



Scrutiny

18 October 2022

Report of: Councillor Ronan Browne -
Portfolio Holder for Council Homes
and Landlord Services

Asset Management Plan (HRA)

Corporate Priority:	Providing high quality Council homes and landlord services
Relevant Ward Member(s):	All Wards
Date of consultation with Ward Member(s):	N/A
Exempt Information:	No

1 Summary

- 1.1 This report introduces the HRA Asset Management Plan 2023 – 2028. The purpose of the plan is to provide an action plan based on the recommendations from the HRA Business Plan and to set a five-year capital programme.
- 1.2 It is not a legal requirement to produce an Asset Management Plan, however, it is good practice and helps provide a good framework for short term planning.
- 1.3 The Asset Management Plan will be used to set budgets each year and will be updated on an annual basis. This will ensure that it remains current in the ever-changing environment of social housing.
- 1.4 The Asset Management Plan is an evidence led document. It is informed by a range of things including a survey of the Council's housing stock and the consultation that was carried out with residents as part of the Business Plan. It provides responses to certain policy recommendations that came out of the Business Plan.
- 1.5 The Asset Management Plan includes a clear action plan with target dates and budget requirements for each action. This action plan will be updated annually, and informed by the annual 20% stock condition survey, with the expectation that new actions will be added each year to deal with new and emerging issues.
- 1.6

2 Recommendation(s)

That the/Committee:

- 2.1 **Reviews the draft HRA Asset Management Plan and provides comments to Cabinet**

3 Reason for Recommendations

- 3.1 The Asset Management Plan will support the Council to achieve its commitments to deliver high quality council homes across Melton and to manage its available finances effectively.
- 3.2 The Asset Management Plan provides a clear plan to implement recommendations from the HRA Business Plan.
- 3.3 The Council has made significant improvements to its housing and landlord services and whilst it is still on its housing improvement journey, is ready to transition from delivery of the Housing Improvement Plan to a more proactive, assurance led approach.
- 3.4 It is also important to note that the Asset Management Plan has been developed at a continuing time of significant regulatory change in the housing sector.
- 3.5 The Asset Management Plan is a significant programme of work for the Council. Scrutiny Committee input and involvement will help to shape the development of the document prior to consideration by Cabinet and Council.

4 Background

- 4.1.1 The Asset Management Plan continues the work set out in the HRA Business Plan and supports a proactive and assurance led approach to Housing. The draft Asset Management Plan can be found at Appendix A.
- 4.1.2 The purpose of the plan is to set an accurate capital programme for the next five years. It also demonstrates how this proposed spend will help to keep our homes safe, compliant and decent. It sets out a clear action plan and projects to help inform future investment in areas such as non-domestic properties, energy efficiency, zero carbon and estates.
- 4.1.3 The Asset Management Plan will be updated alongside the HRA Business Plan on an annual basis. This will ensure that it reflects the most up to date operating costs and plans capital spend accordingly. This will be informed by the ongoing stock condition surveys.

4.2 Regulatory change

- 4.2.1 As with the HRA Business Plan, the Asset Management Plan has been developed at a time of continuing regulatory change in the housing sector.
- 4.2.2 The government signalled major changes for social housing in January 2021 when it published its White Paper, The Charter for Social Housing Residents. The government have planned an updated set of standards not only for the homes of social housing residents but also for the services they receive and including a comprehensive schedule of proposed Tenant Satisfaction Measures that will have to be reported annually by every social housing provider. The council will be subject to an external assessment, led by the Regulator of Social Housing, every four years.
- 4.2.3 The Council is in a positive position in some areas in preparing for these changes. It now has a detailed understanding of its stock profile and investment needed to meet decent homes standard across all stock. Having developed a business plan, the Council is in a stronger position than many others who have not undertaken such a comprehensive exercise and do not have up to date plans in place.
- 4.2.4 The Business Plan sets out the high level strategic plan for spend, based on a number of assumptions. Refinements have been made to the spend profile in the Business Plan and efficiencies have been achieved.
- 4.2.5 The regulatory changes for the housing sector are significant, including changes to legislation, regulation, new consumer standards and a move to an inspection regime for council landlords (mirroring the approach applied to Housing Associations for many years).
- 4.2.6 Whilst not yet due to be implemented, we have received a strong message from government that these changes are coming and that we should begin to prepare for them now.
- 4.2.7 The HRA Business Plan includes details about the relevant changes. The Asset Management Plan has been designed with sufficient flexibility to continue to adapt each year to meet the ever-changing environment.

