

Briefing for Homes & Communities Committee – January 2022:

Strategic Approach to Social Housing Asset Management

1. Introduction

This briefing is provided for the Homes & Communities Committee at its meeting on 24 January 2022. It provides an overview of Newark & Sherwood Council's existing approach to managing the housing related assets held in the Housing Revenue Account (HRA).

It covers a range of activities that ensure the housing stock meets the needs of customers and standards required. In essence, it explains the approach to social housing asset management which has been in place for many years and which is now delivered by the Council following the decision to return the management of the homes to NSDC in 2020.

The briefing begins to explain how (and why) we expect our approach to asset management to develop in the coming years. It does not include references to regeneration (including Yorke Drive) or the provision of new social housing as these have been subject to other recent reports to the Committee.

To ensure the Council's strategic focus and priorities are aligned to the Community Plan, a Landlord Strategy is currently being developed. This sets out our vision for the Council's social housing assets for the next five years, including for asset management, and it will be expressed (in financial terms) in the HRA Business Plan. The Landlord Strategy will be supported by an HRA asset management strategy which will be developed over the next year.

The emerging asset management strategy is intended to allow careful targeting of resources, better informed investment decisions and identify areas for potential remodelling or growth that will maximise value for money and enable the Council to offer the highest quality homes and customer service. It is a continuous cycle that takes account of a range of internal and external factors before any investment decisions and operational targets are set.

At the end of the briefing, we have summarised some of the external challenges and opportunities facing the Council that are expected to have a significant impact on the emerging asset management strategy and HRA Business Plan.

2. NSDC social housing at a glance

- Total number of social housing properties 5576
- Number of Community centres 32
- Number of non-residential properties 3
- General Needs total 2924
- Housing for Older People 2604
- Leasehold properties 182

- Housing Blocks over 11 meters (none over 18m) 45

More information can be found in Appendix 1

3. Our achievements at a glance

In the last five years we have:

- Fitted 986 kitchens
- Fitted 925 bathrooms
- Renewed 600 roofs
- Replaced 1240 windows & doors
- Carried out 1120 rewires and
- Replaced 1209 heating systems.

In addition:

- Over 400 solar photo-voltaic panels have been installed to reduce fuel poverty for our tenants
- At December 2021/22 we have received 512 requests and carried out 432 new adaptations to tenants homes.

4. Our asset management ambitions

The briefing explains how we manage the stock portfolio, in terms of not just age, condition and standard, but also as part of a process of assessment to guide policies of re-investment to meet the needs of current and future tenants.

The key objectives of our approach to asset management are to:

- Provide quality homes to an agreed standard – this is currently the Decent Homes Standard (DHS)
- Ensure our properties are safe for residents to live in;
- Ensure that tenants and residents are at the heart of everything we do and influence the way we shape our services
- Deliver value for money (VFM) through robust procurement practices
- Inform future investment plans and coordinating resources
- Provide a clear picture and route map for understanding and improving the overall performance of the property portfolio
- To regenerate poor performing assets and invest in new build development
- To develop a more holistic approach to capital spend which utilises carbon neutral initiatives when upgrading properties in a cost-effective manner
- Develop a methodology for assessing the success/impact of renewable energy heating systems that are currently being fitted into new build homes and installed, on a pilot basis, in some of our existing homes
- Seek opportunities to raise the standards of our homes, for example, by improving the re-let standard and tackling incidences of fuel poverty.

5. Maintaining our Assets

Introducing active asset management

It is commonly assumed that residential property is always an asset. In practice the market and high costs can often have the results that properties are actually liabilities, threatening business viability. Our aim is to ensure that there is a continuing demand for our properties and to identify stock that is or may become a liability. Such properties may be a drain on resources and are best suited for disposal or redevelopment.

Our emerging thinking is that we should not invest in properties if there is a question about their short to medium term future: NSDC's housing stock is not uniform and in reality, asset analysis will vary across the district with some assets creating surpluses and others potentially making losses. It is important that we seek to understand the cash flows associated with different assets in order to provide an objective basis for future decision making. The financial criteria used to identify those properties or estates which potentially could be a liability might include:

- Low net present value of assets in existing use
- Asset showing cash flow deficits in early years
- High capital expenditure in early years and over entire life of business plan
- High revenue expenditure on repairs over the life time of the asset
- Asset with high vacant possession value

The analysis of return on investment needs to include more than a purely financial measure, however. The financial results would need to be considered alongside an assessment of other sustainability factors linked to our housing obligations, these might include:

- Demand and housing need
- Cost of re-provision and viability of accomplishing a replacement
- Social return linked to our housing obligations
- Maintaining efficiencies in management costs.

