

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>From: Head of Housing</b>	<b>Report Number: P22</b>
<b>To: Strategy Committee Executive Committee</b>	<b>Date of meeting: 12 June 2014 16 June 2014</b>

### HOUSING ASSET MANAGEMENT STRATEGY

#### 1. Purpose of Report

- 1.1 To provide an integrated joint Housing Asset Management Strategy for both Councils, which details how assets will be managed over the short, medium and long term to ensure the correct investment decisions are made in a sustainable way. This document has been developed from the original Mid Suffolk Housing Management Strategy (2012), which has been fully revised and updated, together with the inclusion of the Babergh housing assets.

#### 2. Recommendation

- 2.1 That the Housing Asset Management Strategy (as referred to in Appendix 2) for the future management of Babergh and Mid Suffolk District Councils housing assets be adopted.

The Committee is able to resolve this matter.

#### 3. Financial Implications

- 3.1 The Strategy provides the framework for key investment and disposal decisions relating to the Councils' housing stock, which are built in to each Council's Housing Revenue Account Business Plans, including their capital and revenue programmes purchase and the disposal and acquisition of housing assets.

#### 4. Risk Management

- 4.1 The risks associated with adopting the Housing Asset Management Strategy have been identified and are listed in the Risk Register at Appendix 12 within the Strategy document.

#### 5. Consultations

- 5.1 The Housing Asset Management Group considered the draft report at its meeting on 9 May 2014 and approved its content. It was then presented to the Joint Housing Board on the 15 May 2014, which has recommended approval of the Strategy to your Committee.

#### 6. Equality Analysis

- 6.1 This Strategy does not impact on the Council's duty to adhere to equality legislation. While it is not possible to apply an Equality Impact Assessment to such a wide ranging Strategy such assessment will apply when relevant to particular actions within the Strategy.

## **7. Shared Service / Partnership Implications**

- 7.1 The alignment of this key Strategy represents a significant step in the integration of the two Councils' policy frameworks. It also reflects partnerships with other housing providers.

## **8. Key Information**

- 8.1 The attached Executive Summary sets out the content of the Housing Asset Management Strategy for Babergh District Council and Mid Suffolk District Council for all housing revenue account assets, the main assets being council houses, bungalows and flats (housing stock). Other assets in the Housing Revenue Account include garages, land and sewerage treatment works.
- 8.2 Work has commenced on a Strategic Asset Framework for all of each Council's assets and this Housing Asset Management Strategy must take account of any decisions reached in terms of governance and responsibilities within this framework.
- 8.3 Asset management is about the understanding, long term planning, provision and sustainability of Babergh's and Mid Suffolk's housing assets.
- 8.4 The housing stock represents the highest value assets owned by both Councils and the repair and maintenance of these assets is a significant liability. The value of the housing stock for both Councils is approximately £160m each, the investment required to maintain the stock in good condition over the next 30 years is estimated at £183m for Babergh and £192m for Mid Suffolk hence the need for a comprehensive and sustainable Housing Asset Management Strategy. Both Councils have sufficient resources in terms of funding to maintain the stock in good condition over the next 30 years.
- 8.5 Effective asset management is fundamental to the successful delivery of an excellent service that meets the Councils' objectives, within the context and allowances of our respective Business Plans.
- 8.6 The key to successfully managing assets is to rigorously examine these assets to ensure that they are fit for purpose, in high demand and provide value for money for both the Councils and the tenants paying the rent. Key tools used to consider the sustainability of assets are the Housing and Garage Viability Models.
- 8.7 The Housing Asset Management Group directs the use of these models, which are now in place for both Councils, to continually check that investment is made in stock that is sustainable in the long term.
- 8.8 The Executive Summary attached as Appendix 1 to this report will give Members a good overview of what housing asset management is, and what the context is for both Councils. It also indicates the wide range of areas that implementation of the Strategy will influence and affect.

