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**Meeting of the Cabinet – 31<sup>st</sup> October 2019**

**Report of the Strategic Director Place**

**Housing Asset Management Strategy 2019-29 – Better homes, better places, better lives**

**Purpose**

1. To inform the Cabinet of the implications and strategic context of the proposed 10 Year Housing Asset Management Strategy 2019 to 2029 entitled “Better homes, better places, better lives.”

**Recommendations**

2. That the Housing Asset Management Strategy 2019 to 2029 be approved.

**Background**

3. The Housing Asset Management Strategy sets out the Council’s 10-Year strategy and details our continued, strategic approach to managing and maintaining the properties we own within our communities, whilst also delivering and providing new homes and housing solutions to help meet the projected levels of social housing need across the borough.
4. It will provide the strategic framework capable of supporting value for money and developing a more sustainable housing revenue account (HRA), setting out our investment priorities for housing over the next 10 years. Currently there is a mismatch between the supply and demand for social housing, with some types of properties no longer popular because of condition, location or the impacts of welfare reforms such as the removal of the spare room subsidy, and some properties have high investment needs.
5. Alongside annual statutory repair and maintenance liabilities, current estimates are that the Council’s housing stock investment, repairs and maintenance liability will be in the region of £1.5bn over the next 30 years. The strategy also addresses the on-going need to service historic housing debt. With this level of expenditure, a long-term strategic approach is necessary to retain asset value against the current HRA finance debt of £470m and to ensure that the Council’s housing stock remains fit for purpose.

## HRA Stock Viability

6. A balanced approach to investment is required in terms of investing and strategic de-investment in existing stock and replenishing the supply of social housing by building new properties. Work commenced in 2015 to develop a more strategic approach to the management of the Council housing stock.
7. The viability of the Council's housing stock has been appraised and a net present value cost model developed for all of the Council's 21,750 homes. This assesses the cost of keeping the homes in good order over a 30 year period, the estimated cost of repairs and statutory maintenance over that period, and compares this to the estimated level of rental income over the same period. The model also includes an assessment of 'Prospects and Performance', which is effectively a measure of sustainability, popularity and demand, based on criteria such as lettings, turnover and void rates, SAP rating (a measure of how fuel affordable the home is to live in), local ASB statistics and data from the indices of multiple deprivation.
8. Properties were given a Red, Amber or Green 'RAG' rating as an assessment of their future viability and the properties' ability to positively contribute towards the HRA Business Plan. Green properties have a good rating, and ongoing investment is the 'right thing to do'; Amber properties indicate properties where financial performance is below the level desired, and where interventions could be considered to improve viability; Red properties are where the potential commercial viability is below the level desired, and de-investment through demolition and / or disposal should be considered.
9. Following the initial appraisal in 2015/16, Cabinet on 20<sup>th</sup> July 2016 approved:
  - The adoption of the HRA Asset Management Analysis and the development of a detailed action plan based upon the outcomes of that Analysis;
  - The demolition of 4 high rise blocks at Arley, Compton, Wells and Manor Courts; and
  - The disposal of ad hoc, non-viable vacant dwellings.
10. The assessment model was reviewed in 2018 and as a result of implementing the above Cabinet decisions, there were some improvements in overall stock performance, including an increase of over £8m in the strategic valuation of the housing stock and proportionately more of the stock assessed as green (78%) – a modest 6% improvement.
11. Despite these improvements, significant challenges remain. The average age of our stock is 65 years and more than 7,000 units (almost 1 in 3) are now more than 75 years old with over 2,250 units (10% of our stock) are assessed as amber and just over 2,500 units (12%) are assessed as red. This means that retention on a full investment basis for some of these units, particularly those with a negative value, is not likely to be viable for the HRA over the next 30-year period.