One of the central features of an effective strategic approach to asset management is the robust measure and appraisal of the performance of housing stock and other assets. It is clear that data intelligence and management will become central to the work of the Asset Management Team in the future.

During 2021/22 we are replacing Keystone, the Council's asset management system with Apex Asset Management System. This is an important foundation in enabling NSDC to develop a more effective approach to strategic asset management together with the delivery of property investment programmes and a more robust approach to servicing.

In addition, and to ensure the Council fully commits to the principles of active asset management, we will explore the value of looking at the stock through a different lens such as Asset Performance Model (APE) provided by Savills

Procurement

NSDC has historically used frameworks, namely EEM, for the procurement of its building contracts using a widely adopted price/quality selection process which awards the highest

marks for the lowest price, with the other, more expensive bids, receiving pro-rated scores. This approach can, however, encourage a race to the bottom response from bidders, effectively asking bidders to guess the lowest price to win the contract – not the actual price they think is necessary to perform the contract. Such an approach can undermine any possible relationship between client and contractor and put the delivery of value-based outcomes at risk. Although this approach has delivered excellent results over the years, the Council acknowledges its potential shortcomings and the need to consider alternatives.

The sector is now researching viable and compliant changes to this approach using models that encourage the submission of bids that demonstrate sustainable value across the life of the contract, rather than commuted savings at the point of procurement. We will be keen to explore these options further during the coming years.

Stock Condition

The last wholesale stock condition survey took place in 2009 and involved a 20% sample of the stock undertaken by the asset specialists Savills. This has been supplemented over the years with in-house surveys to achieve survey information on around 64% of the stock by 2016. Since then, active surveying has ceased and the information has become outdated. Consequently, we have commissioned a new third party stock condition survey of 50% of the housing portfolio to take place in 2022. Our objective is to supplement this with in-house surveys over the following 4 years to achieve 100% stock condition information by 2026. We would then continue to resurvey the properties once every 5 years to ensure the stock data remains relevant and accurately informs our future investment planning.

Compliance

NSDC recognises its responsibilities and obligations for property compliance and considers this a business-critical function, necessary to safeguard the well-being of residents, staff, operatives and other stakeholders. We also understand our obligations for property compliance when set in the context of regulation, legislation and approved codes of practice.

New policies and procedures were put in place in 2020 for all key areas of property compliance, including gas safety, electrical safety, fire safety, asbestos management, lifts and water hygiene. These policies clearly set out NSDC's obligations under the relevant regulation, legislation and/or approved codes of practice and what we will do to comply with these obligations. A new compliance team has been recruited to ensure our policies are delivered. We also expect to appoint a person specifically responsible for complying with Health & Safety requirements and delivering the commitments within these Policies and as outlined in the Social Housing White Paper.

Repairs

NSDC appreciates the importance of the repairs and maintenance service to customers and will always carry out its contractual repair obligations as a landlord. The responsive repairs service has a budget of £2,394,200/per annum and carries out around 17,000 repairs per year which is predominantly delivered by the in-house repairs team, work undertaken by external contractors to support the service, also provides a benchmark on service delivery and cost. We have aligned specifications where possible with our investment activity to ensure that materials used are standardised for greater efficiency.

Void Property Management

NSDC relets approximately 400 empty homes (voids) per year with a budget of £659,880. In addition to our staff, we also utilise tenant inspections to ensure that the highest standard of re-let is being delivered. The Re-let Standard provides the specification for the quality and condition of the homes we offer to new tenants and is used by tenants to hold the Council to account. The standard of re-lets have been improved in 2021 following feedback from tenants and in consultation with them. Further improvements are being piloted and we will seek customer feedback to determine whether to make further changes to the re-let standard.

In addition to routine voids we also encounter properties requiring substantial repair and investment to bring them up to the Re-let Standard. In the coming years, in line with our emerging active asset management approach, we will ensure that high-cost voids are reviewed before incurring significant costs in bringing these properties back into service. This will allow us to determine the most appropriate approach to ensure that our assets are viable and fit for the future and in some circumstances may require their disposal.

Decent Homes & Major Works

NSDC is committed to ensuring all homes which are occupied by customers continue to remain fully compliant with the Decent Homes Standard which was achieved by the Council in 2010. Over £6,000,000 is spent on our Investment Programmes each year.

Compliance with the Decent Homes Standard will continue to be assessed as part of the Council's approach to gathering stock condition data information and any remedial works will be carried out where decent homes failures are identified. Tenant priorities for the Major Works Programme and the NSDC Decent Homes Plus Standard was last reviewed in 2013/14. The government is currently considering whether the Decent Homes Standard should be revised. We will, of course, monitor this closely and ensure that our approach to asset investment complies, as a minimum, with the required standards.