8.9 A copy of the full Housing Asset Management Strategy, which is a very substantial document running to over 90 pages, will be available in the Members Room or by contacting Ryan Jones (Corporate Manager – Asset Management), and is also linked as Appendix 2 to this report via the website. All the sections and appendices can be explored if required for more detail on how the Strategy has been developed, and how it is to be implemented.

## 9 Appendices

Title	Location
1. Housing Asset Management Strategy – Executive Summary	Attached
2. Housing Asset Management Strategy – full document	Members Room - <a href="http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2014-15/P22-Appendix2.pdf">http://bdcdocuments.onesuffolk.net/assets/Uploads/Committees/Committee-Reports/Reports-2014-15/P22-Appendix2.pdf</a>

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# APPENDIX 1



## Housing Asset Management Strategy

May 2014

## EXECUTIVE SUMMARY

# 1. Introduction

- 1.1 This document records the Mid Suffolk District Council (MSDC) and Babergh District Council (BDC) Housing Asset Management Strategy (HAMS) for its housing revenue account assets from May 2014.
- 1.2 Babergh and Mid Suffolk are housing stock retaining District Councils, located in East Anglia. For ease of reading hereafter, they will be referred to as ‘the Councils’.
- 1.3 Both Councils have structures in place for an integrated housing service delivery function (including housing asset management) and have formed a Joint Housing Board (comprising elected members and resident representatives from both areas, supported by officers).
- 1.4 This Strategy is about the understanding, long term planning, provision and sustainability of Babergh and Mid Suffolk’s housing assets.
- 1.5 Work has commenced on a Strategic Asset Framework for all BDC & MSDC assets and this strategy must take account of any decisions reached in terms of governance and responsibilities. The expectation is that the best use is made of housing assets through an effective asset management strategy, a structured lettings and disposal approach, and by using land or sites for redevelopment.
- 1.6 The housing stocks represents the highest value assets of both Councils and its repair and maintenance their largest liability. The housing stocks owned are worth many millions of pounds, either as capital assets or as revenue generating assets; therefore planning for its sustainable future is of vital importance.
- 1.7 Both Councils intend to develop new homes in the future, and this has been allowed for in their Housing Revenue Account (HRA) Business Plans.
- 1.8 This Housing Asset Management Strategy should be read alongside other key Council documents including:
  - The Strategic Asset Framework
  - The Self-Financing 30 year Housing Revenue Account Business Plans
  - An Investment and Development Strategy (currently being developed).

## 2. Purpose

2.1 The Councils key objectives for their housing assets are:

- to help improve the quality and condition of stock to the locally agreed Homes Standard
- to maintain all properties to the Government's Decent Homes Standard
- to develop new homes

2.2 The purpose of this Housing Asset Management Strategy is to deliver these objectives, and can be summarised as follows:

- To define the Councils position with regard to housing asset management and how this aligns to core business objectives
- To define needs, future trends and any changes influencing these
- To define the stock, its condition, use and the re-investment required over the next 30 years
- To identify the risks and issues relating to the assets and how these may be mitigated
- To define the methodologies and implementation processes for the Housing Asset Management Strategy
- To establish frameworks and templates for monitoring, recording and evaluating performance.

2.3 The Housing Asset Management Strategy fundamentally needs to balance assets and needs, as illustrated below:



In the field of social housing, the Councils must operate with Business Plans that deliver good quality housing and services in a cost effective way; although care is needed to ensure that a balance of these factors is maintained to ensure sustainability.

### 3. Context

This can be explained by considering a number of questions:

#### 3.1 What is Asset Management?

Asset Management is about the long term planning, provision and sustainability of assets, such as houses, flats garages and land.

#### 3.2 What housing assets do the Councils hold?

	<b>Dwellings</b>	<b>Garages</b>	<b>Leasehold Dwellings</b>
<b>Babergh</b>	3,462	1,573	98
<b>Mid Suffolk</b>	3,390	1,164	41
<b>Total</b>	<b>6,852</b>	<b>2,737</b>	<b>139</b>
February 2014			

All of the Councils housing stock (and related assets) are located within the district, with a substantial amount being located within a rural environment.