## Priorities of the Strategy

12. The Housing Asset Management Strategy sets priorities for addressing the above challenges for our housing and our communities. These are very much aligned to our current investment plans which have been developed over the last year or so, and also support the Council Plan. The priorities are:
- Provision of quality affordable housing to provide safe, affordable homes that people want to live in - investment in our core stock and tackling empty homes efficiently;
  - Managing our stock strategically to ensure future viability of affordable housing. Measuring and identifying stock quality and performance with de-investment, demolition and/or disposal of non-viable stock;
  - Provision of more affordable housing to meet our diverse housing need - developing more affordable homes and mixed tenure estates and Improving the offer for supported living to meet the needs of an ageing and vulnerable population;
  - Addressing the housing and community needs of our residents and estates, particularly around health and wellbeing, addressing fuel poverty and promoting Independent living;
  - Delivering community and estate regeneration, improving the quality, sustainability and safety;
  - Ensuring value for money through our housing services - maximising resources, income, opportunities for commercialism supported by efficient procurement;
  - Provide opportunities through construction to create jobs, employment, apprenticeships and training opportunities, making a positive impact on the economic prospects for the borough for businesses and individuals.
13. The Housing Asset Management Strategy “Better homes, better places, better lives” is available on the [Committee Management Information System](#). Printed copies can be provided to any Member on request.

## Delivery of the Strategy

14. The Housing Asset Management Strategy has been developed and evolved over the past 3 years, work has been ongoing to implement the initial principles and proposals from the Cabinet approvals of July 2016. Since then, a number of initiatives have commenced, and some completed:
- We have rehoused over 200 households from four high rise blocks in Netherton and demolition is planned for later this year;
  - We have continued to maintain expenditure on empty homes at around £10m per year less than 2014/15;
  - We have re-modelled two sheltered schemes, receiving £2.9m Homes England Grant, and an external award for health and wellbeing, and we have firm plans for 2 more remodelled Grant funded schemes, and new developments following a Sheltered Review;
  - We have initiated an options study for all of our high rise flats, due to complete in Autumn 2019, when we propose to commence wider engagement;

- We have disposed of 44 ad-hoc non-viable homes and received capital income of £4m, deferring a spend liability of £1.7m with £5.7m total betterment, sufficient resources to replenish stock with new, modern, warm and affordable homes almost on the equivalent of a one for one basis;
  - We have built 320 new homes since 2011 and have a rolling programme of delivery, recently supported by £5m of Black Country Brownfield Land Grant, and have delivered 59 homes for sale generating a surplus for the General Fund.
15. The general principles of the Housing Asset Management Strategy are therefore well embedded into current delivery plans, and formal adoption will allow further delivery of outcomes together with sustained financial viability of the HRA. Examples of outcomes are included as case studies in the strategy.

#### Management of the Strategy

16. An Action Plan, which mirrors the Chief Officer, Housing Service Plan is included within the strategy document, and management and monitoring is supported by appropriate Key Performance Indicators. The document will be reviewed alongside the Chief Officer Plan to ensure it remains relevant.
17. Communications and Public Affairs are engaged to produce a professionally formatted document consistent with the corporate templates and vision.

#### Removal of the HRA Borrowing cap

18. The Government have now removed the Council's borrowing cap on the HRA which has provided opportunities for us to increase our borrowing capacity. This is referred to in the Housing Asset Management Strategy which highlights that this new borrowing will require to be appropriately split between new build provision and ensuring that as much of our current stock as is reasonably possible remains viable in the longer term. An increase in our current debt level may allow some additional projects to be brought forward and delivered where not possible without further funding, but it will not, of itself, resolve the housing investment challenges facing us. It will assist in providing new housing and potentially help address some of the estate regeneration needs around our flatted estates. This blended approach will need to be considered and approved when development and area based projects are brought forward to be approved by the Council.
19. Work is ongoing to evaluate the options that this opportunity provides, which also includes the potential for some general fund borrowing to deliver new mixed tenure housing. As and when feasibility options are completed and projects are proposed these proposals will be submitted to Cabinet and Full Council for approval.

#### **Finance**

20. The strategy sets out the Council's priorities and approach to future investment to maintain the Council's housing stock, and the resource implications and future rent setting policy that supports the necessary investment.