4.3 Recommendations to Cabinet

- 4.3.1 In November 2022, Cabinet will consider the Asset Management Plan, prior to it be recommended to Council. The draft recommendations to Cabinet are set out below for awareness of the Scrutiny Committee:
- a) The Asset Management Plan and associated action plan be approved and be used to inform the revenue and capital budget proposals for 2023/24.
 - b) The Capital Programme and associated budgets are approved for inclusion within budget proposals for the financial year 2023/24 to be considered further by Cabinet alongside the overall HRA budget and rent setting proposals for submission to the Council.

5 Main Considerations

- 5.1 The Asset Management Plan has been informed by the HRA Business Plan, stock condition survey and residents satisfaction survey.
- 5.2 The HRA Business Plan set out a number of recommendations. This Asset Management Plan addresses a number of these recommendations and provides a plan and details of investment required for each.
- 5.3 The stock condition data has been used to produce a programme of work for the key areas of investment to ensure our homes remain decent. This data will be updated on an annual basis.
- 5.4 The resident satisfaction survey informed the recommendations in the HRA Business Plan, and subsequently influenced the approach taken in the Asset Management Plan
- 5.5 **Specifically, the Asset Management Plan covers:**
- 5.5.1 Compliance and safety in our homes:
- a) Work achieved to date is detailed, showing our current position.
 - b) Certain areas of compliance are managed through Northgate Housing, and other areas will move over once development has been completed.
 - c) Future investment requirements are outlined.
 - d) Each area of compliance will have its own management plan developed and adopted to demonstrate, in detail, how we manage it.
- 5.5.2 Asset data, planning of work and delivery:
- a) Our current level of accurate stock condition data is approximately 89%. After benchmarking against other authorities it is clear that this is much higher than most. A rolling programme of 20% will be undertaken to ensure the data remains accurate, alongside data validation when properties are void.
 - b) Further work is identified to help us understand the performance of our homes in terms of energy efficiency and zero carbon.
 - c) Our current levels of contractor resources and the requirement for future procurements are outlined and included in the action plan.
- 5.5.3 Modern homes

- a) The Asset Management Plan defines what we consider to be a modern home. This is based on the requirements of the Business Plan, and includes key recommendations such as replacement of aluminium windows.
- b) It demonstrates how our tenants priorities have been used to set investment and where we have focussed on high standards.
- c) Clear timescales for replacement of key components have been defined and the standard of replacement for each component has been set out.
- d) All properties that still have aluminium windows have been included in the window replacement programme in the first year of the plan.
- e) Where there is an element of choice and flexibility around improvements, this is highlighted in the plan.
- f) Projects are included that will help us develop longer term strategies for garages, outbuildings, estates, neighbourhoods and other non domestic HRA assets.
- g) Essential investment is defined separately and our approach recorded.
- h) Tenant and leaseholder engagement are discussed in relation to improvement works.

5.5.4 Responsive repairs and cyclical maintenance:

- a) Clear standards for the repairs service are defined, along with the void standard.
- b) Actions are included around procurement of services where required.
- c) A commitment to an ongoing cyclical decoration programme is made.

5.5.5 Energy efficiency and decarbonisation

- a) A short term strategy to heating and energy efficiency measures is included in the plan.
- b) A project to work out the long term strategy is outlined. This requires detailed analysis of our current energy data by an energy specialist, followed by gathering further data and developing a strategy and toolkit of measures.
- c) The difference between zero carbon and energy efficiency is explained. Zero carbon focusses on reducing the amount of carbon produced by each property, whereas energy efficiency improves the comfort of the home and reduces running costs of the resident.

5.6 **Option of accelerating the storage heater programme**

- 5.6.1 Storage heaters are designed to use off peak electricity to charge up over night, then releasing the heat over the next day.
- 5.6.2 They are difficult to control and often lose their heat by the evening, leaving tenants cold.
- 5.6.3 Average heating cost tables indicate that an average, 3 bed, 1980's home will cost around £800 per year to heat with gas heating. The same home will cost around £2400 per year to heat with storage heaters. These costs are based on energy prices earlier this year.
- 5.6.4 There are high levels of dissatisfaction with these heaters from tenants. The high running costs often mean that people don't use the heating, leaving the home cold and prone to condensation forming.
- 5.6.5 We currently replace these heaters when they are 30 years old, in line with the decent homes standard.

