

Report for: Cabinet

Date of Meeting:	19 January 2023
Subject:	Housing Asset Management Strategy
Key Decision:	Yes
Responsible Officer:	Dipti Patel - Corporate Director of Place; David McNulty - Director of Housing
Portfolio Holders:	Councillor Mina Parmar - Portfolio Holder for Housing.
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1: Asset Management Strategy Appendix 2: Action Plan

Section 1 – Summary and Recommendations

This report sets out an Asset Management Strategy (AMS) using an Active Asset Management Approach to the council's housing stock. Over the last 18 months officers have completed a new stock condition survey and implemented the Social Housing Asset Performance (SHAPE) toolkit. Following this work approval is requested for the draft Asset Management Strategy and to procure a 3-year capital programme based on this.

Cabinet is requested to:

- 1.1 Approve the Asset Management Strategy (attached at Appendix 1) which sets out how the council will actively manage its housing assets and prioritise investment to maintain and improve its homes efficiently and endorse its publication.

Reason: (for recommendations) The delivery of the Asset Management Strategy will enable the Council to:

- Meet statutory requirements concerning the planned maintenance of stock in line with our Asset Management Strategy which includes delivery of Decent Homes Standard and council estate improvements, landlord compliance and building safety objectives and carbon reduction and energy efficiency targets.
- Crucially the approach will allow us to move towards a more planned and less reactive approach towards asset management. Initially this will be a 60/40 split.
- Procure and plan works more efficiently across the 3-year period in order to provide best value programmes of work on an elemental basis in line with "Active Asset Management" principles.
- The new Asset Management Strategy will improve homes for our residents and improve the customer experience as well as ensuring effective investment in our assets making sure they are fit for purpose and meet our needs over the life of the Housing Revenue Account (HRA) business plan.

Section 2 – Asset Management Strategy

Options considered

(a) Do Nothing: Continue to plan and carry out works on an annual programme basis. This option has been rejected as it will not allow planned investment over the long term to meet strategic objectives and will require reliance on more expensive responsive repair services.

(b) Commission a new Asset Management Strategy and develop a rolling 3-year capital programme: This is the recommended option as it will deliver the efficiencies outlined in the report, provide the framework for a more holistic planning process and the delivery of best value through procurement.

1.0 Background

- 1.1 Harrow Council owns just under 4,800 homes, which are managed through its Housing Revenue Account (HRA).¹ This equates to approximately 5% of total stock in the borough.² The Council also manages around 1,200 leasehold properties (largely former Council owned flats sold under the Right to Buy), nearly 800 garages and 11 community centres.
- 1.2 Harrow's previous Asset Management Strategy (AMS), drafted 2019, reacted to the 2016-20 Social Rent cuts with a shift to "Just-in-Time" investment planning. At the time, the impacts of the Grenfell Tower tragedy were being analysed carefully across the sector and, while the subsequent regulatory response had yet to emerge, there was an increased focus on property standards, governance and residents' voice. The removal of the Housing Revenue Account (HRA) borrowing cap in 2018 also allowed a greater amount of flexibility, which included more focus on regeneration and new development.
- 1.3 While these challenges and drivers still exist and remain as important as ever, local authorities continue to operate in a changing and challenging operating environment and several emerging themes need to be addressed in an updated strategic approach.
- 1.4 The Council has made good progress with its new investment planning modelling (SHAPE) and new planned works programmes (such as Planned Preventative Maintenance), which aim to drive down reactive spend and make wiser, more targeted, investment decisions. This work can be built upon by further embedding the concept of "*Active Asset Management*", which is centred around understanding the 'real time' value of stock. This would allow more targeted investment, planning and growth, and ensuring value for money.
- 1.5 New health and safety regulatory requirements established by, for example, the new Housing White Paper, Fire Safety Bill, proposed Building Regulations changes and Building Safety Act will result in additional administration and costs to meet new governance requirements and standards. The concept of safe and sound homes has therefore never been more important; the Council needs to ensure it has the right standards in place to provide quality buildings that meets the needs and expectations of residents
- 1.6 It is important to manage these assets effectively and be able to take nuanced investment decisions, based on a range of appropriate factors to ensure they remain viable over the life of the HRA business plan and more importantly continue to provide safe, secure homes for our residents.
- 1.7 At the present time, our investment is weighted towards reactive responsive repairs which are not efficient in terms of ensuring the long term viability of our housing assets and do not deliver the best customer experience for our residents.