The Districts are popular areas, having excellent road and rail links in place, with major local centres such as Ipswich, Colchester and Bury St. Edmunds within easy commuting distance. Unemployment levels for both Mid Suffolk and Babergh are below the national and regional average.

<b>Area</b>	<b>Total JSA Claimants</b>
Babergh District Council	1.6%
Mid Suffolk District Council	1.4%
Eastern Region	2.3%
Great Britain	3.0%
Source: NOMIS January 2014 – Job Seeker allowance	

The demand for homes in the region is high.

### 3.3 What is the value of these assets?

	<b>HRA Assets</b>	<b>Other Assets</b>	<b>Total</b>
<b>Babergh</b>	£162m (92%)	£14m	£176m
<b>Mid Suffolk</b>	£165m (93%)	£13m	£178m
<b>Total</b>	<b>£327m (92%)</b>	<b>£27m</b>	<b>£354m</b>

### 3.4 How do we manage these assets?

The principles of this Housing Asset Management Strategy will balance the economic value of assets with the social and economic needs of residents. The Councils are also required to comply with all relevant legislation and regulations.

### 3.5 Why is having a Housing Asset Management Strategy so important?

Effective asset management is fundamental to the successful delivery of the Councils objectives within the context and allowances of their overall Strategic Asset Framework and their Housing Revenue Account (HRA) Business Plans, to deliver good quality social housing and services in a cost effective way.

### 3.6 What tools do we use to achieve effective asset management?

- Regular **stock condition surveys**, to determine maintenance requirements
- A comprehensive **Asset Management Database**, to store and maintain data
- The **Housing Asset Management Group**, a stakeholder working group
- The **Homes Standard**, our desired specification
- **Viability Models** – to identify high cost and/or low demand properties
- **Option Appraisals** to decide on future use of properties
- A highly skilled, motivated and satisfied **Asset Management Team**
- Resident and community **involvement**
- Performance **monitoring** and benchmarking
- Robust **Business Plans**
- Effective **procurement** of works and services
- Effective work **Delivery Programmes**
- **Close working** in partnership with all stakeholders
- Recorded **Policies and Procedures**.

### 3.7 What are the key tasks for the Housing Asset Management Strategy?

- To gather and maintain reliable data about the stock and its condition
- To make effective use of asset data
- To help the Councils maintain the Decent Homes Standard and to agree a local 'Homes Standard'
- To undertake as much work as possible in a pre-planned way
- To undertake the least possible amount of work reactively
- To undertake work on void properties to the Lettable Standard, unless catching-up where works have previously been refused
- To assess the viability of the housing stock and recommend disposal where appropriate
- To procure works and services cost effectively
- To deliver works and services efficiently with disruption to residents minimised
- To tackle agreed priorities on a 'worst first basis' with the health and safety of residents a priority
- To explore the options for regeneration and the development of new stock to meet the housing needs of local people
- To assess possible property acquisitions using a suitable viability tool

### 3.8 The Housing Asset Management Strategy supports each Councils strategic priorities:

- **Babergh** – To shape, influence and provide the leadership to achieve the right mix and supply of housing.
- **Mid Suffolk** – To ensure that there are enough good quality, environmentally efficient and cost effective homes with the appropriate tenures and in the right location.

## 4. Implementation

- 4.1 Effective asset management is fundamental to the successful delivery of an excellent service that meets the Councils objectives, within the context and allowances of their respective HRA Business Plans.

The Councils have embraced the principles of effective asset management by:

- recognising the importance associated with maintaining effective stock condition and attribute information
- ensuring the assessment of stock viability and future options for poorly performing stock
- effective procurement

- recognising the value of an established relationship between the maintenance and management functions
- ensuring the effective delivery of the works programmes required to keep the stock in good condition.

4.2 This Strategy sets out a number of key actions that will further improve service and operational delivery. It includes an **Action Plan** that defines these objectives and timetables proposals.

The Councils are mindful that increases in technological requirements and the continual requirement for increasing service standards demands a proactive approach to housing asset management and regular re-consideration of the respective Business Plan allowances.