- 5.6.6 Storage heaters are installed in around 240 of our homes.
- 5.6.7 108 of those homes are included in the five year capital programme. Nearly 100 are in areas where gas is available.
- 5.6.8 The capital install cost of a new gas heating system is lower than a new electric heating system. As the install and running costs are lower, the Asset Management Plan proposes that homes that have gas available will have new gas heating installed.
- 5.6.9 The remaining properties will have modern storage heaters installed, which will offer a small saving to tenants in terms of running costs.
- 5.6.10 Gas heating is still one of the cheapest forms of heating. However, it does not help meet the objective of zero carbon. Currently, the only restriction around use of gas boilers is that they cannot be installed in newly built properties from 2025. This does not apply to existing homes.
- 5.6.11 Gas boiler have a lifespan of 15 years, so any boilers installed in the life of this plan will need to be replaced by 2043 at the latest. Still before the government target of 2050.
- 5.6.12 The Asset Management Plan already includes a project to develop a longer term strategy, which will define what types of heating we install in both gas and non gas areas.
- 5.6.13 There is an option to bring forward the remaining 130 homes which have newer storage heaters installed.
- 5.6.14 This would require an additional total investment of £845,000 over years 1 – 5 of this plan. This would actually result in a saving across the life of the Business Plan due to reduced inflationary costs. The average annual headroom would increase by around £11,000 per annum.
- 5.6.15 This option will be discussed with Scrutiny Committee and our Portfolio Holder, and if they were minded to support this approach, the final report to Cabinet and Council would seek approval to progress this option. Further consultation would then be carried with tenants to ensure that this reflects their views.

6 Options Considered

- 6.1 The Asset Management Plan is a requirement of the Business Plan and is necessary for short term financial planning.
- 6.2 The plan could have included more commitments to spend on areas such as garages, energy efficiency and estates. However, these commitments would have been made without the necessary evidence to ensure that the investment was necessary or prioritised correctly. The focus of the plan has been to commit to spending where there is sufficient evidence to support it, and to identify actions to develop approaches to other areas, over future years of the plan

7 Consultation

- 7.1 Consultation on the views of council tenants of the quality, condition and services provided to them were captured in the Residents' Satisfaction Report November 2021 conducted by sector specialists, Acuity.
- 7.2 A tenant focus group was held on 13th January 2022 to look in more detail at tenants' views on council housing and where the council should place its investment.

- 7.2.1 The focus group identified the repairs service and communications as areas of particular concern.
- 7.3 Additionally, a consultation survey specifically asking tenants to tell us their priorities for housing was sent out in the last week of February with a return date of the 25th March 2022. It was sent out to 436 tenants who had offered to take part in consultation exercises with the Council. 118 responses were received. The three top priorities emerging from the survey were:
- Building new council homes
 - Replacing metal windows with UPVC windows
 - Energy efficiency
- 7.4 The Business Plan includes the results of this consultation, which was used to form the recommendations.
- 7.5 The Asset Management Plan makes direct reference to these recommendations which are clearly linked to the priorities identified by tenants. Although no formal consultation is planned on the Asset Management Plan, other than potentially around storage heaters, it is written based on the consultation carried out as part of the Business Plan.

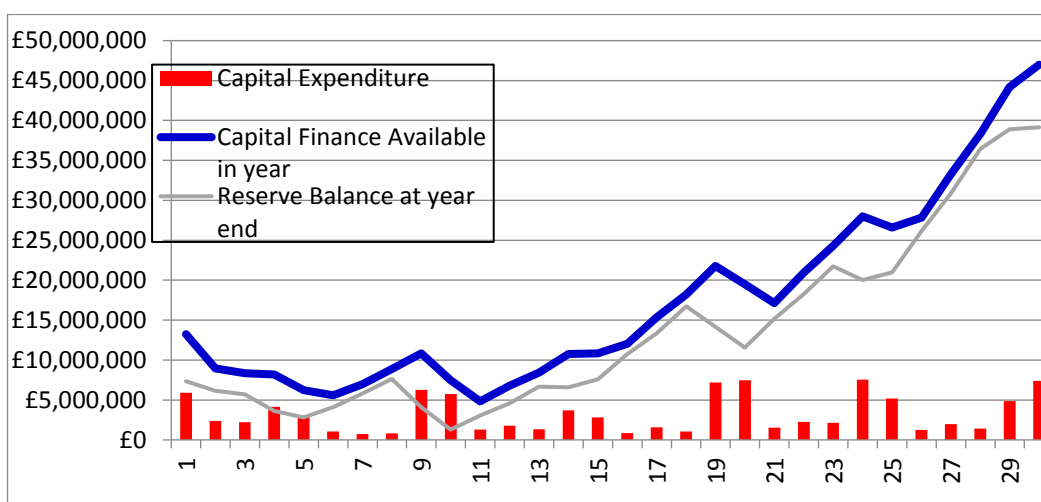
8 Next Steps – Implementation and Communication