¹ <https://www.harrow.gov.uk/downloads/file/26993/housing-strategy-2019-with-heading>

² Statistical data set: Live tables on dwelling stock (including vacant properties)

- 1.8 Our Asset Management Strategy provides the strategic direction and an approach to change the way we work. It is not a description of “business as usual”. It will allow us to make better, more informed investment decisions and shift to a more planned approach.
- 1.9 The Council’s Vision is “Putting Residents First”, and the Council is committed to “*great customer experiences and community outcomes*”.³ It is therefore vital that engagement with residents and communities and the overall customer experience is considered throughout the delivery of the AMS and not dealt with as a separate, discreet matter.
- 1.10 In this challenging operating environment, the need for genuinely affordable, safe, sustainable, and well-maintained homes remains as important as ever. This is a key moment for our service to reflect and ensure we are adequately prepared to meet the challenges ahead.
- 1.11 Harrow’s Asset Management Strategy provides a framework for the Council to manage its housing stock efficiently and effectively over the long term and supports the delivery of the Council’s key strategic objectives.
- 1.12 Underpinning the AMS is the ambition for everyone in Harrow to have access to good quality, secure, well maintained and genuinely affordable homes. This includes providing homes that meet the needs and expectations of existing and future residents. This ambition clearly supports the Council’s Vision - *Putting Residents First*⁴ and aligns with the Harrow Borough Plan 2030⁵ key goals:
- Improve the environment and address climate change by becoming a carbon neutral borough by 2030.
 - Tackle poverty and inequality by removing the variation in life expectancy in the borough.
 - Build homes and infrastructure by building over 1,500 homes, including council homes and affordable homes.
 - Address health and social care inequality by reducing health inequalities across communities in the borough.
 - Develop a thriving economy by supporting our high streets to flourish and be vibrant.
 - Sustain quality education and training by making Harrow one of the best boroughs for children and young people to live and grow up in.
 - Celebrate communities and cohesion by continuously celebrating the diverse
 - heritage within the borough and challenging all forms of discrimination.
 - Maintain low crime and improve community safety by keeping Harrow one of the safest boroughs in London.

³ Resident Engagement Strategy 2021-24

⁴ <https://moderngov.harrow.gov.uk/documents/b30095/Supplemental%20Agenda%20Tuesday%2024-May-2022%2018.30%20Cabinet.pdf?T=9>

⁵ <https://www.harrow.gov.uk/boroughplan>

1.9 In response to the current and emerging challenges the service faces, this AMS aims to deliver five key objectives:

- Target investment and growth to ensure value for money through an “Active Asset Management” approach.
- Provide safe and sound homes which meet the needs of current and future residents.
- Help minimise the environmental impact of housing.
- Manage homes and assets efficiently and effectively.
- Engage with residents and communities, maximising the customer experience.

2.0 Delivering our objectives

2.1 The Housing AMS explains how we will deliver our 5 key objectives.

2.2 *Target investment and growth through an active asset management approach.*

2.3 This approach will change how we work over the medium-to long-term and will help improve our understanding of the inherent investment value of our stock. It will allow us to really target where investment is needed, supporting value for money and resident satisfaction.

2.4 This work has already started. The Council commissioned Savills to undertake initial investment value modelling across our housing stock using the Social Housing Asset Performance Evaluation (SHAPE) model. The model uses a range of financial inputs⁶ to calculate the ‘value’ of our assets over a 30-year forecast period and incorporates a range of social objective measures (split across Home, Customer, and Community categories) to derive an overall evaluation of stock performance. The modelling provides a sound basis for Step 1 of the ‘*Active Asset Management*’ process and is essential for the Council to identify investment needs, poor performing stock and potential growth opportunities.

