 67 asset groups)
- Stock with a marginal NPV (below £5,000) (503 properties in 13 asset groups)
- 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.

Where we identify blocks where additional costs are needed to remedy building safety, and where we identify blocks requiring high costs to reduce carbon emissions, we will update our NPV assessment to inform our option appraisal framework.

Our appraisal process will follow a two-stage process:

- The first stage 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.
- The second stage 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.

We are developing our asset management team to provide resources to carry out these appraisals, with external support and validation. The parameters of the appraisals will be agreed with finance and our regeneration team in order to provide a co-ordinated approach.

In all cases, the appraisal process considers the social issues in the area and takes a broader neighbourhood view, including consideration of other non-residential assets (e.g. garages, land).

Success criteria for appraisals will consider the impact on the business plan and outcomes for residents. Success measures will include:

- NPV increase/increase in net income
- Agreed hurdle rates for redevelopment options in line with our regeneration approach
- Improvement in social scores
- Reduction in liabilities for poorly performing stock
- Release of value and/or land
- Growth in numbers of affordable homes.

8.3. Active Asset Management – Benefits of options appraisals



The benefits of this active asset management approach are that it would enable us to:

- Provide evidence to inform local management strategies to improve the financial performance and sustainability of neighbourhoods and the satisfaction of residents
- Strengthen our business plan
- Make more efficient use of capital resources available, releasing resources for new investment
- Consider long-term planning for obsolescence, putting in place short and medium term investment strategies for assets identified with limited financial viability in the longer term
- Obtain a balance between new build, remodelling and stock investment
- Test alternative strategies
- Improve asset led value for money, delivering a good return on social housing assets, where investment delivers an increase in value (to our business plan and to our residents) over time
- Address regeneration needs to improve the sustainability of neighbourhoods
- Communicate reasons for difficult decision to members, staff and residents, working with stakeholders to deliver improved outcomes
- Assist us in delivering our social and housing objectives.

As viable options emerge through the appraisal process, these will be presented to Cabinet and agreement sought to engage residents in consultation in order to develop local plans. The outcome of that consultation will be presented to Cabinet before decisions are taken to implement any recommendations for change arising from the appraisal.

Major investment decisions in properties identified for appraisal will be deferred until options appraisals are complete. An interim investment plan will be established for these properties to ensure essential health and safety requirements are maintained.

Appraisals will be prioritised based on those with the most immediate investment need first, in particular building safety, in order to minimise the time that properties need interim investment plans before long-term decisions are made.

Options for alternative use of void properties within our appraisal framework will be explored including use as temporary accommodation and other tenures.

8.4. Active Asset Management – Stock disposals



We will develop a strategy to assess properties as they become void and consider a range of potential options, the trigger for these assessments will include;

- Properties which we will not be able to bring up to required energy standards
- Properties where major structural improvements would be required to provide a long term life, to meet 'Decent Homes Standards' (including Housing Health and Safety Rating System – HHSRS) or to meet Building control, and that work is not financially viable
- Properties with major safety issues that cannot be remedied effectively
- High value properties that perform poorly in our business plan as social housing.

We will develop a model to enable us to identify candidate properties before void so that decisions can be taken promptly and so that if the decision is taken not to dispose, that defects can be remedied and the property brought back into use as quickly as possible.

This model will be used to develop a full divestment strategy indicating the number, type and location of properties likely to become available for alternative options, the likely level of receipts to support future affordable housing and the route market to effect the disposal. This will be presented to Cabinet for agreement on core principles.

Key actions: Active Asset Management

- Develop systems to enable updating of data and information on an ongoing basis, allowing us to update our performance model at least every two years
- Incorporate into our performance assessment the costs to deliver zero carbon, and any new requirements on 'Decent Homes 2' and Building Safety as soon as information is available either in the form of new guidance from Government, or as a result of further survey work
- Develop the resources of our team and our approach towards option appraising our stock which meets agreed performance triggers, establishing the principles of an options appraisal framework by June 2022
- Complete a programme of appraisals of poorly performing stock by the end of 2022
- We will develop a divestment strategy, policy and processes to be approved by relevant stakeholders.