- 8.1 Following consideration by Scrutiny, the final plan will be considered by Cabinet and Council for approval in December 2022.
- 8.2 The Capital Programme and associated budgets are to be approved for inclusion within budget proposals for the financial year 2023/24 which will be approved by Council in February 2023
- 8.3 The outcome of the plan will need to be shared with the Council's tenants and leaseholders in a clear, accessible, and meaningful way. It should also be shared widely with the Council's staff and partners.
- 8.4 The Asset Management Plan will be used to set the HRA Revenue and Capital budgets for the next five years.
- 8.5 The Asset Management Plan will be reviewed every year to ensure the five year capital programme is up to date and current, taking account of any legislative changes and the outcomes of the actions identified in the action plan.

9 Financial Implications

- 9.1 The main consideration from the Asset Management Plan is that the Housing Revenue Account is currently sustainable over a 30 year period, based on assumptions regarding future costs. The 5 year projections will be used to inform the annual revenue and capital budgets and the Council's capital strategy.
- 9.2 The Business Plan identified an average headroom of £793,000 per year over the thirty year period.

- 9.3 The Asset Management Plan has reviewed the revenue costs, fees and other costs to refine some of the assumptions made in the Business Plan. This has not resulted in any reduction in the level of service provided.
- 9.4 The review has resulted in a revised average headroom of £1,187,000 per year. This plan now includes aids & adaptations works over the 30 year plan, voids capitalisation costs for the 5 years of the Asset Management Plan upon such time contracts for the relevant property elements are expected to be in place, spend on affordable housing as required (with a commitment not to return right to buy receipts to Government) and £400k investment in Gretton Court for the shower up-grades in order to achieve Decent Homes Standard.
- 9.5 As noted above the £1.187m is an average annual headroom amount as spending needs and balances fluctuate across the 30 years of the business plan. The AMP spending shows as affordable within these fluctuations based on current knowledge. The 30 year balances are illustrated in the chart:



- 9.6 The Asset Management Plan identifies that there are a number of potential areas of investment, but that individual projects need to be completed before that investment can be quantified. As these projects are completed the Asset Management Plan will be updated and budgets allocated at the appropriate time.
- 9.7 As identified earlier in this report, the Asset Management Plan has been written and is being adopted at a time of uncertainty and change.
- 9.8 Changing Financial Context: On 31st August 2022 the Government launched a consultation on a proposed rent cap to understand how best to support households with the cost of living. The consultation period expires on 12th October 2022.
- 9.9 The consultation seeks views on a 3%, 5% or 7% rent cap. Initially this would be for a one year period, but could extend to two years.
- 9.10 As we now have a 30 year business plan we are able to predict the impact of the rent cap far more accurately.
- 9.11 If the rent cap was in place for 2023/24 only, the average annual headroom in the HRA would be:
- 3% £120,000
 - 5% £320,000

7% £553,000

9.12 If the rent cap was in place for 2023/24 and 2024/25, the average annual headroom in the HRA would be:

3% - £570,000

5% - £170,000

7% £263,000

9.13 This demonstrates that the rent cap would have a significant impact on the HRA, making it go into deficit if a 3% or 5% rent cap was maintained for 2 years.

9.14 The reduced headroom would drastically reduce the funds available for additional investment in new build housing, energy efficiency and other areas identified in the Asset Management Plan. This does present a risk.

9.15 If the rent cap is implemented, there are areas of the Asset Management Plan that could be reviewed to identify further savings. These would require further thought and consultation with tenants to identify their revised priorities based on reduced budgets.

Financial Implications reviewed by: Director for Corporate Services

10 Legal and Governance Implications

10.1 The Asset Management Plan document is in draft enabling Scrutiny to comment and inform the final plan. All comments will be considered by Cabinet and Full Council.

10.2 The Localism Act 2011 reformed the way that council housing is financed in England and Wales. The national HRA subsidy system ended in April 2012 and was replaced with self-financing.

10.3 Since Section 167 / Schedule 15 of the Localism Act 2011 came into force, English local authorities have been required to be self-financing in relation to their housing stock.

10.4 Expenditure and income relating to property and income listed in section 74 of the Local Government and Housing Act 1989 which includes housing held under Part II of the Housing Act 1985 must be accounted for in the Housing Revenue Account (HRA). The HRA is a ring-fenced budget.

10.5 It is not a legal requirement to produce an HRA Business Plan and Asset Management Plan; however, it is good practice and helps provide a good framework for long term strategic planning.