2.5 Further work will take place as we deliver stock options appraisals for our poorly performing stock . Again this flows from our SHAPE modelling.

2.6 The following approach will be applied:

- Review – pre-assessment of sites identified as poorly performing based on an initial assessment of validated stock data.
- Retrofit – understanding the costs and measures involved in order to bring properties / schemes up to required statutory standards, and move upwards through the SHAPE model banding (i.e. Red to Amber).

⁶ Financial inputs include rents, voids, management and maintenance costs, Stock Condition Survey data and other economic assumptions

- Rethink – For cases where it is not viable to retrofit or repair, a fundamental rethink of asset usage will be considered. This process may include regeneration, remodelling, change of tenure or use, and disposal.

2.7 *Provide safe and sound homes which meet the needs of current and future residents*

2.8 We will seek to adopt a comprehensive set of new best practice and regulatory standards as these come forward over the course of the AMS life cycle - including new consumer standards, new Decent Homes Standards, and new building and fire safety regulations. We want to be leading from the front in a changing environment.

2.9 A 3-year capital programme will be developed and presented alongside the revised HRA Business Plan to be presented to Cabinet in February 2023. This will align to the themes identified in this Asset Management Strategy namely:

- Essential works (Decent Homes, compliance)
- Decarbonisation targets
- Response to evolving standards, regulations
- Estate improvement / public realm
- Damp and thermal comfort

2.10 *Help minimise the environmental impact of housing*

2.11 We have to ensure that all of the homes we own meet a minimum EPC C rating by 2030 amongst our most fuel poor homes, and by 2035 for our remaining stock. Since 2021 we have been working closely with the London Council's group and decarbonisation specialists in the housing sector to develop the London Council's Retrofit London Action Plan as part of our efforts to tackle climate change and achieve a carbon neutral status across our stock by 2030. The London Councils Retrofit London Action Plan identifies two pathways to work towards achieving Net Zero, the Interim Targets Pathway and the Net Zero pathway.

2.12 Our first targeted approach to help meet our net zero targets will commence via a pilot study that will help low-income families retrofit their homes via the Green Homes Grant Local Authority Delivery Scheme. The scheme targets homes with a poor energy rating that are occupied by households on low incomes. Around 130 properties are anticipated to be retrofitted in the borough with fabric improvement measures but also testing low carbon energy systems. Works are due to commence in the Autumn of 2022 and will represent the first dedicated programme of retrofit for decarbonisation.

2.13 Finally, following recent retrofit surveys, we have small batches of homes which are ready for us to implement measures beyond fabric first. We will look to programme these works in within this strategic period. Data from these "front running" homes will be analysed for lessons learnt and applied to our remaining stock. We will also be

ensuring that we target relevant grant funding when this becomes available.

2.14 *Managing our assets more efficiently*

2.15 We will aim for a ‘golden ratio’ of service spend of at least 60% planned and preventative activities and 40% responsive activities, and that the direction of travel maintains a trajectory towards decreasing instances and the cost of responsive repairs. This will be achieved by delivering a comprehensive Capital Investment Programme and a new Planned Preventative Maintenance Programme.

2.16 We have developed a new three-year Planned Maintenance Programme which incorporates all essential works (e.g. Decent Homes Standards, compliance and Mechanical and Electrical priorities), aids and adaptations related works and an allowance for achieving Net Zero decarbonisation targets. The programme is fully funded in the Council’s current Business Plan for the next three-years, and there is a secondary, indicative, programme covering years 4 - 5. This plan was produced by a combination of asset appraisals, including:

- Stock Condition Surveys carried out in collaboration with external consultants.
- High-level SHAPE modelling.
- Internal planning review, validation, and quality assurance.