The Strategy establishes the framework within which asset management operations will be provided. It highlights the component parts of the asset management function and their inter-relationship.

4.3 This strategy and its component parts will be overseen by the Corporate Manager - Asset Management. To ensure that the staff member in this post has sufficient time to undertake this role and to plan works effectively, the staffing structure has been reviewed to facilitate a clear division of responsibility for 'planning' as opposed to 'delivery'. In this way the Councils aim to encourage best use of resources, whilst allowing a continued focus on high standards of delivery.

4.4 The Councils are aware of the diverse **needs of the wider community**, local regeneration issues and the need to ensure a joined up approach. The overall objective being to empower and enable innovation and the delivery of continuously improving, customer focused services with a long-term sustainable stock, in an efficient way.

4.5 Continued re-investment is required to maintain the stock in good condition. The re-investment requirements have been identified by **Stock Condition Surveys**.

From these surveys cost information is included with an **Asset Management Database**. This must retain up-to-date stock condition and attribute data. Robust stock condition information forms the cornerstone of an effective strategy and gives rise to programmes of re-investment designed to maintain the stock appropriately and in good condition. Condition data will be enhanced and validated by an ongoing programme of stock surveys and feedback from completed repairs and maintenance activities.

By regularly reviewing component costs and updating the Asset Management Database, the Councils aim to ensure that its budgets and Business Plans are aligned with the requirements of the stock.

- 4.6 Revenue, or income, is limited by the Governments' rent formula regime, which from 2015 will limit rent increases to the Consumer Price Index (CPI) + 1%. In previous years subsidy was provided through the Housing Revenue Account (HRA) and the Major Repairs Allowance (MRA). However, since the start of 2012/13 (following HRA reform), the subsidy system has been abolished and the Councils now have greater control of their resources through 'self financing'. Income and expenditure are illustrated within the respective Business Plans.

The stock condition surveys and associated desk-top work undertaken has given rise to detailed cost reporting tables. The **overall expenditure** derived from these tables is:

	<b>Years 1-5</b>	<b>Years 6-30</b>	<b>Total 30 Years</b>	<b>Cost/Property /Annum</b>
<b>Babergh</b>	£39,300,832	£144,140,971	£183,441,803	£1,766
<b>Mid Suffolk</b>	£37,606,572	£154,311,583	£191,918,155	£1,887
<b>Total</b>	<b>£76,907,404</b>	<b>£298,452,554</b>	<b>£375,359,958</b>	<b>£3,653</b>
(all figures are exclusive of VAT, fees and management costs)				

Following the introduction of self-financing Babergh and Mid Suffolk now have sufficient resources to deliver the works identified as required through the stock condition survey forecasts. The programme of works that will be delivered will be developed in consultation and will be recommended, reviewed and regularly monitored through the Housing Asset Management Group.

- 4.7 The Councils will frequently assess sustainability and re-investment priorities through a **Stock Viability Model** that takes account of a range of factors including demand and projected costs. This appraisal process results in individual properties being allocated a red, amber or green re-investment status (RAG).

A green status indicates that the stock classified as such is sustainable with a long term future, being of low cost and high demand. The majority of stock falls within this classification and can be included within re-investment plans without concern.

As a consequence of choice based lettings, the Councils housing stock is generally in high demand, especially general needs family accommodation, there are however some pockets of lower demand stock (such as some remotely located dwellings) and these units are being reviewed and will be proactively managed following options appraisal.

Properties classified as either red, or amber by the Stock Viability Model will be subjected to options appraisal as part of a detailed sustainability assessment, prior to any major works being undertaken. If stock is not deemed sustainable in its current form then alternative uses will be considered (including, for example, redevelopment, change of lettings type, disposal, or conversion).

4.8 A separate **Garage Viability Model** has also been developed under the same principles. In this model however garage sites are treated as one as opposed to individual garages.

4.9 In December 2000 the Government's Housing Policy Statement, 'Quality and choice - a Decent Home for All - the way forward for housing'. This set out the government's strategy for ensuring that every household has the opportunity for a decent home and setting out the timetable for its achievement.