10.6 The HRA Business Plan and Asset Management Plan provide an important mechanism for ensuring that the council's housing stock is well managed and maintained, and that investment is made to ensure the safety of residents.

10.7 The HRA should be self-funding and continuous review of the position of the HRA is required to ensure this.

Legal Implications reviewed by: Deputy Monitoring Officer 06.10.22

11 Equality and Safeguarding Implications

- 11.1 In finalising the Plan, the Authority must comply with the public sector equality duty as set out in S149 of the Equality Act.
- 11.2 An Equality Impact Assessment has been carried out and has been reviewed by the Council's Check and Challenge Group. It will be published on the Council's website [here](#). Investment in decent and safe homes will positively impact the safety and wellbeing of council tenants.

12 Community Safety Implications

- 12.1 The Asset Management Plan recognises that there will likely be a need to invest in the wider housing environment in order to support safe, resilient and cohesive communities.
- 12.2 Actions have been included to evaluate our estates and plan investment.
- 12.3 There is also revenue funding to support vulnerable tenants within the base budget.

13 Environmental and Climate Change Implications

- 13.1 The Plan considers recommendations regarding net-zero and energy efficiency, however, the Plan itself will not be able to deliver a carbon neutral outcome without significant external funding. This is the case for the wider housing sector.
- 13.2 Further work will be done throughout the life of the Asset Management Plan and this will need to be considered in the context of the cost-of-living crisis, fuel poverty and thermal efficiency.
- 13.3 The Council will need to be ready to apply for external funding opportunities as they become available, in order to support its ambitions in this regard.

14 Other Implications

- 14.1 **Health and Wellbeing Implications:** The current HRA budget pays for support to tenants to manage their homes via Case Management, Intensive Housing Management and Housing Officers. Work is underway to review how this support is currently provided and to consider future options.
- 14.2 **Environmental Implications:** There is funding to improve the external areas around council housing across the borough, but it is limited and will need to be carefully managed.
- 14.3 **Human Resource Implications:** There is the potential for some of the projects identified in the action plan to identify the need for additional resources.
- 14.4 **Procurement Implications:** The Asset Management Plan sets out the Council's approach to procurement and it's overall strategy. The action plan attached to the Asset Management Plan includes details of all procurement exercises that will be required and when they need to start.

15 Risk & Mitigation

Risk No	Risk Description	Likelihood	Impact	Risk
1	Lack of continuity of leadership impacts on the delivery of the plan	Very Low	Critical	Low
2	Rent cap implemented at 3% reducing the viability of the business plan and resulting in programmes of work having to be curtailed	Significant	Critical	High
3	Rent cap implemented at 5%	Significant	Marginal	Medium
4	Rent cap implemented at 7%	Significant	Marginal	Medium
5	Insufficient resource to implement plan	Very Low	Critical	Low
6	Capital spending is not delivered	Low	Critical	Medium
7	Insufficient headroom in the plan to address all of the spend required from the Asset Management Plan projects	Significant	Marginal	Medium
8	Compliance works are not carried out	Very Low	Critical	High

		Impact / Consequences			
		Negligible	Marginal	Critical	Catastrophic
Likelihood	Score/ definition	1	2	3	4
	6 Very High				
	5 High				
	4 Significant				
	3 Low				
	2 Very Low				
	1 Almost impossible				

Risk No	Mitigation
1	Documentation of all key decisions. Adoption of more formal plans, policies and procedures to support the handover to new management.
2	There is capacity in the plan to make savings by reducing the level of service offered, i.e. reduce the standard that certain refurbishment are completed to.
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4	There is capacity in the plan to make savings by reducing the level of service offered, i.e. reduce the standard that certain refurbishment are completed to.
5	The Housing Assets Team is well resourced with most vacancies filled. The Asset Management Plan identifies that certain new workstreams may require additional resources, and a case will be presented if this is required.
6	All workstreams are now procured and contracts in place. Regular monthly meetings are reviewing progress and spend against KPIS where applicable.
7	Significant headroom has been created through the work on the Asset Management Plan. The impact of the additional spend can be included in the annual review.
8	Contractors have been procured. Compliance team has been expanded. Standard operating procedures are in place. Northgate housing system is being used to manage key areas of compliance.

16 Background Papers

16.1 HRA Business Plan 2022- 2052

17 Appendices

17.1 Appendix A: DRAFT Housing Asset Management Plan 2023-2028

17.2 Appendix B: DRAFT HRA Housing Asset Management Plan Action Plan

17.3 Appendix C: DRAFT Capital programme 2023/24 to 2028/29

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