

WAVERLEY BOROUGH COUNCIL

HOUSING OVERVIEW & SCRUTINY COMMITTEE

3 JULY 2018

Title:

HRA ASSET MANAGEMENT STRATEGY 2015 – 2020 - INTERIM REVIEW

[Portfolio Holder: Cllr Carole King]

[Wards Affected: All]

Summary and purpose:

The Council's HRA Asset Management Strategy covers the period 2015-2020. Each year, a review is carried out to assess progress and consider the impact of any external challenges on the strategy, such as financial or changes to Government policy. This report sets out the findings of the latest review and gives an overview of performance against commitments made. Annex 1 gives further detail on the outcome of the review.

How this report relates to the Council's Corporate Priorities:

The HRA Asset Management Strategy supports the Council's Corporate Priorities of Customer Service, Community Wellbeing, Environment and Value for Money.

Equality and Diversity Implications

The HRA Asset Management Strategy supports Waverley's commitment to ensuring that those living in Council housing stock are provided with accommodation that suits their diverse needs.

Financial Implications:

Managing and maintaining the Council's housing stock generates a revenue stream of approx. £29 million each year. In order to ensure that the stock is maintained to a good standard, significant investment is required each year. The HRA Asset Management Strategy complements and informs the 30 year HRA Business Plan and aims to ensure that financial resources are appropriately invested in order to achieve long term sustainability.

Legal Implications:

There are no legal implications arising directly from this report.

Background

The HRA Asset Management Strategy 2015-2020 was produced in 2015 and presented to the Corporate O&S Committee on 23 June 2015. Its aim was to provide a framework in which the Council could co-ordinate and organise all activities that lead to the future viability of the housing stock. The Strategy set out a number of key objectives to achieve its aims. In addition to this, a high level action plan was developed which set out specific

tasks required to be delivered in order to achieve those overall objectives. This report sets out the findings of a periodic review of the HRA Asset Management Strategy and identifies actions to be achieved before the current Strategy expires.

External influences impacting delivery of the Asset Management Strategy

Since the HRA Asset Management Strategy was developed in 2015, the Welfare Reform and Work Act 2016 has imposed a requirement on social landlords to reduce rents by 1% per year for a four year period (commencing April 2016). It also required the sale of high value voids and introduced other welfare reforms which would impact on the Business Plan. As a result, the Council took a risk adverse approach to the setting of budgets. This was because there was a potential reduction in income of £300m for the life of the Business Plan due to there being no indication as to what would happen after the four years. As a result, reductions to Property Services budgets were imposed with the capital budget being worked back from £4m in total. This represented a reduction from the usual budget of approx. £8m to £4m and had an impact on the Council's ability to deliver investment programmes.

In addition to this, the Government imposed budget cuts to supporting people funding. This has impacted on the Easymove and senior living services which has resulted in new ways of working in order to find efficiencies to negate the loss of income.

Following changes to the Right-to-Buy discount in July 2014 and qualifying terms in May 2015, enquiries relating to RTB applications have increased. There has therefore been a slight increase in the number of sales since the changes were brought in: 15 in 2015/16, 23 in 2016/17 and 14 in 2017/18, resulting in a total loss of 52 properties over the three year period.

The potential for Waverley to utilise capital receipts from RTB sales have been impacted by Government directives. A greater share of the receipts need to be passed back to Government meaning a reduction in the amount the Council has available to part fund capital works and the development programme

Internal influences impacting delivery of the Asset Management Strategy

Performance management of contractors has been a key driver in recent years and has resulted in the Council having tighter control of its contracts. This has resulted in an improvement in performance but has required significant staff resource in order to achieve this. The necessary change in focus has meant that other objectives have been impacted upon. This is explained in more detail later in this report.

Due to the specialist nature of compliance management, it has always been difficult to recruit and retain suitably qualified and experienced personnel. In order to achieve continuity of service, the Council has put in place a development progression programme to support existing internal staff to achieve the required level of expertise.