9. Investment planning

Key points: Investment Planning

- The stock condition investment costs are affordable in the business plan overall
- We will prioritise investment based on the agreed criteria, with a focus on health and safety of our homes and repairs
- A resident group will be established as a sub group of the Resident Participation Panel to ensure investment priorities reflect resident's views.
- We will apply agreed investment rules and principles when deciding on elemental replacement with a focus on investment need rather than lifecycle
- Our approach to asset management will deliver value for money from efficiencies in programme delivery, benchmarking performance and maximising return on assets.

9.1 - Business plan affordability

Our stock condition data presents a position that is affordable in the business plan overall due to increased borrowing and drawdown of reserves. The business plan includes the amounts set out to replace existing building elements as they become due, and provides for full stock condition costs and environmental improvements.

It also includes additional provisions for building safety, compliance, works to related assets, aids and adaptations for disabled residents and some provision for the delivery of zero carbon. The full cost of zero carbon delivery, however, exceeds allowances currently in the business plan.

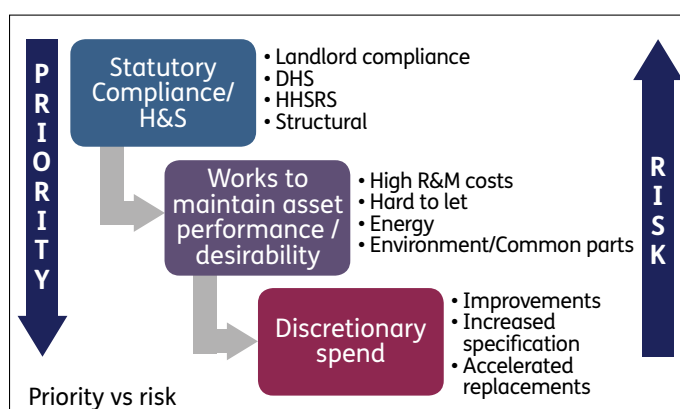
9.2 - Investment priorities

In order to ensure that the standard of investment that has been delivered to the stock is maintained, the investment programme will prioritise works to the long-term sustainable stock within available budgets under the agreed criteria including:

- **Overarching Priority:** We will consider zero carbon approaches in all programmes we develop, looking for opportunities to maximise benefits to residents and reduce carbon.
- **Priority 1:** Works that maintain the integrity of the building. This includes statutory and regulatory compliance such as fire safety, gas servicing, lift servicing, HHSRS, structural, risks to residents, disrepair, decent homes and Energy Performance band 'C'
- **Priority 2:** Works that impact on high responsive repair costs and potential future disrepair e.g. roof repairs, internal electrical and plumbing, damp proof course etc. and regular external and communal area maintenance and redecoration, and estate improvements already provided for within the business plan
- **Priority 3:** Further estate improvements and management of environmental areas, trees, footpaths and open spaces, enhancements to overall appeal of our estates, parking and security where not included in any new decent homes standard, and works to improve digital connectivity and innovation.

The highest priority items carry the greatest risk if they are not delivered. Generally, the higher the priority the

lower the scope for either delaying or not delivering the associated programme of work, illustrated in this table.



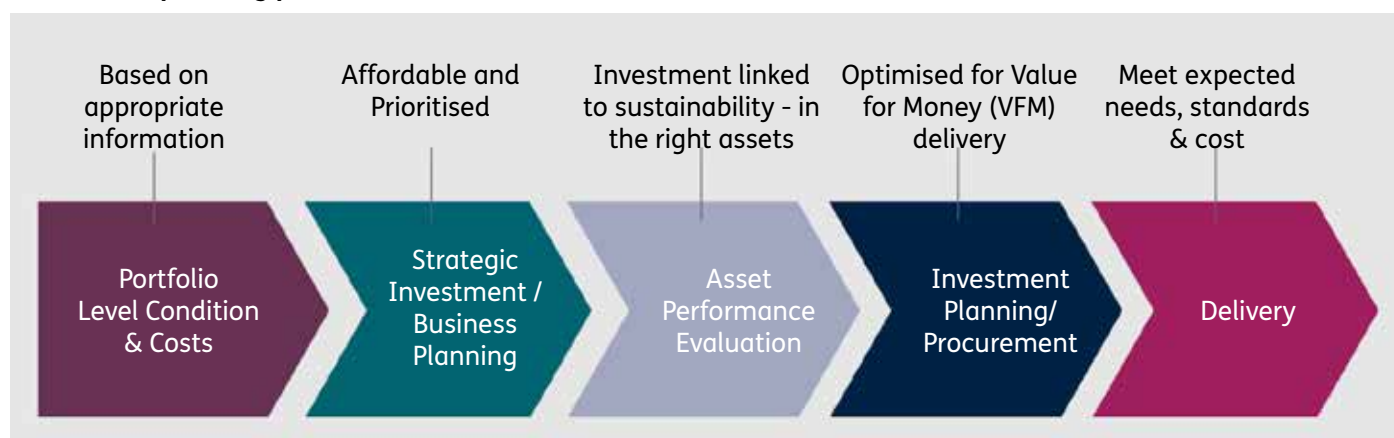
These priorities will be reviewed in consultation with residents, and as the review of 'Decent Homes Standard' progresses.

