

**For General Release**

<b>REPORT TO:</b>	<b>CABINET 25th February 2019</b>
<b>SUBJECT:</b>	<b>Housing Asset Management Plan (HAMP) 2019-28</b>
<b>LEAD OFFICER:</b>	<b>Shifa Mustafa - Executive Director of Place Kirsteen Roe - Director of Council Homes, Districts and Regeneration</b>
<b>CABINET MEMBER:</b>	<b>Councillor Alison Butler - Deputy Leader and Cabinet Member for Homes &amp; Gateway Services</b>
<b>WARDS:</b>	<b>All</b>
<p><b>CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:</b></p> <p>Croydon Council has set out clear priorities for a safer, greener, economically prosperous and healthier Croydon.</p> <p>The Housing Asset Management Plan (the “Plan”) is intended to effectively maintain the Council’s housing assets in line with the Corporate Plan and business objectives.</p> <p>The Plan sets out four strategic objectives:</p> <ul style="list-style-type: none"> <li>• Compliant, decent and energy efficient homes</li> <li>• Homes in places where people want to live, work and socialise</li> <li>• Residents of all ages and backgrounds shaping services</li> <li>• Affordable and cost effective homes</li> </ul> <p>The Plan contributes to the following aims of the Corporate Plan:</p> <ul style="list-style-type: none"> <li>• People live long, healthy, happy and independent lives</li> <li>• Our children and young people thrive and reach their full potential</li> <li>• Good, decent homes, affordable to all</li> <li>• Everyone feels safer in their street, neighbourhood and home</li> <li>• A cleaner and more sustainable environment</li> <li>• Everybody has the opportunity to work and build their career</li> </ul>	
<p><b>FINANCIAL IMPACT:</b></p> <p>The Housing Asset Management Plan aims to meet our vision and deliver key promises to residents within a financially balanced business model.</p> <p>There are no direct costs arising from the implementation of the Housing Asset Management Plan. Key medium to long term financial assumptions and impacts of the Plan within the HRA Business Plan have been detailed in Section 5 of this report.</p>	
<p><b>KEY DECISION REFERENCE NO.:</b> <b>Not a Key Decision.</b> Recommendations are reserved to full Council for approval.</p>	
<p>The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.</p>	

## **1. RECOMMENDATIONS**

The Cabinet is recommended to:

- 1.1 Note the proposed implementation and progression of the draft Housing Asset Management Plan which sets out the overarching direction, specific strategies, policies and procedures to manage the Council's housing assets over the period of 2019 to 2028; and
- 1.2 Recommend to Full Council that the Housing Asset Management Plan 2019-2028, Appendix 1 hereto, be approved and implemented.

## **2. EXECUTIVE SUMMARY**

- 2.1 This report sets out the analysis, consultation and background behind the draft Housing Asset Management Plan ("the Plan") for the Council's owned and managed housing assets; to ensure effective maintenance and improvements inline with corporate objectives, and legal and regulatory standards for the period 2019 to 2028.
- 2.2 This report sets out how the Plan aims to align with the key outcomes of the Corporate Plan, considers how legislative changes have impacted upon the financial climate of the HRA and addresses the key considerations of relevant policy.
- 2.3 The Plan compliments the HRA 40 year Business Plan 2018. The Plan has been developed to provide clear objectives when faced with financial challenges, increased scrutiny within the social housing sector following the Grenfell Tower tragedy, and increased demand for affordable housing, growth and regeneration.
- 2.4 The Plan sets out the proposed approach to be undertaken to ensure the Council meets statutory requirements and the Decent Homes Standard across all our homes. Furthermore, it aims to develop an enhanced Croydon Standard to meet the needs and aspirations of our residents and provide efficient, cost effective delivery across the Asset Management, Capital Delivery for Homes and Schools, and Repairs and Maintenance services.

## **3. DETAIL**

- 3.1 The HRA became self-financing in 2012, and the Council took control of the income and expenditure decisions required to manage its housing portfolio and its debt. (Before the lifting of the 'borrowing cap' the current amount of debt is £323m and the borrowing cap is £334m leaving a headroom of £11m).
- 3.2 The Welfare Reform and Work Act (23. Reduction in social housing rents) required that councils reduce rents by 1% per annum from 2016/17 to 2019/20. The reduction in rents meant that the HRA needed to make corresponding

savings in expenditure, reducing annual spending by a total of £13.0m over the four-year period in order to maintain a balanced position.