Achievement against key objectives

Strategic Objectives

The Asset Management Strategy included a list of Strategic Objectives. A review of these objectives has been undertaken and performance is summarised in the table below:

Strategic Objective	Status	Comment
Maximise the Councils assets, minimise liabilities and develop a capital programme that meets tenants aspirations	Partially Achieved	Due to the rent reduction implications, the Council has been prioritising investment in the basic maintenance of homes and clearing the backlog of day to day responsive repairs. This has potentially impacted on tenants satisfaction with the quality of their home; the results of the 2017 STAR survey showed a static satisfaction level of 79%. Tenant's aspirations with regard to the capital programme have therefore needed to take a secondary role since 2017
Survey the housing stock every five years on a rolling programme and continue to improve the accuracy of its stock data	Partially achieved	There was a slow start to this objective and a restructure took place to better focus resources and improve performance. One permanent surveyor is now undertaking stock surveys and performance is running at an average of 5 surveys per day with a view to achieving 6 per day
Dispose of property on the open market that is no longer fit for purpose or needing considerable capital investment, where this would not represent good value for money	Achieved	Viability assessments have been undertaken using the Red Amber Green status and 6 properties were disposed of accordingly
Continue to let void properties promptly thereby minimising rent loss and maximising housing availability	Achieved	Progress has been significant in this area. Void turnaround has reduced from 25 days for a normal void in March 2015 to 17 days in March 2018 and 77 days for a long term void in March 2015 to 75 days in March 2018. Rent loss has reduced from approx. £500k in 2015/16 to approx. £290k in 2017/18
Continually review investment decisions to achieve best value for money	Achieved	Comprehensive review of responsive repairs was undertaken which included analysis of value for money and involved the sub-committee in setting future priorities. The findings were included in the re-procurement frameworks
Strive to meet high energy efficiency standards that future-proof council housing and protect tenants from rising energy costs	Not Achieved	Progress has included a robust programme of boiler and window replacement and the installation of low energy lighting in senior living housing. However, the Council has not utilised data available in order to further develop measures which will achieve the target set. Going forward, the Council will take a considered approach enabling a more accurate target, underpinned by a delivery plan

Continue a programme of selective demolition or refurbishment of garages blocks, depending on costs, demand and revenue streams	Partially Achieved	11 blocks have been refurbished to date and a number of garages have been re-let. Furthermore, the team has been restructured in order to adequately resource delivery of the garage strategy so that rental income can be maximised. Progress on this will be reported separately
Give priority to issues relating to the health and safety of its tenants including slips and trips within the home	Partially Achieved	There has been steady progress in this area with a consolidated approach to housing health and safety which has resulted in tighter controls of key risks such as asbestos and legionella. Implementation of Keystone Servicing and Inspection will increase control further. However, better use of data arising from assessments under the Housing Health and Safety Rating System is required going forward and a review of how risk scores are applied is needed to ensure that these are correct and consistently applied
Strive to continually add value to its assets	Achieved	Major regeneration projects such as Ockford Ridge and Nursery Close have sought to add value to the Council's portfolio and improve the quality of affected homes

Strategic 5 Year Action Plan

The strategy also set out a strategic 5 year action plan. This has been reviewed and progress is reported as follows:

Strategic Action Plan Objective	Status	Comment
Carry out stock condition survey of all pre-1945 properties	Achieved	10% of the stock was surveyed and the data extrapolated. A report summarising the findings is being reviewed in order to identify actions required. The majority of findings have been reflected in the stock condition data however, the remainder of issues identified need to be assessed in order to identify an action plan
Develop strategy for tackling dampness across the Council's stock, including developing a policy/procedure for dealing with damp related issues reported by tenant	Not Achieved	Damp related issues continue to be dealt with on an ad-hoc basis which is inefficient and potentially ineffectual. Going forward, there will be a systematic management of cases so that they are monitored and measures assessed for effectiveness
Continue programme of kitchen and bathroom upgrades	Partially Achieved	A robust programme of kitchen and bathroom upgrades was undertaken up until 2017 following rent reduction, see below:

		<i>Year</i>	<i>Bathrooms</i>	<i>Kitchens</i>	<i>Total</i>
		2015	372	405	777
		2016	269	346	615
		2017	135	139	274
		2018 - YTD	15	15	30
		Total	791	905	1696
Undertake review of 7 year 'break-clause' in Maintenance Contract with Mears	Achieved	A review of the contract has been undertaken and the Council has issued notice to Mears to break the contract in March 2019. The procurement of all existing Mears contract lots is fully underway and contractors will be selected shortly			
Continue strategic regeneration of Ockford Ridge and identify other suitable areas for improvement	Achieved	17 units at Ockford Ridge have been refurbished with a further 18 or 19 units planned. The first new build units will be expected during 2018. A number of additional areas have been identified for potential regeneration and options appraisals are planned for these sites			
Monitor and log all noise related complaints	Achieved	Noise related complaints are referred to Environmental Health for investigation through a borough wide approach. This information will be used to determine whether a noise reduction programme is required and a policy setting out the Council's approach to managing this area			
Review effectiveness of estate inspections and walk-about	Not Achieved	A review is currently being undertaken with a view to formalising a process that can be consistently rolled out in accordance with a scoring mechanism			

In support of delivering the strategic objectives listed above, the Strategy includes a number of pledges throughout the document which have also been reviewed. Annexe 1 provides more detail regarding progress and sets out what has been achieved; what is still achievable within the remaining two years of the Strategy and which pledges will require further investment or resources in order to achieve the aim.

The 2015-2020 Strategy also included a list of operational actions which underpin the objectives of the strategy. These have been reviewed and continue to be monitored.

Conclusion

A review of the Strategy has been undertaken which has highlighted that although there has been progress with a number of key objectives; there has been a loss of momentum in delivery of some objectives since the rent reduction directive which required the Council to re-focus where investment would be targeted. Asset management is a critical function for the Council and through the recruitment of the Strategic Asset Manager; any pledges made within the Strategy will be more closely monitored and managed.

Recommendation

The Housing Overview & Scrutiny Committee is asked to review progress against the strategic objectives and strategic 5 year plan actions within the HRA Asset Management Strategy.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

Name:	Lee Hawdon Asset Management Consultant	Telephone: 01483 523333	E-mail: lee.hawdon@waverley.gov.uk
--------------	---	--------------------------------	---

Headline Successes

Below is a summary of actions that have been achieved during the last three years which support delivery of the Asset Management Strategy:

- Tenants were asked to complete a STAR survey in 2017 and the results compared with the results from 2015 are as follows:
 - Overall condition of property – 2015 = 74%, 2017 = 76%, benchmark with peers = 76%
 - Satisfaction with the way repairs and maintenance dealt with – 2015 = 76%, 2017 = 68%, benchmark with peers = 82%
- Implementation of a 'One Stop Shop' in relation to customer services. Over time, this will improve the way tenants queries are dealt with and resolved
- Capturing customer feedback for responsive repairs has improved and an external agency is used to independently collect this via telephone surveys. Satisfaction in Quarter 4 performance for 2017/18 against Quarter 3 performance for 2015/16 is as follows:
 - 91% satisfied with overall repairs service received on this occasion up from 88% year to date for 2017/18 and up from 83% in 2015/16
 - 94% satisfied with overall quality of work carried out up from 88% in 2015/16
- Satisfaction data discussed at contract meetings with improvements being implemented since Voluntas have been capturing data. These include zero backlog of work over 28 days and better appointment setting
- Improvement in the management of compliance risks; contracts in place for all risk areas with ongoing contractor meetings taking place and Keystone Servicing and Inspection purchased which is being implemented to better manage compliance risks
- Keystone Asbestos Register implemented and data being regularly uploaded
- All properties have smoke detectors where access has been provided
- Carbon monoxide monitors are installed in areas considered high risk such as where boilers are located in bedrooms or near back boilers
- Major component replacement undertaken to assets including lift upgrades, commercial boilers and emergency lighting systems. This has resulted in an extension in lifecycle of up to 20 years for key mechanical and electrical components within senior living sites
- Greater control of long term voids; the number of long term voids in March 2015 were 43 compared to 7 in March 2018
- Comprehensive review of all contracts undertaken, future contractual needs identified and re-procurement of long term contracts underway so that the Council has better tools to manage future contracts and services provided
- Mechanisms for controlling spend in place which ensures probity and improved budget management
- Regeneration of Ockford Ridge will address 67 properties which would have failed the Decent Homes Standard
- 41 high quality, energy efficient new build homes delivered by Waverley in the last 3 years. Approx.144 units are in the pipeline for the next two years
- Objective to achieve 400 new affordable homes within the Borough by 2020-21 is on target. This is being achieved through growth enabled by the Council and Housing Associations. A total of 198 units have been delivered to date and a further 247 units are on site. Planning permission has also been approved for a

