

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Cabinet **DATE:** 12<sup>th</sup> October 2020

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**WARD(S):** All

**PORTFOLIO:** Cabinet Member for Housing & Community Safety –  
Cllr Mohammed Nazir

### **PART I** **KEY DECISION**

#### **HRA ASSET MANAGEMENT STRATEGY UPDATE - AFFORDABLE HOUSING DEVELOPMENT**

##### 1. **Purpose of Report**

Cabinet resolved to accept the HRA Asset Strategy in April 2018 with a requested annual update. This paper is focused on offering an update on the Affordable Housing Development Program that is intended to deliver the principles of the 'Development Strategy' adopted in the Cabinet Commercial Sub-Committee meeting on 1<sup>st</sup> October 2019, which was incorporated into an updated HRA Asset Management Strategy that in turn Cabinet recognises as an integral part of the Housing Strategy.

This report also identifies how the DISH RP mitigates risk and impact on the HRA Business Plan capacity to meet a range of investment requirements to:

- Develop new affordable homes and potential acquisitions (Appendix A)
- Invest £205m to meet the Government carbon management & energy efficiency requirements, (Appendix B)
- Investment to ensure commitment to compliance identified by outcome of key surveys on Asbestos and requirements of building safety legislation arising from the Grenfell enquiry
- Perform an Annual Asset Performance Evaluation of non-performing stock, to mitigate the burden on the HRA by seeking consent to transfer such properties to DISH RP (Appendix C)

##### 2. **Recommendation(s)/Proposed Action**

Cabinet is requested to:

- a) Delegate to the Director of Finance & Resources, following consultation with Cabinet Member for Housing & Community Safety, authority to dispose the assets listed in Appendix A, including disposals to be made at less than market value to the 'Development Initiative Slough Homes Registered Provider (DISH RP) for provision of affordable housing on the assets listed in Appendix A
- b) Delegate to the Director of Finance & Resources, following consultation with the Cabinet Member for Housing & Community Safety and with advice of the

Service Lead for Housing Development & Community Safety, authority to transfer and enter into leasebacks of the assets in Appendix A if such conveyancing structures facilitate the development of affordable housing

- c) Approve the delegation of authority to the Director of Finance & Resources following consultation with Cabinet Member for Housing & Community Safety with advice of Service Lead for Housing Development and Contracts to consent to supporting DISH RP in provision of conditional supporting loan from the HRA, available retained 1-4-1 right to buy receipts, submit applications for and enter into grant agreements from Homes England with warranties in place acting as guardian guarantor for institutional finance. The condition is that the DISH RP delivers for the provision of affordable housing supported by localised allocation agreements.
- d) Delegate authority to the Director of Finance & Resources following consultation with the Cabinet Member for Housing & Community Safety to make all necessary arrangements (including the entry into loan and other financing agreements) for up to £90m to be loaned to the DISH RP over the next 5 years on terms that require the DISH RP to develop and/or deliver the affordable housing as set out in appendix D.
- e) Delegate authority to the Director of Finance & Resources following consultation with the Cabinet Member for Housing & Community Safety to facilitate, by means of financial or other guarantees or such other financial or other support considered to be reasonably necessary and in the best interests of the Council, the provision of Institutional Finance arrangement to be taken out by DISH RP.
- f) Note the annual update to the HRA Asset Management Strategy in Appendix B, noting the update is part of the Housing Strategy. Cabinet further delegates authority to the Director of Place & Development with advice from the Service Lead for Housing Development and Contracts following consultation with Cabinet Member for Housing & Community Safety to implement and deliver the strategy.
- g) Delegate authority to the Director of Finance & Resources following consultation with Cabinet Member for Housing & Community Safety with advice of Service Lead for Housing Development and Contracts to procure, or use of available framework if established if better value for money services that will achieve; a detailed survey of Asbestos, establish Carbon neutral and building safety act initiatives, investment required to achieve compliance to meet regulatory and statutory standards. That HRA Capital funding for 2020/21 has identified capacity to assign a budget of £1.8m for the required range of detailed surveys.
- h) Delegate authority to the Director of Finance & Resources following consultation with the Cabinet Member for Housing & Community Safety to seek consent from the Secretary of State to transfer by appropriate leaseback arrangements with DISH RP the properties identified by postcode in Appendix C by the Asset Performance Evaluation those properties identified as requiring a level of investment for repair and compliance with regulation that are or shall be a burden to the HRA, will be presented with individual business cases to the Section 151 Officer for approval.