Budget Description	3-Year Programme			Additional Years		Total
	2022-23	2023-24	2024-25	2025-26	2026-27	
Main Programme	8,428,048	8,428,048	8,428,048	8,428,048	8,428,048	42,140,240
Retrofit for Energy Efficiency	1,000,000	1,000,000	1,000,000	0	0	3,000,000
Housing IT System	178,880	0	0	0	0	178,880
Aids and Adaptations	845,000	845,000	845,000	845,000	845,000	4,225,000
Total Investment	10,451,928	10,273,048	10,273,048	9,273,048	9,273,048	49,544,120

2.17 *Engage with residents and communities, maximising the customer experience.*

2.18 Our Resident Engagement Strategy 2021-24, the ambition for the borough is for “*great customer experiences and community outcomes*”. It is important that we layer in the customer experience throughout the delivery of this strategy and that engagement and consultation are not dealt with as a separate, discreet actions.

2.19 The concept of ‘Active Asset Management’ is core to this updated AMS and will allow a direct link between customer feedback and investment decisions. This aligns to the objectives of the Resident Engagement Strategy which is for Harrow residents to enjoy living in their home and their neighbourhood and for:

- Opportunities to have a role in evaluating and improving housing services.

- Communities encouraged to get involved in improving their neighbourhood.
- Council staff to listen, follow up, and feedback.

3.0 Measuring Performance – include relevant KPI's and performance against them

- 3.1 KPI's will largely be based on achieving 60/40 split between planned and reactive maintenance. This will be measured by monitoring future costs across the HRA in terms of revenue and capital expenditure.
- 3.2 Levels of Decency – Reporting through the new regulatory environment and benchmark ourselves against other authorities. Reporting of decent homes takes place on an annual basis to the LAHS (London Authority Housing Statistics). Current performance against this measure stands at 12% across the stock.
- 3.3 Decarbonisation targets. Achieve higher ratings for EPC's across our stock. The target is to take the stock to a C rating. At present there are 63% of properties below an EPC C rating.
Reduction of our Carbon output. This will be in conjunction with our wider climate change strategy.
- 3.4 Damp and Mould – reports of damp and mould cases across the stock reducing – either reactive repairs being raised or through survey activity. The Asset Management Strategy will address the causes of damp and mould by effective appraisal and management. This will be linked to our wider decarbonisation strategy.
- 3.5 Health and Safety compliance across the stock including Fire safety, Electrical compliance, Gas Safety, Legionella and Asbestos. These are statutory indicators which the Council will report against.
- 3.6 Across our capital programmes, levels of decency will be recorded as well as the standard suite of KPI's which form part of our Capital project schemes which will include:
Cost predictability
Quality
Time predictability
Resident Satisfaction/Client satisfaction
Health & Safety
- 3.7 The specific targets will be developed in line with the 3-year capital programme. The Capital Programme will set the funding level so that we can plan investment in order to maximise performance with clear timelines.

4.0 Environmental Issues

- 4.1 The Asset Management Strategy includes Decarbonisation works as a priority and this is reflected in the 3 year capital programme. The programme is expected to result in the following outcomes:
- a. **Tackle fuel poverty** by increasing low-income household's energy efficiency rating and therefore reducing their energy bills.

- b. **Support clean growth** and ensure homes are thermally comfortable, efficient, and well-adapted to climate change.
- c. **Support economic resilience and a green recovery** in response to the economic impacts of Covid-19, creating thousands of jobs; and
- d. **Use learnings from the delivery experience** to inform the development and design of further energy efficiency and heat schemes.
- e. **Reduce carbon emissions** from homes within our boroughs, directly contributing to addressing the declared climate emergency.

5.0 Data Protection Implications

- 5.1 All personal data processed in connection with the Asset Management Strategy and any related procurement will be carried out in full compliance with data protection laws including the Data Protection Act 2018 and the UK General Data Protection Regulation..