further 350 affordable housing units which may be completed within the life of this strategy

- Approx. £327k has been invested in community spaces such as improved car parking, lighting etc.
- 129 cavity extraction/infill works were undertaken to improve the condition of affected homes at an average cost of £2,500 per property
- The Easymove service has resulted in 36 people moving out of larger accommodation
- All central heating boilers installed are A rated boilers which results in energy savings for tenants
- Restructure of Senior Living services to ensure more efficient use of budgets
- Tenancy agreement has been reviewed and issued out to tenants. New clauses clarify tenant and landlord obligations e.g. fencing

Actions to be achieved within next two years in order to meet objectives

With two years remaining of this Asset Management Strategy, a review of pledges previously identified in the Strategy has been undertaken to determine what is deliverable within the remaining term. The following actions will be a priority:

- Target Decent Homes Standard failures (currently running at 85.41% from 99% at year end 2016/17 following reduced investment programmes) and deliver catch up programme in order that the stock provided is of good quality and that stock value is maintained
- Review the Waverley Maintenance Standard which was developed in 2011 in order to set out the minimum standards and specification to be achieved through a range of works, including kitchens and electrical installations. Consider the impact of the standard on budget; determine whether Waverley can afford the standard within existing budget constraints and consider how Waverley's standard compares with other providers. Key questions will be; what does the Council see as the standard to be offered? Should a 'Just in Time' approach be taken? Will the Standard set out a Decent Homes Plus strategy? How does this link to the Void Standard and reducing turn-around times?
- Close the gap between annual investment projections from the stock condition survey data and annual out-turn costs; to be achieved through a one-off survey programme targeting external envelope works
- Develop a 5 year investment plan based on survey findings and produce budget required, smoothed to increase deliverability
- Catch up with backlog of stock condition surveys and ensure that 20% of stock is surveyed on a rolling basis to ensure that data is accurately reflected
- Improve stock data, specifically older data, targeted through stock condition survey programme
- Ensure that future budgets prioritise key component investment so that there is a demonstrable increase in satisfaction in 2019 and again in 2021; 2017 STAR survey results showed tenant's satisfaction with the overall quality of their home remained at 79% against a peer benchmark of 84%.
- Better management of estates by implementing a planned programme of estate visits and risk assessments, linked to formalised KPI's
- Improvements to the way aids and adaptations are managed through the review of the existing policy, mobilisation of the new framework contracts and the internal specifying of minor works

- Consider how fixtures and fittings component information can be captured, stored and utilised to determine whether this can add value and reduce future spend. Work with new contractors to agree how data can influence service provision
- Continue to implement garage strategy, develop new lettings processes, issue tort notices, undertake refurbishment/redevelopment/demolition as part of 10 year plan and minimise void loss
- Continue to deliver Affordable Homes Delivery Plan
- Implement robust process for management of Housing Health & Safety Rating System risks, following up risks as necessary and programming future improvements
- Develop strategy to tackle and reduce risk of slips, trips and falls
- Implement asbestos re-inspection programme
- Agree performance indicators on environmental sustainability with contractors, to include waste management, use of energy and air quality
- Explore the need to install visual aided smoke alarms and carbon monoxide detectors within vulnerable tenants homes

Areas unachievable until additional investment or resources available

There are a number of areas which were identified in the 2015-2020 Strategy however, it is unlikely that they will be achieved within the next two years unless additional funding or resources are available. They are as follows:

- Tenants aspirations driving investment priorities; programmes are currently driven by what is achievable within budget constraints - **if this action is to be achieved, the Council needs to align budgets with tenants feedback captured, such as STAR results**
- Target to increase Net Present Value by 5% until 2020 - **need to analyse existing values to identify reasonableness of existing target and to determine investment programmes required to meet existing or revised target**
- Increase SAP target from an average of 67 to 70 by 2020 and eliminate all properties from Bands F and G by tackling walls, roofs and heating - **a programme of investment is required each year with a view to calculating a SAP (thermal comfort standard) target based on the expected outcome of focused works to affected sites**
- Develop strategy to provide high level of insulation to all properties – **existing insulation levels need to reviewed and measures identified which will achieve this aim, ensuring funding is available to fulfil the commitment (proposed budget of £100k p.a.). Programme of extraction to properties with failing cavity wall insulation needs to be further developed**
- Provide low energy fittings – **review Waverley Standard to consider whether budgets allow for LED's to be installed in dwellings**
- Examine renewable energy options – **consider options and associated costs in reducing the energy demand of homes**
- Regeneration of Ockford Ridge – **identify internal works not included in existing regeneration project to determine impact on Decent Homes Standard failure and identify budget required**
- Develop PIP for cyclical and planned programmes - **continue to explore options to improve internal working practices including the implementation of a specialist module such as Keystone Planned Maintenance**
- Embed the use of stock viability module - **utilise Mapinfo to capture 'Red, Amber, Green' scored stock viability results**

Additional areas for further improvement or consideration

The following are areas for improvement which have been identified as a result of this review and which could either form part of the action plan for 2020 onwards or which could be achieved within the next two years if they are deliverable and funding is available:

- Consider development of a 'Decent Homes Plus' standard which removes the direct impact of key components on Decent Homes assessments and allows non-key components to be replaced on a 'Just in Time' basis. For example, under the current Decent Homes Standard a property could have 'roofing cover' as a failing key component and include a kitchen which is 30 years old. If the roofing cover is remedied, the property would then meet the Decent Homes Standard, meaning that the 30 year old kitchen is not identified for replacement. A Decent Homes Plus approach could identify the 30 year old kitchen for renewal 'Just in Time' of its lifecycle.
- Improve cross team working between the corporate financial planning team and new Strategic Asset Manager. Capitalise on ability to utilise surpluses to increase investment programmes in order to deliver catch up works and increase outputs
- Develop staff so that annual Fire Risk Assessments can be completed in-house
- Undertake a holistic review of the quality of sheltered schemes to include kitchens, bathrooms, aerials, windows/glazing, common space redecorations, electrical installations to dwellings and soft furnishings with a view to providing more desirable accommodation. Blunden Court should be part of phase one of this project due to its poor standard
- Take forward AHR's survey findings of pre-1945 properties to identify a more strategic approach to this portfolio. Undertake quick win works where cost effective
- Continue with remodelling of sites to identify layout issues (often affecting kitchen or bathroom upgrade programme). Ensure suitable resources and budgets available going forward
- Survey properties built within 1946-1964 following reduced satisfaction by tenants of the quality of these homes. Identify options in order to develop a proposed budget
- Enable tenants to access planned investment data online, through a two phased plan following validation of data via the 5 year investment survey programme
- Continue to evolve how satisfaction can be captured and utilised on an ongoing basis to improve services with a view to expanding the Voluntas method of data collection
- Consider how tenants feedback from the STAR survey relating to external property elements can drive future investment programmes, resulting in an improvement to 'kerb appeal'
- Continue with investment in communities to address issues which include parking and lighting
- Extract data from all sources regarding noise related issues in order to undertake options appraisals and identify actions and budget required
- Improve the way boundaries are managed to improve environment within the portfolio and identify garden gain options for redevelopment or disposal
- Continue to deliver 10 year redevelopment plan, feeding in to options appraisals and consider disposal or potential regeneration
- Improve damp management; develop checklist for systematic defect investigation, monitoring remedial works for effectiveness and consider resources needed to achieve this