21. The strategy is supported by the current approved housing public sector capital programme 2019/20 to 2022/23, and will be further supported by exploring grant funding opportunities for example from Homes England to support delivery of remodelled and new sheltered schemes.
22. The Chancellor announced in his July 2015 budget that social landlords' rents would be reduced by 1% annually for the next 4 years (2016/17 through to 2019/20) and would then revert to the rent increase formula of September CPI plus 1%. The strategy is underpinned by this ongoing proposal. Any changes to current resources and budgets or approvals for future budgets to and rent to 2029 will be submitted to a future Cabinet and Full Council for approval.
23. Section 76 of the Local Government and Housing Act 1989 places a duty on the Council to ensure that no action will be taken to cause a deficit to arise on the HRA. There is also a duty placed on the Council to review the financial prospects of the HRA from time to time. The Housing Asset Management Strategy underpins the financial management and review of the HRA to ensure that it remains viable in the long-term.

### **Law**

24. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing.
25. The proposals within this report will be progressed in accordance with the Council's statutory duties, including those contained within the Housing Act 1985.

### **Equality Impact**

26. The strategy has been developed in consultation with the Housing Board and Dudley Federation of Tenants and Residents Associations (DFTRA). In addition to this, we have worked with 24 individual tenants and residents associations via roadshows, conferences and individual meetings, and worked with the High-Rise Living Forum, Community Improvement working group.
27. The strategy has undergone an initial assessment for equality impact. Since the strategy has implications for all of our current and future residents, there are potential implications for a number of protected characteristics. The strategy acknowledges and seeks to meet some of the identified needs, specifically:
  - The housing demand for particular property types is governed by Dudley MBC's designations of property types. 28% of the households that will be impacted by the implementation of this strategy are aged 65+. With a focus on elderly and vulnerable residents, there is a possible bias towards this group, but this does not potentially apply across race and ethnic backgrounds. Additionally people aged under 30 have the least access to Dudley MBC owned housing stock. However, this issue will be addressed through the work on housing designations referred to within the asset management strategy, and is part of a separate piece of work.

- De-investment demolition and disposal of non-viable stock is potentially where the strategy could have the most positive or negative impacts on equalities issues. It is also intrinsically linked to the work on property designations as changes to the designations could mean that the level of demand for the various property type changes depending on the decisions made. Nevertheless, the re-housing of residents at Netherton was undertaken successfully without equality issue.
- The potential net loss in social housing stock over the lifetime of the strategy may impact on meeting local housing need and will need to be monitored in terms of its impact on households with protected characteristics.
- The investment strategy will deliver benefits to all households renting homes from the Council by promoting independent living. This is likely, however, to favour older person households as they are likely to have a higher level of health or care/support needs.
- The investment strategy will deliver benefits to all households renting homes from the Council by reducing fuel poverty.

28. The Equality Impact Assessment is available on the [Committee Management Information System](#). Printed copies can be made available to any Member of the Council.

### **Organisational Development/Transformation**

29. There are no organisational development/transformation implications as a result of the implementation of this strategy with the exception of the need for the Council to be able to sufficiently resource any large projects that are proposed as a result of the strategy, such as an increase in house building or in the delivery of major estate regeneration projects.

### **Commercial/Procurement**

30. Implementation of the strategy will continue to drive the delivery of significant construction and maintenance investment which will continue to allow the borough to prosper. Good procurement is already embedded within existing delivery plans for current programmes and this is expected to continue to deliver value for money and social and economic benefits.

31. There is a commercial opportunity to deliver homes for sale through wider mixed tenure development, but any schemes proposed would be subject to financial appraisal and separate recommendations and approvals through Cabinet and Full Council.

## **Health, Wellbeing and Safety**

32. The strategy aims to provide quality affordable housing, and to increased supply of 'in demand' homes in areas of housing need. This provides the opportunity for positive outcomes for improved health and wellbeing and community safety.



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## **Background Documents**

The following documents are available on [the Committee Management Information System](#). Printed copies can be sent to any Members on request:

- Housing Asset Management Strategy 2019 to 2029 - "Better homes, better places, better lives"
- Equality Impact Assessment