Some investment costs for Priority 3 are included within the current business plan, but not all, and currently whilst some provision is for the investment required within our estate improvement programme, environmental improvements will require additional capacity within our business plan, and attracting grant funding when available, and will be subject to business case to test the value of improvements delivered in line with our energy and regeneration strategies.

A resident group/panel will regularly revisit these priorities to ensure they reflect what residents feel is important to them. Residents will also be able to scrutinise investment plans and challenge investment decisions based on the criteria agreed above.

9. Investment planning

Investment planning process



9.3 - Investment planning

Our approach to investment planning can be summarised in the diagram above.

Whilst it is apparent that most dwellings will require some work, not every home will require all elements. In order to deliver a programme that is both affordable and meets our business plan, it is necessary to apply a clear set of investment rules and principles to decide when each element will be replaced.

The process and tests that we will follow in preparing investment plans is illustrated above. This ensures that our plans are rooted in investment need, adjusted to be affordable within the business plan, with a clear audit trail of any adjustments required. This is then overlaid with the sustainability modelling of asset performance to ensure investment is targeted at the long-term sustainability stock.

Work packages are then optimised for value for money of delivery. Success measures for delivery will be measured against need with outturn costs compared with target costs by element.

1. Ensuring the stock remains compliant with statutory regulations including:

- Rectification of works identified through fire risk assessments, electrical testing regime and the gas maintenance programme.
- Installation of modern smoke alarms and Carbon monoxide detectors where applicable.
- Targeting low energy rated properties with the aim to increase properties with an existing SAP rating of D, E & F to an EPC rating of 'C' by 2030 where they can demonstrate long-term viability in our plan.

2. **Identifying means to address foreseen or unforeseen issues that are to the detriment of the building or the health and safety of the resident.** This will be assisted by focusing investment on known elemental failure hot spots within the stock profile and in turn help mitigate disrepair claims.
3. **Ensuring investment aligns with corporate objectives.**
4. **Ensuring planned works remain on a yearly basis within the constraints of the business plan.**
5. **Ensuring the investment planning process takes into account stock sustainability by giving consideration of the Asset Performance Evaluation model and requirement for option appraisal work.**
6. **Driving efficiency through programme delivery and procurement including:**

- Dividing the stock in to priority geographical areas to enable compliance works to be targeted and maintained, works to be programmed on an equitable basis, manageable contracts to be let, works to be efficiently programmed over the five-year period and addressing sustainability issues.
- Developing work packages which incorporate associated replacement elements (e.g. chimneys with roof replacements) in order to maximise economic delivery, limit the number of site visits and minimise disruption to customers.
- Assess means of dovetailing planned works in accordance with other investment programmes such as cyclical decoration programme and estate improvement/kerb appeal schemes.

9. Investment planning



9.4 - Procurement

The delivery of our investment programme will be procured externally directly with the market or through existing external frameworks.

We will focus on securing longer-term contracts over e.g. five-year periods and package the works appropriately, grouping key components such as kitchens and bathrooms. These will be subject to approval with a strong focus on value for money.

9.5 - Value for money

One of the principles of our strategy is to use our assets wisely, generating a social and/or financial return.