6.0 Risk Management Implications

- 6.1 Risks included on corporate or directorate risk register? Yes

Separate risk-register in place? No

The relevant risks contained in the register are attached/summarised below. No

Table-1		
Risk Description	Mitigations	RAG Status
Specific risks that are currently unknown arising upon programme commencement	A risk register specific for this Asset Management Strategy (AMS) and related procurement will be started from the outset of the process and will be maintained and reviewed by all relevant staff regularly.	Green
Asset Management failing to be achieving a more planned approach than reactive approach in line with a 60/40 split	Ensuring the Asset Management strategy and relevant action plan is implemented.	Amber
VFM not achieved for programme. Failure to deliver efficiencies across a 3-year planned programme	Develop a procurement strategy for the 3-year Capital programme which will allow to package works efficiently. Look at all elemental works packages and look to carry out individual procurements	Amber
Failure to Meet statutory requirements concerning the planned maintenance of stock and to improve the homes for our residents and failure to improve homes for residents	Delivery of Decent Homes Standard and council estate improvements via the 3-year capital programme, landlord compliance and building safety objectives and carbon reduction and energy efficiency targets. The council will meet the targets stipulated in the action plan. The new Asset Management Strategy will improve homes for our residents and improve the customer experience as well as ensuring effective investment in our assets making sure they are fit for purpose	Amber
Failure to improve the customer experience	The Asset Management Strategy will improve the customer experience by ensuring that resident feedback is captured effectively and engage with residents proactively to make sure they are informed on upcoming strategic decisions. Key consultations will take place on upcoming programmes of work as well as a commitment to improved social value across all contracts	Amber
Failure to ensure effective investment in our assets making sure they are fit for purpose	Form Procurement plan from Asset management strategy_ Implement the three-year Planned Maintenance Programme (taking account of essential works, compliance and net zero priorities), and ensure medium-to long-term planning decisions balance 'Just-in-Time' efficiencies with coherent planned investment profiles.	Amber
Asset management Plan is unaffordable	Work proactively with Finance colleagues to ensure that cost estimates are carried out across the programmes of work that develop from the strategy. Consider the current financial climate when planning schemes	Amber

7.0 Procurement Implications

- 7.1 All procurement arising from the recommendations set out in this report will be undertaken with the support of the procurement team and compliant with procurement contract regulations 2015 and the Contract Procedure Rules. There will also be a focus through the procurement to deliver benefits into the borough and environmental considerations.
- 7.2 Each procurement project associated with the Asset Management Strategy will need to comply with the internal governance process

before commencement of a procurement can begin or an award of contract be made.

- 7.3 A 3 year-plan is being developed in line with the revision of the HRA Business Plan currently in progress. This will provide the basis for a more competitive tender process for partner contractors to help deliver projects on behalf of the council.
- 7.4 Tender and procurement processes will seek to deliver opportunities for local businesses to take on additional work and set foundations for new employment opportunities over the longer term. Where the successful project tenderer uses a supply chain, they will be encouraged to use local SMEs to undertake the works.

8.0 Legal Implications

- 8.1 The council has various statutory powers and duties in relation to the development, provision, and maintenance of housing and related matters, including pursuant to:

- 8.1.1 Housing Act 1985
- 8.1.2 Housing Act 1996
- 8.1.3 Housing Act 2004
- 8.1.4 Housing and Regeneration Act 2008
- 8.1.5 The Landlord and Tenant Act 1985 (as amended)
- 8.1.6 The Town & Country Planning Act 1990
- 8.1.7 The General Power of Competence under the Localism Act 2011
- 8.1.8 Section 111(1) of the Local Government Act 1972 which gives a local authority the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

- 8.2 All procurement relating to the implementation of the Asset Management Strategy must comply with The Public Contracts Regulations 2015 and the council's Contract Procedure Rules.

9.0 Financial Implications

The HRA Budget and Medium-Term Financial Strategy for 2022/23 was approved in February 2022 and funded £10.273m of planned maintenance expenditure for three years and £9.273m for two years. The HRA revenue budget also factored in £400k for a Planned Preventative Maintenance Programme.