### 3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

#### 3a. Slough Joint Wellbeing Strategy Priorities

The provision of new good quality and affordable housing can reduce housing need for local households and contributes to the identified priorities of the JSNA. The 'Affordable Housing' development program will improve the safety, health and well-being of the most vulnerable and those in housing need across Slough accessing these new homes across the borough.

#### 3b. Five Year Plan Outcomes

The development program provides a broad spectrum of high quality, sustainable affordable housing and will have a significant contribution to Outcome 4 – Our Residents will live in good quality homes.

### 4. Other Implications

#### (a) Financial

**HRA Business Plan:** is under review to assess capacity in meeting forthcoming government standards for building safety and commitment to carbon management and energy efficiency. Such is the scale of investment required that we have studied the energy efficiency and fuel poverty and have estimated a £205m HRA commitment over 30 years; meeting these new housing standards may require new sources of funding over and above the current funding resources the HRA has to meet its repair and maintenance requirements. The sector of social housing providers are lobbying the government as the scale of investment required and the level of support grant and allowance, as 'Decent Homes 2' will require social housing providers to address energy efficiency and Zero Carbon aspirations. The initial review is that there is limited opportunity to bid for the current round of 'Government Green Homes Grant Funding'. Further preparation is underway through stock evaluation and survey to establish basis for a successful bid.

**DISH RP:** Initially, it is envisaged that pending formalising institutional funding the HRA will provide the stimulus of development funding in the form of HRA loans to the DISH RP, unless at some point in the future Institutional Funding or other sources can be utilised, for the development of affordable housing. Upon completion, there are several options as to how this funding and the resulting affordable properties might be treated:-

- i. The loan, including any financing costs, may be fully repaid to the HRA with the HRA receiving nomination rights through localised letting agreements;
- ii. The properties developed for the HRA in lieu of the loan;
- iii. A 21 year, or less, lease granted by the HRA to the DISH RP for retention of the properties. The DISH RP would collect, and retain the rental income and manage and maintain the properties in return for which the HRA would receive an annual lease payment, which will meet its funding costs, and nomination rights.

Financial modelling for the general needs sites has been predicated on charging local based calculated affordable rents (viable Slough Living Rent) to the prospective tenants. The table below illustrates an example as to how much lower calculated affordable rents (SLR) can be in relation to the Local Housing

Allowance (around 80%) and market rents (around 70%). However, even with the design and build costs focused on achieving the lowest viable rents, thus some sites may vary and may not be financially achievable without the financial support of grant or other funding sources. The Council is pursuing achieving successful development funding for core affordable sites and partnership on larger strategic town centre developments with Homes England.

<b>Rent Type</b>	<b>1 Beds Monthly</b>	<b>2 Beds Monthly</b>	<b>3 Beds Monthly</b>	<b>4 Beds Monthly</b>
Calculated Affordable Rent (SLR)	<b>£669.19</b>	<b>£879.71</b>	<b>£984.46</b>	<b>£1,073.95</b>
LHA	<b>£800.00</b>	<b>£1,000.01</b>	<b>£1,274.98</b>	<b>£1,600.00</b>
Market Rent (Estimated)	<b>£950.00</b>	<b>£1,160.00</b>	<b>£1,400.00</b>	

Exceptionally high levels of Homes England grant might enable us to build affordable housing at rents lower than the calculated affordable rents (SLR) and closer to social/target rents, but preliminary meetings with Homes England indicate that this is extremely unlikely as they are seeking to maximise the number of affordable properties for their grant payments. Similarly, the Government Ministry for Housing (MHCLG) also recognises that variances of SLR as affordable rents, as opposed to social/target rents, might be the only way to achieve reasonable levels of new build properties, even with the inclusion of funding from retained 1-4-1 RTB receipts.

Recommendations 7 and 8 facilitate the delivery of the Council's affordable housing delivery targets and in particular the delivery of the affordable housing development sites set out in Appendix A by facilitating funding for the DISH RP to develop sites and deliver the affordable housing provision. The funding and support proposed to be offered will take the form of loan finance from the Council and institutional investment secured by DISH RP with support from the Council where necessary.

The Council is proposing to lend up to £90m to DISH RP over the next 5 years to assist in the delivery of the affordable housing development sites in Appendix A. It is likely that the council will borrow the funds from PWLB (though use of reserves or other funding sources could also be considered if prudent) and on lend to the DISH RP under loan agreements which provide details of the terms and conditions attached to the loans, providing necessary protections to the Council.

In addition to receiving loan finance from the Council, DISH RP is also likely to seek funding from Institutional Investors. Institutional Investors are finding the affordable housing market attractive because of the certainty of supply (there will always be demand for affordable housing) and this funding could also help to deliver the development supply in Appendix A. Better terms for the funding are likely to be available if the Council, through its excellent covenant strength, provides support in the form of financial or other guarantees. The Council will offer such support if to do so is considered to be reasonable and it would be in the best interest of the Council to do so. This could include circumstance where institutional leasing models allow for the transfer of the affordable housing to the Council at the end of the lease terms.

(b) Risk Management

Recommendation from section 2 above	Risks/Threats/ Opportunities	Current Controls	Using the Risk Management Matrix Score the risk	Future Controls
to dispose the assets listed in Appendix A, including disposals to be made at less than market value to the 'Development Initiative Slough Homes Registered Provider (DISH RP) for provision of affordable housing on the assets listed in Appendix A	The opportunity arises to develop new affordable housing whilst sustaining investment to retain the quality of the existing stock.	Previous Cabinet Commercial Sub-Committee consent is subject to approval of Section151 Officer in consultation with Cabinet Member for Housing & Community Safety.	9 Unable to fund building new affordable homes  Low Risk	Consent is subject to approval of Section151 officer in consultation with Cabinet Member for Housing & Community Safety. Sec of State consent required?
authority to transfer and enter into leasebacks of the assets in Appendix A if such conveyancing structures facilitate the development of affordable housing	The opportunity presents that the Council has use and return of the developed asset without the risks of development maintenance and provision of affordable housing	The basis of the lease and formal loan agreements mitigate risk to the council	6 Statutory mechanism in place and established lease arrangements Low Risk	Council board membership of DISH RP, formal Lease and accompanying covenants in place
To consent to supporting DISH RP in provision of conditional supporting loan from the HRA, available retained 1-4-1 right to buy receipts, support in application of grants from Homes England and with warranties in	Committee has previously approved the principle. On the basis the approach can mitigate risk to HRA, that investment may be generated to deliver new affordable homes.	Previous Commercial Cabinet Sub-Committee consent is subject to approval of Section151 Officer in consultation with Cabinet Member for Housing & Community	9 The potential that Homes England Grant may not be available at same time as intended construction program, That HRA resources reprioritised to retain quality of existing	Appropriate leaseback arrangements in place. Consent is subject to approval of Section151 Officer in consultation with Cabinet Member for Housing & Community Safety.

<p>place acting as guardian guarantor for institutional finance. The condition is that the DISH RP deliver for the provision of affordable housing supported by localised allocation agreements</p>	<p>The risk of DISH RP defaulting would be addressed through warranties such as charge upon the stock</p>	<p>Safety.</p>	<p>stock due to change in government PWLB rules. Institutional Finance change to alternative investments.</p> <p>Low Risk - as incentive for Gov.&amp; financial institutions funding social housing</p>	
<p>to make all necessary arrangements (including the entry into loan and other financing agreements) for £90m to be loaned to the DISH RP over the next 5 years on terms that require the DISH RP to develop and/or deliver the affordable housing as set out in appendix D</p>	<p>This allows the Council to fund the affordable housing delivery programme in a way that spreads delivery (and risk) beyond the Council's direct delivery approach with control being exercised in its position as a lender to DISH RP</p>	<p>All Council borrowing, including borrowing to on lend to DISH RP needs to be considered by the section151 officer to be prudent</p>	<p>6 the Loan arrangement is based on a draw down so managed and monitored so that funding is based on deliverables</p> <p>Low Risk as the borrowing capacity is based upon conditions set out by the Council within the loan agreement</p>	<p>Consent to on lend money (borrowed from PWLB or otherwise) is subject to approval of Section151 officer in consultation with Cabinet Member for Housing &amp; Community Safety.</p>
<p>to facilitate, by means of financial or other guarantees or such other financial or other support considered to be reasonably necessary and in the best interests of the Council, the provision of Institutional Finance arrangement to be taken out by DISH RP.</p>	<p>This will assist the DISH RP to deliver schemes for affordable housing. The Council will need to be satisfied that the financial support offered is commensurate with the risk being taken in the giving of the support to a body which</p>	<p>The option to provide guarantees for institutional investor is suggested to be entirely dependant on section 151 officer (in consultation with the appropriate cabinet member) being satisfied that the financial support is</p>	<p>6 The Council will offer the facility on the basis of the asset reverting to the council. DISH RP will be required deliver the development &amp; possession reverts to the council on completion of the arrangement.</p>	<p>The option to provide guarantees for institutional investor is suggested to be entirely dependant on section 151 officer (in consultation with the appropriate cabinet member) being satisfied that the financial support is</p>

	is not controlled by the Council	reasonably necessary and in the best interest of the Council	Low Risk as Institutional Finance will engage with the Council when undertaking due diligence and prior to commitment to funding	reasonably necessary and in the best interest of the Council
Note the annual update to the HRA Asset Management Strategy in Appendix B, noting the update is part of the Housing Strategy. Cabinet further delegates authority to the Director of Place & Development with advice from the Service Lead for Housing Development and Contracts in consultation with Cabinet Member for Housing & Community Safety to implement and deliver the strategy.	The Committee are provided with an annual update so that investment and potential risks are continually reviewed and acted upon	Monthly report and verbal update offered to Cabinet Member for Housing & Community Safety Call in to Scrutiny Panel.	1 That delivery of strategy still subject to governance of business plan, procurement board and annual cabinet consent for capital contracts  Low Risk	On going Monthly report and verbal update offered to Cabinet Member for Housing & Community Safety Call in to Scrutiny Panel. Return to Cabinet for annual update 2021.
to procure, or use of available framework if established if better value for money services that will achieve; a detailed survey of Asbestos, establish Carbon neutral and building safety act initiatives, investment required to achieve	The objective is to mitigate risk through conducting surveys To seek value for money by tender, use of framework	The established governance of procurement board and engagement with the Section 151 Officer.	1 Low risk as procurement board in place with sc151 officer and procurement team. That HRA structured to fund such initiatives. That with detailed data from surveys the HRA is	Existing measures of procurement board and engagement with the Section 151 Officer

<p>compliance to meet regulatory and statutory standards. That HRA Capital funding for 2020/21 has identified capacity to assign a budget of £1.8m for the required range of detailed surveys.</p>			<p>better placed to form strategies and offer options based upon fact</p>	
<p>The option to seek consent from the Secretary of State to transfer by appropriate leaseback arrangements with DISH RP the properties identified by postcode in Appendix C by the Asset Performance Evaluation those properties identified as requiring a level of investment for repair and compliance with regulation that are or shall be a burden to the HRA, will be presented with individual business cases to the Section 151 Officer for approval.</p>	<p>The risk is that the properties may not become available and continued risk to HRA. That Secretary of State does not support the initiative of trickle transfer of identified negative assets to DISH RP as option to generate investment for capital works</p>	<p>That the option is dependant on consent of Section151 on consultation with the Cabinet Member for Housing &amp; Community Safety</p>	<p>12 Currently marginal impact established high probability as properties have been identified and manageable. The risk is long term if numbers escalate and Secretary of State doesn't consent to principle of proposed transfer to mitigate risk to HRA Account</p> <p>Moderate Risk</p>	<p>Continue with existing controls that the option is dependant on consent of Section151 on consultation with the Cabinet Member for Housing &amp; Community Safety</p>

(c) Human Rights Act and Other Legal Implications

There are no Human Rights implications as a direct consequence of this report.

The general legal implications are associated with normal design and development consideration under Town & Country Planning Acts and the Law of Property Act 1925 and regulations and orders there under related to title and leasehold management issues including service charges. The Power the Council uses in

section 1 general powers of consent as set out in the Localism Act 2011, section 95 power to trade in the local government act 2003.

(d) Equalities Impact Assessment

It is anticipated that the output and outcomes delivered via the housing development will have a positive impact in relation to creating new affordable homes for Slough residents. The principle is to develop a broad range of affordable housing options intended to widen the access for residents for new homes. The Council's allocation scheme, adult social care and youth services will determine access to rental schemes allowing priorities and those with established greatest need to be met.

To compliment these priorities and initiatives, there are those that are restricted in accessing affordable housing due to low income and limited savings. The analysis of household affordability in accessing the housing market has identified significant gaps where households in Slough are not able to access affordable quality homes. The principles of the affordable housing development program are to address this shortfall by also seeking options to develop homes for this group of residents.

5. **Supporting Information**

5.1 **Background;**

In January 2018, the Cabinet report 'Update on Housing Option Appraisal' agreed a series of proactive decisions, two of which focused on accessing sustainable investment to build new homes and making the best use of the councils existing housing stock. The Cabinet expectations were;

- The Council develops an active HRA Asset Management Strategy based on analysis, 'Social Housing Asset Performance Evaluation'- to be updated annually
- That within the Asset Management Strategy , the Council appraise the options for those assets which are under-performing relative to the rest of the stock with a view to remodelling, redeveloping, or re-providing in the context of increasing supply

The update to Cabinet Commercial Sub-Committee on the 1<sup>st</sup> October 2019 set out the approach as to review of existing assets to develop, whilst sustaining these new homes for long-term affordable housing for rent by creating the DISH RP.

The purpose of providing regular Cabinet updates is to offer recommendations with the reassurance that the Housing Revenue (HRA) Asset Management Strategy maintains quality of existing housing and delivers new affordable homes.

5.2 **Procurement Initiatives for Development**

The Housing Development & Contracts Team (HD&C), working in conjunction with the Procurement Team have commenced an ambitious programme for tendering a number of frameworks to provide value for money for Slough and expedite the development of sites as planning consent is achieved.

- The small sites framework (up to £2.5m) was launched on 28th July 2020 and included the tender for sites with planning consent. There are 73 sites up to £2.5m in the program. A mini-tender process from the framework is near completion, the 13 contractors under evaluation will be advised of the outcome by the second week of October, and construction period will be circa 52 weeks.
- The large sites framework (£10m+), which will include the tender for the Chalvey Extra Care Scheme is underway. There have been over 30 companies currently engaged in the process and the outcomes are on program to be evaluated in late October early November. Taking into account mobilisation and finalisation of legal terms in place, the intended start date is the 29<sup>th</sup> of January 2021. Thereafter there are a further 7 sites over £10m in the program that will progress to tender. The process will take 10 weeks and construction period will be circa 70 to 110 weeks dependent upon the complexities of each site.
- The medium sites framework (£2.5m-£10m) is scheduled to go out in late October.

The procurement team are also working with the HD&C Team to develop a affordable housing specialist services framework to not only expedite the program but enable cost profiling of the development in preparation for detailed government bids and major infrastructure services across the council.

### 5.3 HRA Development Program

The current program of 86 sites (Appendix A by locality) offers a range of garage sites and brownfield sites. These offer varying degrees of challenges to overcome. This reality is that these sites have been passed over, for development, as others consider these too difficult and concentrated on what was easy to develop. In effect, the supply of land for development for purely affordable housing at comparative ease is exhausted.

The acknowledgement of difficulty is not offering what cannot be done but endeavouring to illustrate the lengths by which the HD&C team, through close working relationship described above with procurement, and other services in creating opportunity on difficult small sites to potential of larger schemes. We seek to deliver 473 units to planning for consent and construction underway in the next 18 months.

The principle is that even one or two houses are still one or two homes that would not have been achieved without adopting an approach to innovative use of DISH RP, Institutional Financing, efficiency of design and model of procurement that can engage even the smallest builder within the borough. As noted above this has been launched on the 28<sup>th</sup> July so we seek the development finance raised to be available to local economy.

The larger schemes such as Tower & Ashbourne are progressing through demolition phase, the procurement process established and initiatives for a clear site ongoing. Weekes Drive has been subject to extensive dialogue with the planning team on balance of open space, and provision of affordable housing. The ground work, drainage, flood concern as well as boundary measures have

offered the widest conceivable design challenges which have been overcome and we are progressing with planning. Tower & Ashbourne and Weekes Drive were challenges to overcome which have placed the team in good stead for the AkzoNobel Site as negotiations have progressed and will hopefully reach a conclusion shortly

**Next Steps:** The DISH RP in coordination with the Council's Housing Companies will seek to deliver new affordable housing through opportunities due to new government rules that existing commercial properties, including newly vacant shops, can be converted into residential housing more easily, in a move to kick start the construction industry and speed up rebuilding. The changes include:

- A wider range of commercial buildings will be allowed to change to residential use without the need for a planning application.
- Builders will no longer need a normal planning application to demolish and rebuild vacant and redundant residential and commercial buildings if they are rebuilt as homes.
- Property owners will be able to build additional space above their properties via a fast track approval process, subject to neighbour consultation.
- Planning in Principle - New homes will be granted "automatic" permission to be built as part of sweeping planning reforms in England.
- Permission in Principle will be given to developments on land designated "for renewal" to speed-up building.

There will be opportunities arising in relation to Slough's existing estates, garage compounds that offer commercial rent to residents or landholdings; where for example, there are lower density buildings which could be intensified. The HD&C team will make applications for grants where the council meets eligibility criteria.

#### 5.4 **Energy Efficiency- Zero Carbon Study Report**

The need to look to options such as the DISH RP for alternative sources of investment is highlighted when considering the extent of HRA funding identified to delivering government policy zero carbon standards. Indications are that we are not able to balance the capability of the HRA to commit its resources to sustain quality of its stock and capacity to build new homes.

The Governments' policy to achieve zero carbon by 2050 places significant challenges on housing which contributes approximately 25% of all carbon emissions in the UK. The social housing sector will need to invest at unprecedented levels to meet this target. The Carbon Management Strategy for Slough, currently being reviewed by the environmental service team seeks to achieve zero carbon in Slough by 2040 which places a significant challenge on the HRA business plan.

An initial study shows the outputs and steps SBC need to undertake over the short and longer term to achieve this target. The methodology adopted has been to model a series of building improvements designed to reduce carbon emissions

against a selected set of property archetypes to determine the cost and the resultant reduction in both energy consumption and carbon emissions.

- The first stage in the strategy (2025-2030) is reducing energy demand in dwellings which involves upgrading insulation, including external walls (even those with insulated cavities of a certain age) and ground floors to properties and blocks.
- The second stage is to install alternative heating systems, right sized to suit the reduced heating demand, and we have adopted heat pumps as the most likely technology to meet this demand.
- The final stage is to eliminate this residual carbon in order to become net zero. If the grid has been decarbonised by 2050 in line with Government targets then SBC will be net zero carbon.

The estimated budget to become 'near zero carbon' is in the region of £205m over the next 30 years inclusive of undertaking ground floor insulation. This equates to an average cost of approx. £34,231 per property across the portfolio.

The DISH RP is one of a range of actions, investment, and asset management decisions as to retaining or transferring stock and assets to alternative council approved bodies that the Council will need to make over the next 5 years. As a Council we would start from launch of the new Green Homes Grant Scheme in September 2020 with the aim to leverage the maximum level of funding and grants. However this government scheme is understood to be at most, for the HRA stock, as a public body, a maximum of £5,000 per property.

The updated Asset Management Strategy – August 2020 appendix B offers the detail of this and other significant challenges to the HRA and how they are intended to be addressed.

## 5.5 **Stock Condition & Asbestos Survey**

One key factor to address challenges is to ensure we have robust and clear data to establish the true extent of the investment required. A comprehensive stock condition survey was commissioned by HD&C. Covid 19 has caused some delay but with Housing (People) Services we have completed circa 30% of the stock (1,500 properties) the remaining 70% due to complete by Christmas 2020.

HD&C also commissioned a Landlord Compliance Position Statement earlier this year. Savills undertook a detailed assessment of the SBC position in respect to Landlord Compliance - focussed on the 'Big 6' activity areas of Gas, Electrical, Fire, Asbestos, Water and Lifts Safety – during the second quarter of 2019/20.

Out of this commissioned report, a variety of actions were raised and closed off, however the requirement to carry out surveys/re-inspections of asbestos containing materials (ACMs) in residents' properties is outstanding. From the Compliance Position Statement there are circa 6,200 properties that the council will require Asbestos Management Surveys (AMS) for. The HRA Capital funding has been identified and recommendation is for Committee to approve the funding for the asbestos and associated compliance surveys to the maximum of £1.8m. The Cabinet Member for Housing & Community Safety will be regularly updated

on the progress of the surveys and update committee when the HRA Asset Management Strategy presented for annual update.

As an indicator for the Cabinet member, we would advise that Osborne have carried out 491 (100%) communal area asbestos re-inspection surveys for the blocks and have addressed any issues of concern. We will include the detail of these surveys within annual re-inspections of communal areas.

## 5.6 **Annual Asset Performance Appraisal**

To establish the viability, the risk, the impact on the community for each property we undertake a detailed analysis beyond bricks and mortar, engage with community data to create an assessment of the investment required and impact upon the HRA and community. The SHAPE (Social Housing Asset Performance Evaluation) modelling provides a framework for investment decisions to inform an investment strategy based on an active asset management approach whereby we seek to make investment decisions based on the financial and social performance of the stock, in a way that strengthens the business plan and contributes to meeting the Council's policy objectives

The financial analysis is based on a 30-year net present value (NPV) of operating cash flows, modelled at an individual asset level. The results for the HRA stock show an overall NPV of £179.7m, equivalent to an average of £29,635 per unit.

The 2020 SHAPE modelling identified higher day-to-day costs for management and maintenance (an average of £2,634 per property per annum combined) compared to the costs in 2017, which were £2,559 per property per annum. In addition, the future investment need (stock condition costs) is higher in 2020 with an average of £30,680 over 30 years, compared to 2017 when they were an average of £26,858 per property. The outcome is that (less than 1%) or 7 units, have a negative/forecast NPV over the next 30 years and a further 11.3% or 687 properties are marginal/forecast NPV over 30 years, with an NPV of below £15,000. The results show that generally properties at the lower end of performance in 2017 are still some of the worst performers in 2020 i.e. the bedsit bungalows

The results present challenges to the HRA Business Plan, and the Committee are recommended to approve the solution of the DISH RP by leaseback or transfer to take on the responsibility of any failing properties in the portfolio of stock. These properties are listed at Appendix A and this recommendation is intended to be enacted when the property is vacant, or by tenants consent, by required consent of Secretary of State. Until then normal repairs and maintenance will continue and a case-by-case review as to any commitment of capital investment works will be undertaken.

## 5.7 **TECC Innovation**

The following offers insight as to how we are seeking to utilise technology to enhance service delivery alongside seeking innovation to monitor compliance and safeguarding. Technology in this sector is ever evolving. The HD&C team is co-ordinating various pilot schemes with Adults and Communities to determine if the technology apparatus and the outputs in data will assist in supporting individuals as well as asset management planning.

Focusing on HRA Asset Management the intention is to incorporate ‘smart living’ initiatives being developed for new build and how it can aid and adapt dwellings across all tenures to enable life long living with technology as an every day occurrence sat in the background. The key to the approach still evolving is to use existing low cost technology, share its data in a manner that adds value to management, maintenance and potential remote care/wellbeing.

We are at pilot stage and utilising council stock to establish the potential gain in taking a sensor/gadget to adopting this technology as an additional management and safeguarding management tool. The table below highlights the various pilot programmes the council will take forward in the next 12-18 months;

<b>Equipment/Service</b>	<b>Hard Benefit</b>	<b>Soft Benefit</b>	<b>Data</b>
<b>Boiler Monitoring New Individual Systems</b>	Reactive maintenance Proactive Maintenance Access Leverage Compliance (CO, NOx)	Fuel Efficiency, individual or cohort usage Access Leverage via reduced service	Boiler function Burn efficiency Connection with thermostat
<b>Boiler Monitoring Old Individual Systems</b>	Compliance	Fuel Efficiency, individual or cohort usage Access Leverage via reduced service	
<b>Boiler Monitoring Communal Systems</b>	Fuel Efficiency Billing		
<b>Air Quality</b>	Compliance - FFHH, Air Quality	Health monitoring	Volatile Organic Compounds, CO2, pressure, temperature, humidity
<b>Humidity / Mould</b>	Compliance - FFHH, Air Quality	Damp and mould detection / evidence	Humidity levels, possible correlation with other monitors e.g. heating, ventilation, occupancy
<b>Locks</b>	Control Enhanced security Reduced failed visits	Void management Access improvement	
<b>Fire System</b>	Compliance Reduced inspection rota Remote turn off / on		
<b>Emergency Lighting</b>	Compliance (proactive notification), Safety reduced cost of callouts (inspections and maintenance)	Anti-Social Behaviour reduction	
<b>Landlord Network</b>	Control, security, Option to reduce digital exclusion	Option to reduce digital exclusion via cheap or free WiFi	
<b>Backhaul networks</b>	Control		
<b>De Designated</b>	Keep ASC chart		

<b>schemes and adult social care</b>	independently living longer		
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## 5.8 **Garage Strategy**

The updated HRA Asset Management Strategy has reviewed and revised the Council adopted Garage Strategy in 2015.

Each garage site has been assessed for its potential suitability for a number of redevelopment possibilities. These included demolition and provision of new permanent or temporary housing; demolition and provision of secure, open surface parking areas; demolition and re-use for other purposes to benefit the local community; or retention and redevelopment of the sites with new garages.

The HD&C team have reviewed garage sites to develop proposals for remodelling, redeveloping or decommissioning sites of low demand, poor design, or poor condition where capital investment would not provide a long-term solution. The principles of the review are to prioritise development of new social housing to meet increasing local demand, meet the council priority for affordable housing and deliver opportunity for residents to access options of a broad range of affordable housing. Progress to date includes;

- Two sites have full planning permission
- 1 submitted for full planning in August,
- 2 submitted for 2nd pre-applications 10<sup>th</sup> August
- 15 sites have been submitted for pre-applications and are awaiting feedback,
- 14 are at design stage to be developed for their first pre-applications in October.
- 47 sites are in process of review as to covenants and prescriptive rights of way, design phase and development appraisal for pre-app.

## 6. **Comments of Other Committees**

None

## 7. **Conclusion**

The report is consistent with previous reports to Cabinet, and Cabinet Commercial Sub-Committee in offering solutions, such as the DISH RP, as one of a range of options to address the challenges of delivering new affordable homes whilst simultaneously sustaining the investment to meet new regulatory requirements, to rise to the opportunity for seeking Zero Carbon initiatives and innovation in technology so as maintain the high quality of the Councils HRA Housing.

## 8. **Appendices Attached**

- ‘A’ - Affordable Housing Development Sites by Locality
- ‘B’ - HRA Asset Management Strategy (updated August 2020)
- ‘C’ - APE Annual Evaluation - List of properties (Marginal & Poor Performing stock)
- ‘D’ - HRA ~ DISH RP Lending Profile

## 9. **Background Papers**

'1' - Cabinet Commercial Sub-Committee Report (1<sup>st</sup> October 2019)

'2' - Cabinet Commercial Sub-Committee Report (16<sup>th</sup> December 2019)