This strategy includes actions that will evidence value for money through:

- Cost reductions from efficiency in delivery and procurement of our capital programme and day-to-day maintenance – releasing resources for reinvestment in our homes
- Benchmarking the performance of our contractors and delivery teams
- An approach to asset performance evaluation that enables us to maximise return on assets (social and financial)
- Actions to increase the number of homes in ownership through regeneration, bringing empty homes back into use, and new build development on our land

- An approach to investment planning which ensures works are delivered efficiently and remain affordable
- Correct identification of works through the stock survey and pre-works scoping to ensure sufficient quality information is available to build a programme based on correct volumes of replacements, thus minimising abortive work/visits and unplanned additional costs
- Ensuring we make best use of our non-housing assets such as our garage and commercial portfolio reviewing the current use and alternative options, whilst maximising income.

We will also explore value for money through developing commercial opportunities for us to provide services to other organisations, for example asset modelling and appraisals.

The acceleration of spend to deliver our zero carbon programme will create additional pressures on value for money.

Key actions: Investment Planning

- Utilise our resident group/panel to regularly revisit the identified priorities and ensure they reflect resident needs and what they say is important to them
- Follow our agreed investment planning methodology, and ensure we review and agree on an annual basis a one year, five year and 30 year investment plan
- Update our investment priorities and rules where required to reflect recommendations from the resident board and external reviews (e.g. building safety), including changes in regulation and legislation and affordability in the business plan
- Explore commercial opportunities for asset management service provision to others.

10. Dissemination and communication of this strategy

Housing Services will consult with all directly or indirectly affected stakeholders to ensure this strategy fulfils its purpose to be clear and transparent. It will be made available internally and externally in print and electronic formats.

It will also be made available in easy-read and multi-lingual versions, copies of which will be obtainable upon request.

11. Monitoring and review of this strategy

Key points: Monitoring and review

- A clear framework is in place for the governance of this strategy, including annual reports on progress of the action plan
- We have robust internal controls to ensure we have insight into asset management practices and outcomes, and can ensure they perform as intended
- The strategy covers a five year period from 2021 – 2026. Investment plans will be reviewed annually. The strategy will be reviewed annually
- Accountability for, and delivery of, this strategy sits with the Assistant Director of Property Services.

11.1 - Performance monitoring

Investment plans and the results from options appraisals leading to alternative proposals for assets will be reported to the Housing Management Team, Senior Leadership Team (SLT) and Cabinet.

Reports will include financial and quality out turns against plans. We will measure our success through a range of Key Performance Indicators (KPIs) which include:

- 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.

11.2 - Governance

The accountability for key aspects of this strategy is set out below.

Tasks	Executive Role	Cabinet / Cabinet Member Role
Drafting, maintaining and updating the Asset Management Strategy (AMS)	Prepares draft AMS for Portfolio Holder/Cabinet Member decision. Maintains AMS. Provides annual update of AMS. Provides full periodic reviews of AMS.	Approves draft AMS. Approves annual updated AMS and periodic reviews.
Implementing stock options appraisals and managing outcomes	Conducts stock options appraisals and makes recommendations in line with the scheme of delegation in the constitution. Implements SLT, Cabinet decisions. Annual report to Cabinet on outcomes including use of proceeds/land.	Considers recommendations and takes decisions on implementation. Agrees a level of delegated authority for action based on agreed principles, process and policy.
Managing progress against delivery of ten year investment plans	Reporting and consideration of progress / corrective action via management – action monthly to Director of Housing, six monthly to SLT.	Receives and approves reports. Takes/approves corrective action where required. Regular monitoring.
Updating stock condition survey information	Annual programme of stock condition to maintain 100% survey every 5 years with regular external validation. Outcomes used inform investment plan and revisions to the AMS and to the Asset Performance Evaluation model.	Results reported for information as required and via annually updated investment plan and approval of revised active asset management strategy.
Updating asset performance evaluation model	Model will be owned and managed to support decision making and it will be updated every year or in response to changes in the stock portfolio (additions, disposals, transfers, investment etc.) and updated stock condition information.	Model outputs reported to Director of Housing, SLT and Portfolio Holder at each update to demonstrate progress in active asset management to improve value.

11. Monitoring and review of this strategy

11.3 – Internal controls

The main internal controls are in the following areas:

• Stock Condition Surveys (SCS)

The costs used in the SCS will be reviewed regularly to ensure they are consistent with sector benchmarks and that a process is in place to ensure they will be updated on a systematic basis based on actual prices obtained for works done and planned.