Energy Efficiency

We will continue to invest in 'energy efficiency' measures and initiatives that will reduce the incidence of fuel poverty for residents through our annual Major Works Programmes and government 'Green Homes' grant initiatives. The ongoing requirement to provide an Energy Performance Certificate with every new tenancy serves as an important opportunity to collect energy data on the stock, so that measures and initiatives can be fully considered on a property-by-property basis. We will also gather additional energy related information as part of the new stock condition survey being undertaken in 2022 and, using propriety software, calculate the costs of improving our current average band C rating to an individual property band C rating, or above, for the entire housing stock and build this into the HRA Business Plan projections. This is to ensure that we meet the government's target that all social homes should achieve an EPC 'C' rating by 2030.

Parking and Environmental Improvements

The Council recognises that investing in the fabric of dwellings alone is not enough to create long term sustainable communities. We understand that a well-managed and attractive external environment encourages people to remain where they are and improves their quality of life.

Safety has been highlighted by tenants as a priority in the past. Through environmental improvements we have been able to introduce improved lighting and security doors etc. that has both reduced the instances of anti-social behaviour and improved tenant satisfaction with their home. In addition, well maintained estates also contribute towards the general health and wellbeing of residents as the risk of accidents and injuries are reduced.

Flooding has been identified as a potential risk to the asset base in certain locations. This is likely to be an increasing risk over time due to the effects of climate change and was evidenced in the recent flooding in spring 2020.

Parking has been highlighted by tenants as an acute problem in localised areas across the district. Many roads and footpaths are adopted land under the management of Nottinghamshire County Council and, therefore, the solution to these issues involves a collaborative approach. As lifestyles have changed the increase in vehicles has made some areas difficult to park due to the road layout and/or narrow construction. Additionally, many properties do not have any off-street parking provision.

Currently, we invest in environmental improvements on an ad hoc basis and there is also a small budget provision for flood protection and parking improvements. Our ambition for the coming years is to develop a more strategic approach with funds specifically identified in the HRA Business Plan.

Tenant and resident involvement and engagement

The council is fully committed to resident involvement in all aspects of its approach to asset management. Resident involvement forms a very important part of the process of making decisions about our assets and how they will be maintained. Our ambition is to build on the existing methods of involving and engagement tenants and other residents more generally, and specifically in relation to asset management.

6. Investment in our assets

In view of our plans to rebuild the HRA Business Plan during the next year so that it incorporates the results of the external stock condition survey and other priorities including those of our tenants and to respond to the challenge of achieving net zero carbon emissions, we have provided limited financial information within this briefing.

Our current HRA Business Plan includes the capital investment requirements of the stock and how this investment will be funded. The plan was informed by the stock condition survey carried out in 2009 and utilises simple industry standard replacement dates. The capital investment is smoothed over the years to provide annual budgets that seldom fluctuate, which make financial planning and contract procurement and delivery simpler to manage

The existing HRA Business Plan includes an overall capital investment requirement of c£332 million over the next 40 years. This equates to an annual investment programme (including fees) of between £5.2m and £11.9m.

It is acknowledged, due to the high incident of replacements during the initial drive to meet the Decent Homes Standard between 2006 to 2010 that a spike in investment may arise when key components, like kitchens and bathrooms, reach the end of their industry standard life expectancy. Currently this is predicted to be around 2026 to 2030 and 2036 to 2040

respectively, though these assumptions will be tested through the forthcoming stock condition survey.

In addition to the capital programme there are also significant revenue items of expenditure that need to be financed over the same term, this includes, amongst others, responsive repairs, void property works and planned and cyclical maintenance, including compliance and grounds maintenance. Our existing annual expenditure on these items is currently as follows:

- Planned works £52k
- Responsive repairs £2.4m
- Void maintenance (empty homes) £660k
- Compliance services £1.01m

7. The external challenges & opportunities facing the Council

There are currently a number of significant changes facing the Council in the way we manage, maintain and develop our housing portfolio. The key influences which are expected to influence our emerging asset management strategy are summarised below.

The Social Housing White Paper was published in November 2020. Its focus is on realigning the relationship between the tenant and social landlords, with a major focus on transparency and accountability. It also seeks to change the role of the Regulator of Social Housing, currently focused on economic regulation primarily, to have more power and prescription in relation to consumer regulation. This latter change will take some time, as the role of the RSH is enshrined in primary legislation which cannot simply be altered overnight. However, we can undoubtedly expect change in the future, and the Council is already responding to the changes being brought about by the White Paper. The White Paper focuses on the following matters:

- Tenant safety
- Performance
- Complaints
- Regulation
- Tenant engagement
- Quality homes and neighbourhoods
- First steps to home ownership

The Council already delivers many of the requirements of the White Paper in its current management of the housing stock and commits to fully comply with all its requirements. Budgets and posts have been established to deliver fire door inspections, the installation of smoke and CO detectors and enhanced electrical safety inspections, all of which are expected in the draft legislation.