A previous Minister for Housing confirmed in his letter of November 2010 that: *"The Government has no plans to change the **Decent Homes Standard** which acts as a safety net to ensure no tenant is disadvantaged. As constructed the Standard allows landlords to complete work to the highest standard they can afford. This is consistent with the Government's localism agenda and we do not want to constrain local decision making by changing the Standard"*.

Whilst the Decent Homes agenda is a requirement, it is one of a number of issues that need to be considered in a holistic view of housing asset management, albeit within the constraints of the Councils wider priorities and funding basis.

The aspirations of tenants and leaseholders (collectively referred to as residents) have been considered in this Strategy. These are far reaching and cover aspects that are included within Decent Homes but many others which fall outside the remit of this initiative. Within the constraints of the finances available, the Councils therefore propose to deliver investment plans as a part of an effective and sustainable re-investment programme.

4.10 A '**Homes Standard**' has therefore been prepared in consultation with a wide range of stakeholders to record repairs and maintenance policies (for example the use of low maintenance products) and the materials standards that are to be adopted when procuring work.

4.11 Residents expect a good service, choice and value for money to be provided in return for their rents. **Local Standards** will therefore be agreed each year with Tenant Forum representatives.

4.12 The Councils have formed a **Housing Asset Management Group**. This inclusive group assesses works programmes, promotes options appraisals in

the context of viability model findings, considers wider initiatives, monitors and reviews performance and takes ownership of the Homes Standard, reassessing it from time to time in the context of the Business Plans.

4.13 The Councils will continue to promote resident involvement through its **Local Standards for Tenant Involvement and Empowerment** and obtain feedback via the STAR survey to improve services.

4.14 The Councils have long understood the importance of effective procurement and the requirement for good working relationships with partner providers, whilst delivering high standards and good value for money. Longer term partnering relationships with contractors who view the Councils as an important local customer will continue to be developed and actively managed. **A Procurement Strategy** has therefore been developed.

The Councils will encourage improvement and efficiencies in terms of cash savings and non-cash benefits, striving for continued value for money by considering collective procurement with similar organisations. The Councils will aim to undertake a greater proportion of work in a pre-planned way, aiming to benefit from the potential for lower costs and improved resident satisfaction, consultation and communication.

4.15 This Strategy addresses the issue of **Housing Need**. The prevention of homelessness, the need to support homeless people and the meeting of wider housing and support needs is a priority for the Councils. The Councils will work alongside the local health providers and other statutory partners to enhance the delivery of homeless services.

The Councils operates a choice based lettings system called 'Gateway to Homechoice' through a partnership of a number of other local authorities and Registered Social Landlords.

Mid Suffolk is ranked 274 (average of rank) in the Government's Indices of Deprivation 2010 (326 being the least deprived), and Babergh is ranked 233 meaning that there are low levels of deprivation in both areas.

High property values have seen an increase in the number of right to buy sales in recent years due to the increased discount allowances. The highest demand within the Council's portfolio is for two-bedroom and one-bedroom general needs units. The lowest demand is for sheltered units and rural bungalows.

4.16 The Councils are implementing the current Government policy on **rents** which from 2015 will limit rent increases to the Consumer Price Index (CPI) + 1%. The resources available to manage and maintain the stock are dictated by rental income and expenditure all as defined within the Housing Business Plans.

- 4.17 The Councils place a high degree of importance on other initiatives such as services to the elderly, vulnerable people and families with children. However this high standard of service places increased pressures through increased management costs.
- 4.18 The Councils have considered the risks in adopting a Housing Asset Management Strategy. It is important to continue to identify and mitigate risks where appropriate, combined with delivering the aims of the organisation to ensure long-term sustainability. A **Risk Register** is therefore included within the Strategy.

## 5. Conclusion

The Councils therefore now have a robust, effective and funded Housing Asset Management Strategy incorporating current best practice across a wide range of issues.

This must be considered as a living document with an annual review of all the key areas.

**May 2014**

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