The below table provides the summary of the current resources available to finance the entire 3-year programme including PPM.

On-going planning and appraisal will continue with future years programming, with the requirement to bring-forward works as and when required.

Budget Description including additions / re-profiling (£)				Additional		Total
	2022-23	2023-24	2024-25	2025-26	2026-27	Cumulative
Main Programme	8,428,048	8,428,048	8,428,048	8,428,048	8,428,048	42,140,240
Retrofit for energy efficiency	1,000,000	1,000,000	1,000,000	0	0	3,000,000
Aids & Adaptations	845,000	845,000	845,000	845,000	845,000	4,225,000
Planned investment (Capital)	10,273,048	10,273,048	10,273,048	9,273,048	9,273,048	49,365,240
PPM Revenue	400,000	400,000	400,000	400,000	400,000	2,000,000
Planned investment	10,673,048	10,673,048	10,673,048	9,673,048	9,673,048	51,365,240

10.0 Equalities Implications / Public Sector Equality Duty

- 10.1 The procurement exercise will be designed to deliver existing policies and strategies maintaining the current level of equality in service provision. Individual contract specifications will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.
- 10.2 An initial Equality Impact Assessment will be prepared ahead of procurement as contracts move forward. All opportunities to address diversity-particularly vulnerability for all tenants will be addressed through the contract specification and ensure residents receive the same service regardless of but taking into account specific needs. We will address these in our tendering documents and processes.

11.0 Council Priorities

The Asset Management Strategy and 3-year capital programme will deliver the priority of Putting residents first as follows:

11.1 Ensuring compliance and mitigating health and safety risk

Statutory compliance will see predominant programmes of work completed as part of this contract, including upgrades to emergency lighting, alarms, fire doors and other elements of communal fire risk.

11.2 **Maintaining decency and improving infrastructure**

The strategy and capital programme will improve the quality of homes to meet the Decent Homes Standard.

11.3 **Moving towards a 60/40 split for capital and revenue with an active asset management approach**

The AMS will deliver better value for money, reducing the requirement of costly ongoing contingent repairs to blocks as well as general repairs related to the maintenance of communal areas, improving homes for our residents.

11.4 **Improving the environment and addressing climate change**

A new retrofit agenda will bring homes to a comfortable home standard, eliminate damp and mould. Energy efficiency upgrades will reduce carbon emissions and save residents money, making homes more affordable to comfortably operate.

Tackling poverty and inequality /Addressing health and social care inequality

Helping to eliminate fuel poverty for households results in community wealth generation by reducing the overall impact of heating and fuel costs for residents, as well as draughts, reducing negative impacts on health, hospital admissions, and length of stay. There is a direct correlation between fuel poverty and health, as evidenced by the previous COVID-19 outbreak, which was felt most severely by communities known to have higher fuel poverty rates.

11.5 **Deliver Social Value**

The capital programme will create jobs, and apprenticeships for those looking to upskill or move into the green economy.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi

Signed on behalf of the Chief Financial Officer

Date: 09/01/2023

Statutory Officer: Stephen Dorrian

Signed on behalf of the Monitoring Officer

Date: 05/01/2023

Chief Officer: Dipti Patel

Signed off by the Corporate Director Community

Date: 09/01/2023

Head of Procurement: Nimesh Mehta

Signed off by the Head of Procurement

Date: 03/01/2023

Head of Internal Audit: Susan Dixon

Signed off by the Head of Internal Audit

Date: 09/01/2023

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: YES - An overarching

EQIA was undertaken for the programme Directorate Equality Task Group.

EqIA cleared by: (DETG) Chair

Section 4 - Contact Details and Background Papers

Contact: Rukshan Kariy, Interim Head of Asset Management, Place Directorate, Rukshan.Kariy@harrow.gov.uk, tel. 07927 548861

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO