Adult, Community & Housing Scrutiny Committee – Tuesday 21st October 2014

Report of the Director of Adult, Community and Housing Services

Sustainability model to be used to assist in determining remodelling/demolition options

Purpose of Report

1.   To inform Scrutiny Committee on proposals and work undertaken to date concerning sustainability modelling of the Council's housing stock. This is intended to be used to identify and measure stock performance which can inform stock investment and remodelling opportunities and considerations.

Background

2.   Housing has commenced work to measure performance of its housing stock, recognising that housing needs and national agendas such as Welfare Reform need to be reflected and considered when making investment decisions to maintain houses that people want and can afford to live in.

3.   A report to the Housing Futures Board in April 2014 (attached as Appendix A) outlined that Housing Services have an integrated asset management system that is used to manage the investment needs of the housing stock. This holds stock condition records for all of our homes including cost forecasts for future investment and energy performance data. The report recommended that a working group be established to propose suitable criteria and data that could be used to measure stock performance the assessing the demand for homes, against the future investment costs for them. The appendices A1 to A4 show how, properties assessed against suitable criteria can provide an indicative sustainability model to identify homes that:

   a.   Are in high demand and with a positive net value in terms of rental income against investment need (the ideal position)
   b.   Are in high demand but where the investment need is not met by income from rent
   c.   Are in low demand but with a positive net value in terms of rental income against investment need; and
   d.   Are in low demand and where the investment need is not met by income from rent

4. The sustainability model would not be intended to identify and recommend any specific solutions, but would be used as a tool to identify pockets of stock (which could be streets, certain house types or archetypes) where further work should be carried out to identify interventions to improve the stock sustainability e.g.

   a. Would investment improve demand?
   b. What sort of investment (security, environmental, reduced living costs) is required.
   c. Is a further option appraisal required?

5. The Housing Futures Board agreed with the recommendations of the report. A further report to Housing Futures Board in July 2014 (attached as Appendix B) outlined the criteria proposed by the working party, and using high rise accommodation as an example showed how the model could work.

6. The criteria and weightings outlined in the attached report assess demand based on a range of issues such as:

   a. Crime statistics (from the DCLG Indices of Multiple Deprivation)
   b. Number of leaseholders
   c. Tenant turnover rates
   d. Anti-Social Behaviour
   e. New demand

7. The indicative results for the high rise model are shown for illustrative purposes details of the blocks at this stage are anonymous. This shows that based upon the indicative model, blocks fall into all of the categories identified in paragraph 4 a-d above, and will be used to trigger options appraisals for investment to improve demand and / or other remodelling stock options.

8. Further work is planned to refine the model and criteria with a model to be produced for the whole of the housing stock, to analyse groups of properties by archetype, bedroom number and location.

9. This model can also be used to inform investment decisions for properties with significant investment needs such as high cost structural and subsidence costs and high cost voids to aid and inform a cost appraisal process.

Finance

10. Expenditure on managing, improving and maintaining Council dwellings is funded within the Housing Revenue Account (rental income from tenants) which is ring-fenced for income and expenditure on Council landlord services.

Law

11. The powers and duties of Housing Authorities in relation to the allocation and management of Council housing are set out in the Housing Acts 1985 and 1996.

Equality Impact

12.   The HRA operates in line with the Council's Equality Policies and the impact of any changes will be if necessary subject to an equality impact assessment.

Recommendation

13.   That Scrutiny Committee note the progress on stock investment and sustainability modelling and advise on whether there is any further element which they wish to scrutinise in more detail

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List of Background Papers

Appendix A – Sustainability model to be used to assist in determining remodelling/demolition options

Appendix A1 - Net Present Value Example 1
Appendix A2 - Net present Value Example 2
Appendix A3 - Net Present value Vs Demand Example 1
Appendix A4 - Net Present Value Vs Demand Example 2

Appendix B1 - Sustainability model to be used to assist in determining remodelling/demolition options

Appendix B1 - Demand and cost criteria
Appendix B2 - Highlights the results on a five year cost horizon

Appendix A - Sustainability model to be used to assist in determining remodelling/demolition options

Purpose

1. To outline proposals for a process to undertake sustainability modelling to identify and measure council housing stock performance to inform stock investment and remodelling opportunities and considerations.

Background

2. Housing currently have an integrated asset management system (Keystone Asset Management Solutions) which is used to hold all of our stock condition data on housing assets and produce, amongst others reports based on:

    a. Cost forecasts over pre-determined periods (typically 30 years, in 5 and 10 year bands).
    b. Predicted levels of non-decency and investment need;
    c. Energy efficiency and SAP ratings

3. Keystone also has a sustainability module that can be used to model the sustainability of our council housing stock based upon a simple RAG (Red Amber Green) scorecard of criteria and data that is user definable, albeit data regarding each criteria needs to be collected or collated and be capable of being assigned to individual properties or administration blocks.

4. Initial work around identifying the criteria to be used within a sustainability model has commenced.

5. The sustainability model will assist the justification and prioritisation of investment targeted at properties most in need of investment, on both a cost and demand basis, and conversely can assist in identifying those properties, or clusters of properties (by area, archetype or whatever sub-category we choose to evaluate) where even with investment, local estate, economic and environmental issues would be unlikely to increase demand.

6. The process is a tool to guide us, and should not define solutions. It is envisaged that the process would be an 'organic trigger for action', starting on a simple basis at whole stock or estate level, but identifying clusters of properties or archetypes where interventions (investment or estate management based) may be required to increase demand and sustainability. Following initial assessment, more detailed work can be undertaken to address specific interventions and options.

7. The initial proposal is therefore to assess 'cost vs demand' for our stock, to:

    a. Identify the cost performance of our properties considering expenditure and income;
    b. Determine interventions to move properties to being both in demand and (hopefully) with low future maintenance cost (eg high rise block improvements, environmental and safety improvements and / or changes to estate/housing management

c.   Identify potential areas where stock remodelling may be the optimum solution.

Progress

8.   A working group has commenced to investigate and establish criteria on which to assess our properties. Initial group members include representation at a senior level from Asset Management, Housing Management, Housing Options, Housing Strategy, Finance and Construction.

9.   Benchmarking for best practice has commenced. It has been recognised that assessment of the stock can be analysed by a vast amount of data, and that opportunities are almost limitless – but significantly it is important to ensure that, certainly initially, the analysis should use data that we have readily available, or is easily obtained. In essence don't over complicate the model.

10. A simplified initial assessment plotting "net present value" vs "demand" is therefore proposed utilising existing and nationally available data.

Proposed Criteria

11. It is proposed that the potential criteria, and weightings given to the criteria, for the assessment will be prepared by the working group for approval at Housing Futures Board.

12. Initial thoughts for cost propose a "Net present value" which will take account of the anticipated rental income compared to the anticipated costs for maintaining the property over 30 years. The anticipated cost will be taken from existing data and the recent stock condition survey information. Appendices A1 & A2 show examples of net present value graphs that could be produced.

13. "Demand" is more subjective, but would most likely consider issues including property turnover rates, tenancy length, housing need, bids per advert, crime rates, tenant satisfaction and energy efficiency. Existing available data from our systems and from the Office of National Statistics could be used to judge properties against these criteria. Appendices A3 & A4 show examples of how net present value can be plotted against demand.

Timescale

14. The data sets required for this assessment could be entered into the keystone system by June 2014. Once data is input, analysis by area, estate and / or archetype is possible.

15. An assessment for High Rise administration units could be completed by the end of June 2014.

Recommendations

16. Housing Futures Board are asked to :

17. Consider and comment on the outline sustainability proposal.

18. Endorse the use of Keystone to undertake initial sustainability modelling.

19. Agree that the working group continue to progress the criteria for sustainability modelling with a report back to a future meeting.

Appendix A1 – Net Present Value Example 1
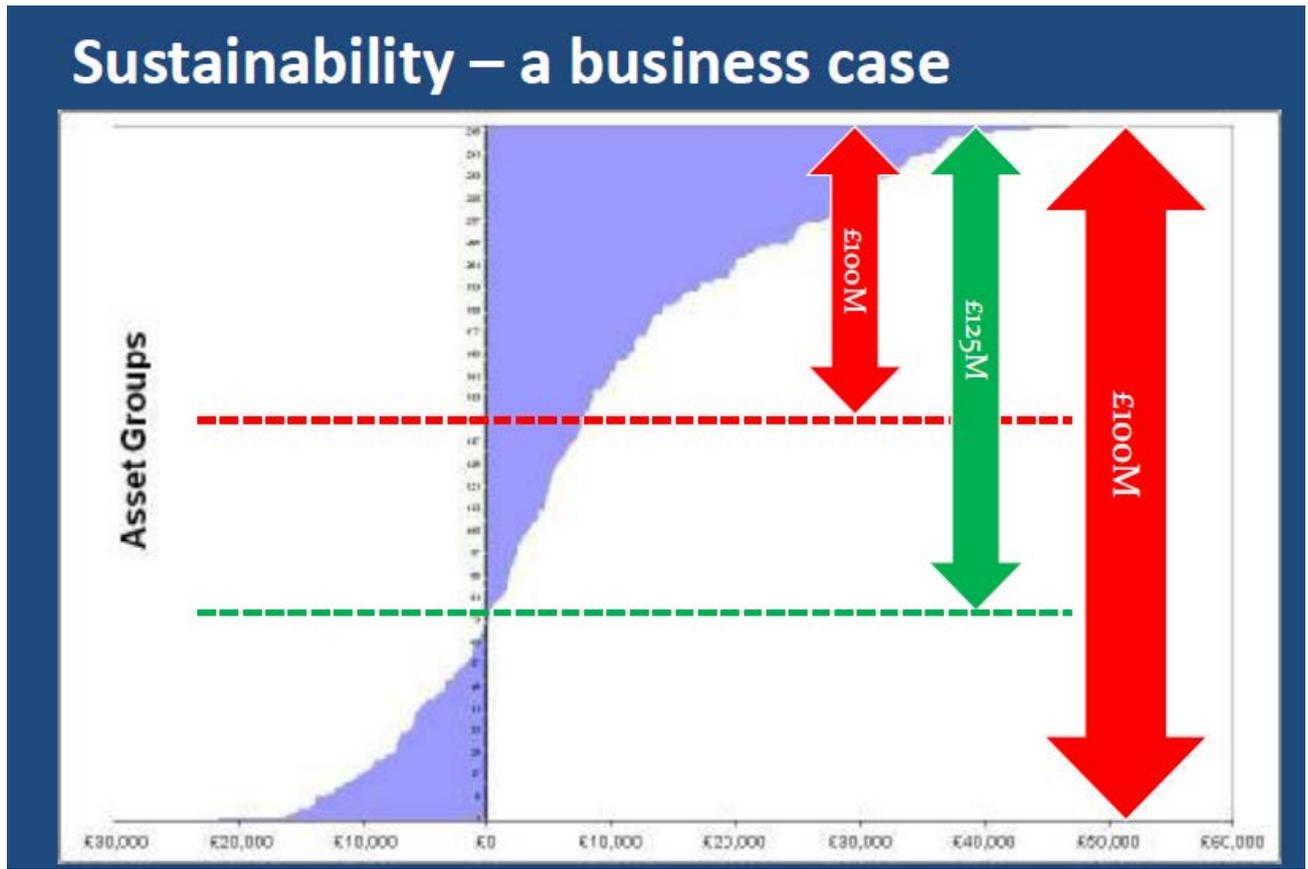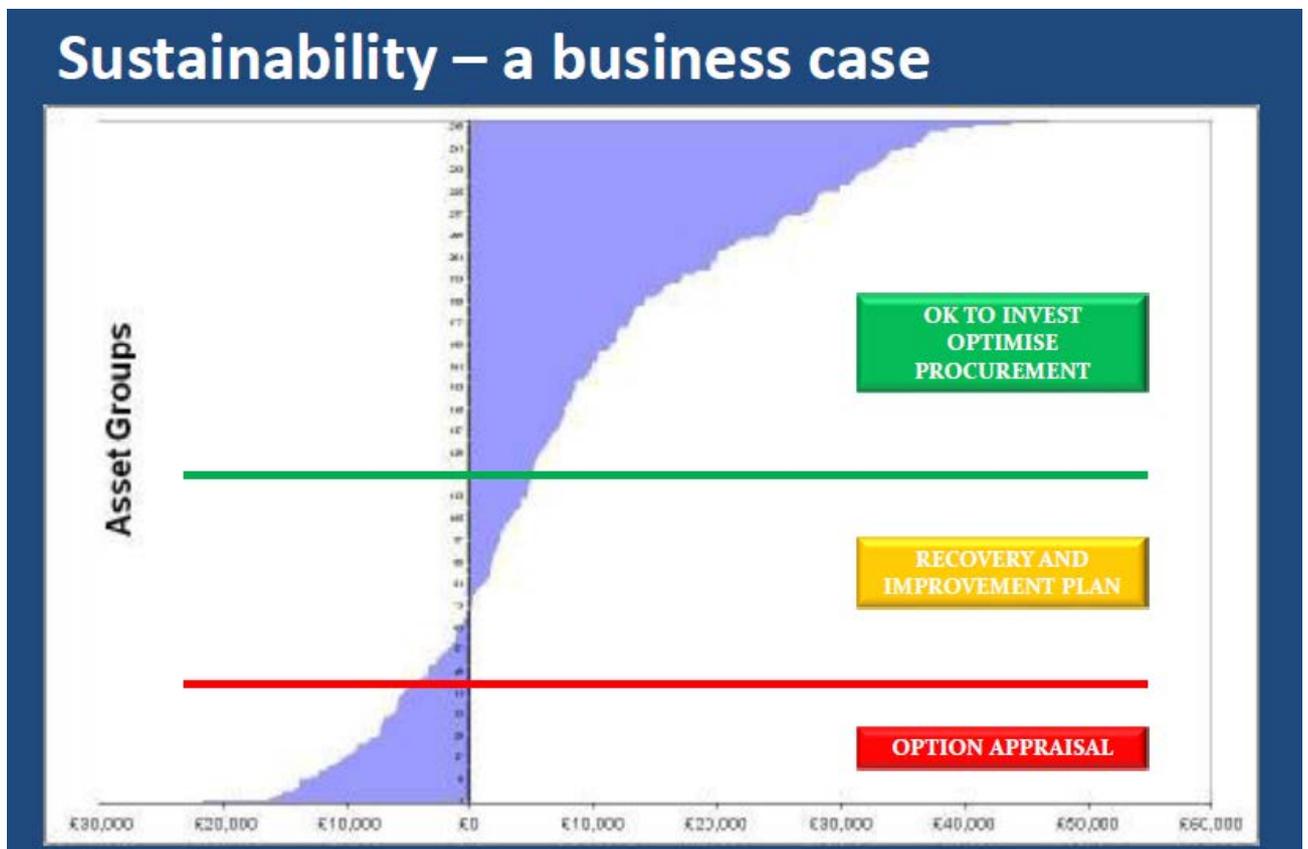
Appendix A2 – Net Present Value Example 2

Appendix A3 – Net Present Value Vs Demand Example 1

Appendix A4 – Net Present Value Vs Demand Example 2

<u>**Appendix B - Sustainability model to be used to assist in determining remodelling/demolition options**</u>
<u>**Purpose**</u>

1. To outline proposals for sustainability modelling to identify and measure council housing stock performance and inform stock investment and remodelling opportunities and considerations.

<u>**Background**</u>

2. Housing Futures Board received an initial report in April 2014 outlining how Keystone Asset Management Solutions, Housing's integrated asset management system, could be used to model the sustainability of the council housing stock based upon a simple RAG (Red Amber Green) scorecard of user definable criteria and data.

3. The sustainability model will assist the justification and prioritisation of investment targeted at properties most in need of investment on both a cost and demand basis, and conversely can assist in identifying those properties, or clusters of properties (by area, archetype or whatever sub-category we choose to evaluate) where even with investment, local estate, economic and environmental issues would be unlikely to increase demand.

4. The process is a tool to guide decision making, and should not necessarily define solutions. It is envisaged that the process would trigger action, identifying where interventions (investment or estate management based) may be required to increase demand and sustainability, or inform other more radical options.

<u>**Proposal**</u>

5. A working group of officers established proposed criteria and weightings on which to assess properties, including representation from Asset Management, Housing Management, Housing Options, Housing Strategy, Finance and Construction.

6. An initial assessment has been made for high rise properties as an archetype suitable for modelling, and best demonstrating how the model could work.

7. Appendix B1 outlines the demand and cost criteria.

8. Data regarding each criteria needs to be collected or collated and be capable of being assigned to individual properties Demand is scored in 12 categories, weighted to provide a total maximum score of 100. Some criteria is not proposed to be scored, but this has been left in to aid discussion. Scored 'demand' criteria includes:

    a. Crime statistics (from the DCLG Indices of Multiple Deprivation)
    b. Number of leaseholders
    c. Tenant turnover rates
    d. Living Environment
    e. Anti-Social Behaviour
    f. New demand

9. Cost is the net present value countering income against investment need over a 5 year time horizon (to identify the current position). Income is the potential rent (with an adjustment for current levels of bad debt / void loss based on 2013/14) and aerial money income. Investment need is based on stock information data and is provisional at present, with costs still being firmed up. Aerial income is also excluded at present.

10. Appendix B2 highlights the results on a five year cost horizon.

Recommendations

11. Housing Futures Board are asked to :

12. Comment on the sustainability modelling proposal
13. Agree further work be undertaken for other architypes and estates
14. Agree to adopt the principle for establishing investment or disposal options for high cost voids and properties with major structural problems.

Appendix B1 - Demand and cost criteria

Assessment Critera	Weighting	Scoring	Source
Crime	0.5	-10 to +10 to give equal distribution of properties in 11 bands 2 points apart	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
No. dwellings in admin unit		Not Scored	As Per Northagte Housing
Number Leaseholders in Admin unit	0.25	0= -10, >3=10, any value =0, no data = 0	As Per Northagte Housing
% Leaseholders in Admin unit		Not Scored	As Per Northagte Housing
% tenancies < 2 years	1.5	0% =10, <20%= 5, <30%=0, <40%= -3, <60%= -6, Any value= -10, No data 0	% of tenancies of current council owned dwellings in the admin unit, on Northgate housing over last 10 years that have lasted less than 2 years
% tenancies < 6 months	2	0% =10, <5%= 5, <10%=0, <20%= -5, Any value= -10, No data 0	% of tenancies of current council owned dwellings in the admin unit, on Northgate housing over last 10 years that have lasted less than 6 months
% tenancies < 2 years	1	scored from -10 to +10	% of tenancies of current council owned dwellings in the Lettings area, on Northgate housing over last 10 years that have lasted less than 2 years
% tenancies < 6 months	1	scored from -10 to +10	% of tenancies of current council owned dwellings in the Lettings area, on Northgate housing over last 10 years that have lasted less than 6 months
No. bids per advert	1	0 bids= -10, <2= -6, <4= -3, <6=0, <8=3, <10=6, any value= 10, no data =0	Taken from Dudley at Home, number of bids averaged for the asset type of flats/bedsits within the Lower Super Output area for the proeprty
% void per year	0.5	<5=10, <10=5, <20=0, <30= -3, <40= -6, any value = -10, no data = 0	Average % for last 2 years, in the Admin unit
SAP	1	>70=10, > 65=5, >55=0, >50= -3, >45= -6, any value = -10, no data =0	As per Keystone Averaged for the Admin Unit
Health & Disability		Not Scored	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
Barriers to Housing & Services		Not Scored	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
Living Environment	0.5	-10 to +10 to give equal distribution of properties in 11 bands 2 points apart	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
Education Skills & Training		Not Scored	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
Employment		Not Scored	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
Income		Not Scored	Indicies of Multiple Deprivation as Published by the Department for Communities and Local Government
Net Present Value Result		Not Scored	Result of the Net Present Value Caculation below
ASB Reported	0.5	<100=10,<150=5,<200=0,<250=-5 any value =-10, no data=0	Number of ASB cases reported in the estate
New Demand	0.25	0= -10, >200 =10, any value =0, no data =0	New Demand for Flats in district as per housing survey (not split by beds)
Construction Type		Not Scored	As Per Northgate
% 2 bed properties		Not Scored	As Per Northgate % of properties in block that are 2 Bed
Total Score (+/-)	100		

Rental Income		Positive Value	Rental Income for all council owned dwellings within the admin unit
Aerial Income		Positive Value	Income from Mobile Masts to be provided by Cath Ludwig
Routine Repair Cost		Negative Value	Repair Cost 1/4/2009-31/3/2014 as per northgate excluding planned &Void priority Jobs (Minus proporportion Leaseholders responsibility)
Major Repairs Cost		Negative Value	Forecast Repair cost from Keystone (Minus proporportion Leaseholders responsibility)
Structral Inspection & Repairs		Negative Value	Forecast including structural inspection, Repairs & Painting as per Dave Nicholls
Void Cost		Negative Value	Using Average void cost of £2629 * antcipated number of voids within admin unit adjusted asset type and No. Beds
Servicing Cost		Negative Value	Based on current communal Equipment servicing costs (Minus proporportion Leaseholders responsibility)
Management Cost		Negative Value	No Costs Currently allocated
Communal Utility Costs		Negative Value	To be provided by Cath Ludwig per block
Antcipated Void Rent Loss		Negative Value	To be provided by Cath Ludwig per block
Antcipated Bad Debts		Negative Value	To be provided by Cath Ludwig per block

Appendix B2 – Highlights the results on a five year cost horizon

5 Year RAG Assessment High Rise