Updates to the SCS are captured by the asset management databases as the investment programme is implemented. SCS updates will form part of the annual investment planning verification process.

• Investment Plans

There is a planned investment programme in place with clear and robust contract management arrangements.

There are performance measures in place and there is effective and regular monitoring and management of actual delivery performance against these plans by the asset management team. Demand analysis and customer feedback from responsive repairs programmes is used to inform and update the planned investment programmes.

Our resident group will help ensure our investment plans reflect residents' priorities and scrutinise the quality of our delivery.

Repairs and maintenance delivery programmes, including gas servicing, are all in place and there is effective monitoring and management of outcomes.

• Procurement and Staffing

There will be effective and efficient procurement plans and processes in place with value for money confirmed through benchmarking and external validation exercises.

There are management systems in place to recruit, select, train and appraise staff with the skills to deliver the strategy.

• Responsive Repairs

There are detailed contract controls and performance measures in place for the service. Service outcomes and measures are used to inform forward planning of both responsive and planned repairs.

There are good levels of customer satisfaction with the service and this is routinely tested as part of the service.

• Asset Performance Evaluation

The asset performance evaluation model developed by Savills is owned and managed by the Housing Asset Management Team, with input from the Finance and Housing teams.

The Assistant Director of Property Services will ensure that it forms an integral starting point for investment planning and active asset management.

The model will be regularly updated, informed by new information including updated stock condition data following delivery of investment plans, responsive repairs spend, changes in management costs, changes in void rates, local option appraisal outcomes, new homes coming into management etc.

• Asset Management Strategy

The Asset Management Strategy will be updated as a key part of the annual capacity modelling and corporate planning process and outcomes from this exercise will inform the business planning and capacity modelling.

• Business Planning & Capacity Modelling

The annual business plan and capacity model review process will explicitly evidence a golden thread from the business plan through the asset management strategy, cash flow models, investment and procurement programmes, and stock condition surveys etc.

• Internal Audit & Risk Management Arrangements

The actions from the Asset Management strategy will be reported to the Housing Senior Management team and Senior Leadership Team.

The key risks will be reported on the Housing risk register.

This approach aims to ensure we continue to improve our practice and performance, and have consistency from asset model to stock condition survey and make best use of all of the key links in between.

11. Monitoring and review of this strategy

11.4 - Risk Management

This strategy recognises that housing assets can also become liabilities, for example having a negative impact on the organisation's viability as a landlord or on residents' lives. We must be aware of these risks and manage them appropriately.

Risks relating to asset management for the Council include:

- Failures to manage Health and Safety compliance could put residents, staff and contractors at risk
- Failures to meet statutory and regulatory standards can carry penalties and will damage the Council's reputation
- An incorrect scope or poor quality of stock investment will have a key influence on customer satisfaction and, in some areas, on demand for property
- Poor value for money in asset management will impact on our ability to deliver our objectives
- Potential loss of high performing stock through Right to Buy would reduce our contribution to operating surplus
- Failure to meet the standards of engagement with residents, leaseholders and other stakeholders as detailed in the recent white paper would lead to sanctions the regulator and reputational damage.

Cabinet and resident accountability is central to the co-regulation approach proposed in the social housing white paper. We will review our approach to reporting and managing risk in the light of these proposals.

We plan to introduce a high-level risk register specifically for strategic asset management, with major risks included on the corporate risk register. The reporting of these asset management related risks will ensure full visibility and accountability through our governance structures including to residents.

11.5 - Review

The strategy covers a five year period from 2021-2026. Investment plans will be reviewed annually. The strategy will be reviewed in December 2022.



11.6 - Authority and control information

Responsibility for this strategy is with the Assistant Director of Property Services.

Key actions: Monitoring and review

- Review and develop our approach to managing strategic asset management risks
- Review compliance against the Regulator of Social Housing consumer standards in respect of asset management
- Annual review of strategy
- Full update of strategy by 2026.

APPENDIX 1 – ACTION PLAN

	Objective	Actions	Timescale
OUR HOMES			
1	We will consult with residents and seek more information to understand the current and future needs of diverse groups, and assess the impact of current policies and approaches on these groups.	<ul style="list-style-type: none"> • Asset team will lead consultations on future work programmes, zero carbon, building safety to help establish resident priorities, aspirations and concerns. • Develop a clear Resident Engagement Strategy that covers Housing Services with buy-in from relevant stakeholders. • Measure increase in number of engaged residents /number of responses to consultations. • Ensure a clear feedback loop created. 	June 2022 - to establish an approach – ongoing for lifecycle of strategy.
2	Increase engagement with residents through more detailed satisfaction surveys and a systematic approach to gathering and recording feedback – leading to improved resident satisfaction.	<ul style="list-style-type: none"> • Resident Engagement/ Service Improvement will introduce regular satisfaction surveys to understand what is and isn't working (in partnership with contractors). • A suite of satisfaction reports will enable clear understanding of whether the works being undertaken are having a positive impact and delivering as required. • Success will depend on suitable mechanisms for completing, recording and analysing results being in place. 	June 2022 ongoing
3	Establish a resident group as a sub-group of the Resident Participation Panel, specifically focused on monitoring repairs and asset management.	<ul style="list-style-type: none"> • Put residents at the heart of our decision-making and ensure we deliver the service our customers need. • In line with the Resident Engagement Strategy that seeks to widen out the number of current engaged residents and establishes a network of resident groups reporting in to RPP. • Resident group will be recruited and trained as required to ensure they have the skills to make meaningful contributions to service improvement. 	April 2022
4	Develop a Havering 'Investment Standard' in full consultation and co-production with residents.	<ul style="list-style-type: none"> • The Asset team, will work with residents to develop a clear standard, over and above 'Decent Homes', which can be demonstrated to stakeholders and costed in the HRA business plan. This will allow for clear investment planning around an agreed standard and identify capacity in the HRA. • This standard will be published and promoted to tenants. 	January 2023
5	We will build a plan to increase the availability of larger family homes through improvements in: - 1. Re-let times 2. incentives for under-occupiers 3. conversions/extensions 4. acquisitions	<ul style="list-style-type: none"> • The Asset team will work with major works, regeneration and lettings teams to identify suitable opportunities in new build or refurbishments. • We will utilise asset intelligence to identify pipeline opportunities for downsizing, rooftop development and infills. • We will maximise the use of 'right to buy' receipts on acquiring larger homes 	Ongoing

APPENDIX 1 – ACTION PLAN

	Objective	Actions	Timescale
OUR HOMES			
6	We will use our understanding of asset performance to identify additional opportunities for small scale regeneration, alongside a review of land opportunities within our estates, and agree a preferred approach/strategy for sites.	<ul style="list-style-type: none"> The Asset team will establish all HRA assets and identify relevant opportunities, which will feed into the wider regeneration programme. We will assess if a decrease in the numbers of non-sustainable properties can be achieved within our stock. 	January 2024
7	Build a comprehensive asset register including up to date data on all our owned stock and its condition, with links to mapping and existing management systems, (including details of all non-residential assets on our asset register).	<ul style="list-style-type: none"> The Asset team will ensure all assets owned or managed by Housing are recorded on 'Keystone' and managed appropriately. The asset team will work with relevant teams to obtain and update data as required. 	January 2023 / ongoing
8	Improve our response to major disabled adaptations, working with Adult Social Care and Children's Social Care to explore all viable options to meet residents' needs.	<ul style="list-style-type: none"> Asset team will develop an appraisal tool to ensure appropriate properties are being adapted which will meet the long-term needs of residents, and, where necessary, encourage residents to move into more appropriate properties. Ensure our register of adapted properties is up to date on 'Keystone' and linked to 'Open Housing' to inform re-letting. 	June 2023
9	To allow full asset planning, we will improve our understanding of investment needed in mechanical and electrical aspects of our blocks and structural requirements for homes of non-traditional construction.	<ul style="list-style-type: none"> The stock surveying team will undertake a cyclical programme of stock surveys to improve our knowledge base. 	Commence programme in June 2022
10	Understand the range of solutions to improve the thermal efficiency of our dwellings and deliver net-zero carbon and develop a costed delivery strategy.	<ul style="list-style-type: none"> In order to enable us to deliver the government and LBH net-zero carbon objectives by 2040, the Asset team will develop the zero carbon strategy. We will bring average SAP (energy rating) to 'C' by 2030. 	June 2024 (strategy delivery)
11	Develop a systematic approach to evaluate the performance of our garages.	<ul style="list-style-type: none"> To ensure we maximise the potential of all assets, the Asset team will develop a garage investment model. This will provide a clear approach to garage and garage sites. 	January 2023
12	Develop a proactive approach to the management of our shops, the community centre, play areas and office spaces, maximising income while ensuring a viable provision of important community services.	<ul style="list-style-type: none"> The Asset team will ensure all assets owned or managed by Housing are recorded on 'Keystone' and managed appropriately. Asset review may include exploring alternative options where there is low demand. 	January 2023
13	Monitor the drivers for repairs volumes and use this information to inform planned investment.	<ul style="list-style-type: none"> The asset team will monitor all workstreams to identify properties which have high and low numbers of repairs. We will introduce targeted property 'MOTs' to allow us to move from reactive to proactive approaches. This will ensure there is a clear understanding of properties and how this impacts on stock sustainability. 	June 2023