- 3.3 The government had proposed an extension of the right to buy scheme to housing association tenants. The funding for this measure was intended to come from the proceeds of selling “higher value” council houses as they became available. Payments were to be made to central government in the form of a levy, with any shortfall in receipts made up from the HRA. The government has decided to no longer go ahead with this.
- 3.4 The ‘A new deal for social housing’ Green Paper has indicated that the Government will allow rent increases from 2020/21 and they are exploring greater flexibilities in how Councils spend Right to Buy receipts.
- 3.5 In the Autumn Budget 2018 the Chancellor of the Exchequer confirmed the lifting of the ‘borrowing cap,’ providing opportunities to increase investment within the HRA. This development has eased the financial pressure on the HRA.
- 3.6 At the start of 2018/19, Croydon’s HRA held 13,572 homes, 2,375 leaseholders and 1,101 blocks. The Council invest £26.771m for planned maintenance and improvements and £12.392m for responsive and cyclical maintenance annually.
- 3.7 In addition, there are 834 homes that are managed on behalf of the General Fund, Private Landlords and Croydon Affordable Homes. These properties similarly require repair, maintenance and investment to maintain good quality accommodation.
- 3.8 The Council’s investment in property assets supports key objectives such as:
  - Good, decent homes, affordable to all
  - Everyone feels safer in their street, neighbourhood and home
  - A cleaner and more sustainable environment
  - Everybody has the opportunity to work and build their career
- 3.9 To ensure that the Council’s property assets are fit for purpose and supporting the Council’s objectives, a continuous cycle of review and challenge will be implemented and managed through a revised governance arrangement.
- 3.10 Key annual activities and performance have been outlined in Appendix 2 and support the delivery of the Corporate Policies. There will be an annual review of the actions and measures, and updated versions will be published each year.
- 3.11 Using effective asset management, the Council can deliver better outcomes for residents and provide homes in places where people want to live, work and socialise.
- 3.12 Croydon has achieved excellent results through investment in its housing stock:
  - The Council works closely with the London Fire Brigade to ensure that blocks continue to comply with fire safety regulations.

- In response to the Grenfell tragedy in June 2017, Croydon committed to installing sprinklers in all HRA tower blocks of 10 stories and above. In 2017/18 and 2018/19 sprinklers have been installed to 1,252 homes.
- The Council has achieved a constant 99-100% of homes maintained at the decent home standard over the last seven years.
- The Council achieved an average energy efficiency rating of 68.77 points (using the Building Research Establishment's energy performance calculation Reduced Data Standard Assessment Procedure - RDSAP) in October 2018 compared against the national average of 65.6 points.

3.13 This Plan aims to build on these successes through the key objectives below:

- Compliant, Decent & Energy Efficient Homes
- Homes in Places Where People Want to Live, Work & Socialise
- Residents of All Ages & Backgrounds Involved in Shaping Services
- Affordable and Cost Effective Homes

3.14 The Plan aims to establish a 'Croydon Standard' under the Compliant, Decent & Energy Efficient Homes objective. The Croydon Standard aims to deliver more efficient services based upon agreed component replacement lifecycles and specifications across contractor partners using their industry expertise. In addition, resident feedback on their priorities has been incorporated to target future investment programmes.

3.15 Members are therefore recommended to endorse the Housing Asset Management Plan 2019-2028, Appendix 1, and Housing Asset Management Plan Targets 2019-2020, Appendix 2, hereto and recommend to Full Council that it adopt the Plan at Appendix 1 and Targets at Appendix 2.

## **4. CONSULTATION**

4.1 Croydon has an excellent track record of involving its residents in the management of their homes and neighbourhoods, therefore the development of this Plan placed a high amount of importance on staff and resident consultation.

4.2 A number of residents from across the borough were engaged through an organised workshop at Croydon Town Hall on Monday 15<sup>th</sup> October 2018. This sample of residents was selected from the housing involvement database and represent a varied population of our residents.

4.3 Council officers at all levels were engaged at the start of the strategic development and to review the final draft. The varied viewpoints of colleagues from across the Council, including Regeneration, Planning and Finance broadened the scope and scale of the Plan to beyond housing services, ensuring the Plan also contributes to wider objectives of the Council as set out in the Corporate Plan 2018-22.

4.4 Representatives from our contractor partners Axis, Mulalley, Guideline, Anglian, AJS and Clairglow provided their views on developments in the industry,

standards and specifications, and Croydon’s housing supply. This input is helping to shape the development of the ‘Croydon Standard’.

## 5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no direct financial implications arising from the approval of the Housing Asset Management Plan.
- 5.2 Croydon has invested in its HRA properties to ensure that it meets, and continues to achieve the Decent Homes Standard. The table below summarises the Council’s spend on housing stock over the past six years.

Table 1 – Expenditure on Housing Stock

Expenditure	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Responsive & Cyclical Repairs	12.890	10.470	11.630	11.450	10.950	12.392
Planned Maintenance & Improvements	21.950	22.080	23.220	23.550	26.120	26.771

- 5.3 The introduction of Self-Financing in 2012 has allowed for further investment into HRA properties, and has enabled works to be planned that are beyond the scope of Decent Homes Standard.
- 5.4 The table below sets out the budget and planned spend profile for responsive repairs and cyclical maintenance (revenue expenditure) and planned maintenance and improvements (capital programme of works) on the housing stock. The revenue spend savings anticipated in 2019/20 is £0.200m.

## 1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Revenue Budget available</b>				
Expenditure	12,392	12,192	12,192	12,192
Income				
<b>Effect of decision from report</b>				
Expenditure	12,392	12,192	12,192	12,192
Income				
<b>Remaining budget</b>	0	0	0	0
<b>Capital Budget available</b>				
Expenditure	26,771	26,771	26,771	26,771
Other	5,614	11,680	180	180
<b>Effect of decision from report</b>				
Expenditure	32,385	38,451	26,951	26,951
<b>Remaining budget</b>	0	0	0	0

5.5 Due to the nature of the programme it is likely that there will be slippage in the 2018/19 budget detailed above and this will be reported to Cabinet in July 2019 as part of the July Financial review report.

### 1 The effect of the decision

1.1 There are no direct costs arising from the implementation of the Plan.

### 2 Risks

2.1 Social housing is facing a changing landscape with:

- more scrutiny on compliance and assurance following the Grenfell Tower fire;
- improved certainty over future budgets following the end of the 1% rent reduction, removal of the High Value Voids Levy, and lifting of the Borrowing Cap; and
- increased expectation to deliver new social housing.

2.2 We will ensure that our homes comply with all relevant legislation and that we are able to provide assurance that we are compliant. More in-depth

assessments of our properties, particularly relating to fire safety, could result in unexpected investment to ensure our homes remain safe.

2.3 Compliance work will be prioritised but could result in other, less essential, works being delayed because of budget limitations and contractor capacity.

2.4 The whole country and economy is faced with the uncertainty surrounding Brexit. The building industry is particularly susceptible to these changes, with a considerable proportion of the workforce originating from Europe, and materials supplied from the continent. A no deal position may result in:

- a reduced workforce and skills shortage which will delay the delivery of planned investment programmes
- shortages of materials and increased supply chain costs
- overall higher prices being passed on to the client
- construction companies of all sizes ceasing trading

### **3 Options**

3.1 There are several scenarios identified in the HRA Business Plan 2018. These are:

- Compliant and decent homes
- Compliant, decent homes, and improvements
- Compliant, decent homes, improvements, and £2m per annum regeneration
- Compliant, decent homes, improvements, and £6m per annum regeneration

3.2 Each scenario is viable within the HRA following the lifting of the borrowing cap but the two regeneration scenarios would require additional borrowing.

3.3 The HRA business plan is reviewed annually and this review takes the financial risks detailed in section 2 into consideration. An updated version of the plan with associated recommendations, taking into consideration the likely impact of proposals within the Social Housing Green Paper, is currently in development.

3.4 The Plan has been developed with all scenarios in mind and will provide the delivery framework for whichever option is recommended.

### **4 Future savings/efficiencies**

4.1 It is anticipated that through coordination of supply chain and components that savings can be made through increased purchasing power and 'right first time' repairs.

4.2 By undertaking financial assessments of homes on a regular basis it will be possible to identify high cost properties. Savings will be achieved through preventative measures (repairs and maintenance) or developing alternative approaches (disposal, conversion, extension, intensification). This should reduce the cost to the HRA.

Approved by: Lisa Taylor, Director of Finance, Investment and Risk (S151 Officer)

## **6. LEGAL CONSIDERATIONS**

- 6.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that there are a number of statutory duties in relation to housing which the delivery of this Plan is proposed to support. These include:
- Under the Housing Act 2004 local authorities have a duty to keep housing conditions in their area under review, with a view to taking any action necessary under the provisions of Part 1 of the Act
  - Functions conferred on or exercisable by the Council as a housing authority (including functions conferred on the Council as a local authority in relation to the allocation of social housing and assessment of homeless persons under the Housing Act 1996 and subsequent amendments thereto and the Homelessness Reduction 2017).
  - Functions of the council as a social landlord under the Housing Act 1985
- 6.2 In undertaking the various functions and actions proposed by the draft Plan, the Council will need to be mindful of the duties imposed under the Landlord and Tenants Act 1985, as amended, including in particular the consultation duties pursuant to Section 20.
- 6.3 The Deregulation Act 2015 abolished the statutory requirement for English local authorities to produce a housing strategy as previously required by section 87 of the Local Government Act 2003. However, Section 8 of the Housing Act 1985 requires every local housing authority to periodically consider housing conditions in their area and the needs of the area with respect to the provision of further housing accommodation, and the need to review housing conditions under section 3 of the Housing Act 2004.

Approved by Sandra Herbert, Head of Litigation and Corporate Law, for and on behalf of Sean Murphy, Director of Law and Governance & Deputy Monitoring Officer

## **7. HUMAN RESOURCES IMPACT**

- 7.1 There are no immediate HR implications that arise from the recommendations in this report which would impact Croydon Council staff.

Approved by: Sue Moorman, Director of Human Resources

## **8. EQUALITIES IMPACT**

- 8.1 An Equality Analysis process has been used to assess the actual or likely impact of the processes and procedures related to implementing the Plan. This assessment was undertaken in November 2018.
- 8.2 No further analysis is required as the Plan will mostly have a positive impact. Any consultation will endeavour to be as inclusive as possible. If any equalities issues arise as part of the consultation process, the Equality Analysis will be updated to reflect this.

Approved by: Yvonne Okiyo, Equalities Manager

## **9. ENVIRONMENTAL IMPACT**

- 9.1 The Plan sets out clear priorities for the environmental sustainability of Croydon's housing stock and to provide affordable warmth for residents through improved insulation and the installation of central heating.
- 9.2 Energy efficiency measures (including upgrades to boilers, central heating systems and insulation; double-glazing, and the kind of measure referred to above for hard to heat homes such as external cladding) are a key investment priority within the planned maintenance capital programme. These measures will contribute to a reduction in CO2 emissions as well as reducing heating bills to ensure that keeping the home warm is affordable.
- 9.3 The Plan also sets out initiatives to improve the forums in which residents, partnering contractors and partner officers will be able to influence and encourage environmentally sustainable behaviour and practices.

## **10. CRIME AND DISORDER REDUCTION IMPACT**

- 10.1 The Plan includes objectives to tackle anti-social behaviour and fly tipping through a range of measures within the Capital programme that support the Council's wider objectives to improve community safety. These may include installation of security door entry systems, environmental improvements, improved lighting, and deterrents to fly tipping hot spots.

## **11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 11.1 The Council has recognised that it is in need of an approved approach to the management of its housing assets for a number of reasons.
- The significant financial challenges faced by the Council in the future.
  - Ever increasing pressures within our sector around welfare reforms and rent levels.
  - The increasing demand for decent affordable housing to support our diverse and growing population.
  - The opportunity to deliver much needed regeneration across the borough.

## **12. OPTIONS CONSIDERED AND REJECTED**

- 12.1 The first option considered was to do nothing and continue to deliver the services as they currently stand. This would result in the Asset Management, Capital Delivery for Homes and Schools and Repairs and Maintenance services working to similar but local objectives, which would not develop the efficiencies and continuous improvement that collaborative working brings. While all three services have aligned their delivery with the Corporate Plan, delivering in silos

would be less impactful. In addition, there would be opportunities for inconsistent levels of service delivery across our housing stock and the initiatives and ideas that are derived from stakeholder engagement would necessarily be shared. While we would continue to delivery our services within a balanced HRA, the prioritisation of works would not be as coordinated; resulting in reduced resident satisfaction and inefficient repairs/investment delivery.

- 12.2 The Plan was developed with robust stakeholder engagement and built on the success of key investments and outcomes. As it aligns with the Corporate Plan 2018-22, its conception centered on the clear corporate priorities of delivering effective asset management.

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<b>APPENDICES TO THIS REPORT:</b>	Appendix 1 – Housing Asset Management Plan 2019-28 Appendix 2 – Housing Asset Management Plan Targets
<b>BACKGROUND PAPERS:</b>	None