The draft Building Safety Bill was published on 20 July 2020, intending to ‘deliver the principles and recommendations for reform set out by Dame Judith Hackitt’s Independent Review of Building Regulations and Fire Safety.’ The Impact Assessment states that the ‘overall effect of the Bill will be to deliver a stronger regulatory system and a stronger voice for residents which delivers better performance of all buildings across the built environment and better management of fire and structural safety risks in new and existing buildings.

Although the Bill relates, in the main, to high rise buildings there are issues in the Bill which the Council will wish to tackle in some of its high-risk residential buildings such as Gladstone House and Vale View, and its latest extra care scheme at Boughton. This will include, amongst other measures, the appointment of a Building Safety Manager, who will be responsible for the day-to-day management of fire and structural safety in the building(s) and the preparation of a Resident Engagement Strategy in conjunction with our residents.

The Fire Safety Act received Royal Assent on 29 April 2021 though a date has not yet been set when it is due to come into force. The Act focusses on the following key areas of activity:

- Strengthening the Regulatory Reform (Fire Safety Order) 2005 (FSO).
- Implementing the Grenfell Tower Public Inquiry phase 1 recommendations.
- Strengthening the regulatory framework for how building control bodies consult with and share fire safety information with the fire and rescue authorities.

The Act extends the provisions of the FSO to the following parts of a multi-occupied residential buildings:

- the building's structure, external walls and any common parts. The external walls include doors or windows in those walls, and anything attached to the exterior of those walls, e.g. balconies and cladding.
- all doors between the domestic premises and common parts

NSDC will commit to delivering all the key outcomes as they relate to the Council and its housing compliance responsibilities.

Fitness for Human Habitation Act Introduced on 20 March 2019, the Homes (Fitness for Human Habitation) Act requires all landlords in England (including letting agencies) to maintain their properties so they meet the minimum standard for human habitation at the beginning and for the duration of the tenancy. The Act aims to protect tenants by giving them the power to take legal action against landlords they believe are acting irresponsibly.

The Fitness for Human Habitation Act is an extension of the Landlord and Tenant Act 1985, which sets out guidelines for private and social landlords so their properties are fit for human habitation. Landlords don't need to meet new obligations or follow different rules under this Act. The legislation simply makes it easier for tenants to hold landlords accountable and take them to court if they believe their properties aren't in a habitable condition. The Council already fully complies with the requirements of the Act.

Zero Carbon Challenge. Under legislation passed in 2019, the UK is legally obliged to reach net-zero carbon emissions by 2050. Although specific legal targets for the social housing sector have not been set across the whole of the UK, energy use in UK homes accounts for 14% of the nation's emissions. A report by the Climate Change Committee concluded that

“the UK’s legally binding climate change targets will not be met without the near-complete elimination of greenhouse gas emissions from UK buildings”.

In the more immediate future, the UK government has said that all social housing should be upgraded to a minimum of Energy Performance Certificate (EPC) band C, which equates to a SAP score of between 69 and 80, by 2030. Currently 33% (1,677 homes) in the council’s housing stock will need to be improved from an EPC rating of D to C by 2030.

The Council is currently working on its ‘Decarbonisation Strategy for Social Housing’ but in the meantime will undertake new stock condition surveys to ensure we have up to date information on our properties and a small programme of carbon reduction on power.

The Council is also currently investigate with partners a programme to replace or upgrade our Direct Labour fleet with electric vans and installations of EV charging infrastructure at our supplies depot.

Appendix 1

GENERAL NEEDS	Includes	Excludes
2924	Social Rented & A/B rent groups	Sheltered / New not let

HOUSING FOR OLDER PEOPLE	Includes	Excludes
2604	Sheltered and Supported	General Needs / A&B rent / New not let

ASSESSMENT UNITS	Includes	Excluded
9	Gladstone non-rented sheltered	Gladstone rented sheltered flats

NON HRA HOSTELS	Includes
39	Wellow Green, Seven Hills and Northgate (Hostels)

TOTAL OF DWELLINGS	Includes	Excludes
5576	Occ/Void residentials W/A/B Rent	Sold / Disposed / New not let

LEASEHOLDS	Includes
182	RTB flats

NEW BUILDS	Includes
18	Both handed over but not yet let and not yet handed over

COMMUNITY CENTRES	Includes
32	Community Centres