APPENDIX 1 – ACTION PLAN

	Objective	Actions	Timescale
ACTIVE ASSET MANAGEMENT			
14	Develop systems to enable easy updating of data and information on an ongoing basis, allowing us to update our performance model at least every two years.	<ul style="list-style-type: none"> The Asset team will ensure all assets owned or managed by Housing are recorded on 'Keystone' and managed appropriately. Ensure all asset data is up to date and relevant and allows investment modelling. 	Ongoing process
15	Incorporate into our performance assessment the costs to deliver net-zero carbon, and any new requirements on 'Decent Homes 2' and 'Building Safety', as soon as information is available either in the form of new guidance from Government, or as a result of further survey work.	<ul style="list-style-type: none"> The asset team will ensure stock surveys include building safety and zero carbon inspections and will build this into stock appraisals. Ensure investment model includes all upcoming workstreams. The HRA business plan will include all known investment need over 30 years. 	Ongoing process
16	Develop the resources of our team and our approach towards option appraising our stock that meets agreed performance triggers, establishing an options appraisal framework.	<ul style="list-style-type: none"> Regular stock appraisals are undertaken, with the same comparable methodology and agreed outcomes.. 	June 2022
17	Complete a programme of appraisals of poorly performing stock by the end of 2022.	<ul style="list-style-type: none"> The Asset team will develop an appraisal framework. 	Ongoing process once framework is in place
18	Develop a divestment strategy to target major liabilities and release resources for regeneration.	<ul style="list-style-type: none"> To ensure that we retain the most viable stock which meets our tenants current and future needs, the Asset team will develop a clear divestment strategy including appropriate triggers and outcomes (supported by relevant stakeholders). 	January 2023
INVESTMENT PLANNING			
19	Follow our agreed investment planning methodology, and ensure we review and agree on an annual basis a one year, five year and 30 year investment plan.	<ul style="list-style-type: none"> A fully affordable business plan will be maintained which ensures all works to existing stock is included and identifies additional capacity. The Housing Finance team and Asset team will develop annual budgets, 5 year plans and 30 year plans. 	Annually in line with business plan and budget setting timetables
20	Explore commercial opportunities for asset management service provision to others.	<ul style="list-style-type: none"> We will review commercial opportunities to help manage other providers' stock where appropriate. This will potentially deliver more services to our customers through economies of scale and may create additional income streams. 	Ongoing process

APPENDIX 1 – ACTION PLAN

	Objective	Actions	Timescale
REVIEW AND MONITORING			
21	Review and develop our approach to managing strategic asset management risks.	<ul style="list-style-type: none"> Asset team will ensure the risk register reflects asset management risks and they are adequately managed. 	Ongoing process
22	Review compliance against the Regulator for Social Housing ‘consumer standards’ in respect of asset management.	<ul style="list-style-type: none"> The Asset team will ensure our properties meet the relevant regulatory standards. Ensure LBH fully meets the regulatory standards and is not at risk of sanctions. 	Annually
23	Annual review of strategy.	<ul style="list-style-type: none"> The AD of Property Services will review the strategy to ensure it remains in line with corporate objectives and current legislation. 	Annually
24	Full update of strategy by 2026.	<ul style="list-style-type: none"> Housing Strategy & Service Development will assist the AD of Property Services to conduct a full review of this strategy in 2026. 	December 2026