

 <p>Brent</p>	<p>Executive 15 July 2013</p> <p>Report from the Strategic Director, Regeneration and Growth</p>
<p>Wards affected: All</p>	
<p>HRA Asset Management Strategy</p>	

1.0 Summary

- 1.1 As a consequence of Housing finance reform in April 2012 the Council needs to set a long-term strategy to maximise the value and performance of the housing assets which are held within its Housing Revenue Account in order to best meet its housing priorities.
- 1.2 A draft Asset Management Strategy has been prepared. This sets out a strategic framework for maintaining and developing the Council's housing assets. It covers three main areas:
 - Stock Investment – The achievement and maintenance of an investment standard for the stock
 - Stock Reform – The raising of the performance of the stock and the rebalancing of its mix to align with housing need
 - Development – The provision of additional affordable housing by the Council
- 1.3 The proposals set out in the draft Asset Management Strategy depend upon a continuation for existing stock of the rent policy that the Council has operated in recent years. It is also proposed that receipts arising from HRA stock disposal are ring-fenced for expenditure through the HRA on the development or acquisition of affordable housing.
- 1.4 The draft Asset Management Strategy is appended to this report. It is to be subject to public consultation before being finalised and considered for approval by the Executive.

- 1.5 An Asset Management Plan will be prepared to support the implementation of the Strategy.

2.0 Recommendations

The Executive Agree:

- 2.1 That consultation is to proceed with Council tenants and leaseholders and with the wider community on the approaches recommended in the draft Asset Management Strategy including in relation to the rent policy proposed therein and that the responses to that consultation shall be taken into account in revising the strategy with a final version to then be reported to a future meeting of the Executive for approval.
- 2.2 That preparation of a programme for infill development within the HRA estate of new affordable housing proceed with the final schemes to then be subject to further approval by the Executive.
- 2.3 That development of proposals for a programme of estate regeneration and redevelopment proceed through taking forward initial feasibility studies with the proposed programme then being subject to further approval by the Executive.
- 2.4 That further examination is made of options to maximise affordable housing development including where appropriate through partnership arrangements and to receive a further report on recommended approaches.
- 2.5 That an Asset Management Plan be developed to prepare the required programmes and resources that will be required to enable the prompt implementation of the final strategy once approved.
- 2.6 To authorise expenditure from the Housing Revenue Account to undertake the above activities of up to £200,000 which will be funded by transferring uncommitted one-off resources from the HRA depreciation budget in 2013-14.

3.0 Detail

Background

- 3.1 The Council is the single largest provider of social rented housing in the borough with almost 9,000 tenanted properties in its ownership. These properties are accounted for within the Housing Revenue Account (HRA).
- 3.2 In April 2012 the Government reformed the arrangements for English Local Authorities HRAs. This involved the replacement of a national subsidy system with a one-off debt settlement and a significant devolution

of control to each stock-owning authority. As part of the settlement the Government imposed a borrowing limit or debt cap, which left the Council with initial available borrowing capacity of £59.3m which had increased to £62.3m as of 1 April 2013.

- 3.3 The reform of the HRA enables and requires the Council to plan for the effective maintenance and development of its stock, and assure the financial performance of its HRA, over the long-term.
- 3.4 An Asset Management Strategy is required to set out clear priorities that will determine the future quality, condition, mix and size of the Council's housing stock and that will support the financial sustainability of its HRA.

Asset Management Strategy

- 3.5 The objectives of the strategy are to:
- Ensure that the housing stock and its environs are maintained and improved so as to provide quality accommodation in a sustainable environment for existing and future residents
 - To provide a balance and mix of stock that is best suited to meet the Council's housing objectives
 - To expand the Council's housing stock to increase the capacity to meet housing need
 - To improve the financial sustainability of the HRA assets and to raise their aggregate performance
- 3.6 The draft Asset Management Strategy proposes that the following approaches are taken in respect of stock investment, stock reform and new development.

Stock Investment

- 3.7 The Council was one of the first in London to achieve the Decent Homes standard across its stock but investment has been constrained in recent years by the resources available under the HRA subsidy system.
- 3.8 The strategy proposes commitment to an investment standard that provides for the maintenance and selective improvement of the housing stock in order to maintain the Decent Homes standard and meet all statutory and related requirements. The standard includes provision for targeted environmental and energy efficiency improvements.

- 3.9 The standard will initially be implemented through a seven-year programme across the stock commencing in 2014/15.
- 3.10 Commitment to a five year budget for the capital works programme is recommended to facilitate efficient planning and delivery.

Stock Reform

- 3.11 The existing housing stock has arisen as a consequence of extensive stock loss, primarily through exercise of the Right-to-Buy. An active approach is proposed to improve the performance and mix of the Council's housing stock through appraisal and selective disposal of assets and re-investment of the proceeds in more suitable and better-performing stock.
- 3.12 This will include raising the performance of the housing stock through selective disposal of under-performing assets and rationalisation of the stock to improve management efficiency through disposal of freehold-only properties and selected minority interests in blocks and converted houses.
- 3.13 It is proposed to undertake rebalancing of the stock to improve alignment with the profile of housing demand and the Council's priorities as set out in the Allocations Scheme. This will be undertaken through selective disposal of smaller units over time and their replacement with family homes which are most acutely under-provided for currently.
- 3.14 It is proposed that receipts arising from HRA disposals would be ring-fenced and expended through the HRA in order to develop or acquire new affordable housing.

Development

- 3.15 The Council has the opportunity to fund the development of new affordable housing through its HRA but the capacity to do so is limited by the debt cap.
- 3.16 A study has identified capacity for infill development within the HRA estate of approximately 75 new affordable homes, and funding is available within the HRA for these to be delivered between 2014/15 and 2016/17. Further examination of the feasibility of these sites will be undertaken and a proposed programme of schemes will be developed and reported for approval.
- 3.17 A number of sites have been identified where estate regeneration and redevelopment may be appropriate in order to provide improved and additional housing. Feasibility studies will be undertaken to determine where such an approach may be appropriate and to consider how these may be implemented.

- 3.18 The constraint of the debt cap limits the capacity of the Council to fund new affordable housing through its HRA. It is proposed to examine options, including potential arrangements with external Registered Providers and others, that may enable a higher level of affordable housing to be developed, and the outcome of this examination will be reported further.
- 3.19 It is proposed that new development will typically be for let at Affordable Rents with these being set in accordance with the Council's Tenancy Strategy and guidance on affordability.

Development of the Strategy

- 3.20 The development of the draft Asset Management Strategy has been informed by a series of discussions over the last six months with a Member reference group and the proposals were recently presented at an open Member Seminar.
- 3.21 Indicative modelling has been undertaken to establish that the overall proposals are financially affordable within the HRA. More detailed financial modelling will be undertaken to support the finalisation of the strategy.
- 3.22 The draft strategy and the priorities it sets will have important implications for existing tenants and leaseholders but also more generally for residents of the borough. It is therefore planned to undertake a public consultation exercise on the proposals set out in the draft strategy and on the related rent policy for existing and new dwellings. The consultation period will commence in late July and continue for a minimum 6 week period.
- 3.23 Brent Housing Partnership will assist in undertaking consultation with Council Tenants and Leaseholders utilising their existing consultation and resident involvement arrangements and it is intended to hold one or more specific consultation events to supplement these. The proposals will also be published on the Council website and be distributed to key partners for comment and will be publicised through existing forums and an additional public consultation event will be held.
- 3.24 Following the consultation period the final strategy and the consultation responses will then be reported to the Executive.
- 3.25 In order to prepare for the prompt implementation of the strategy once agreed it is intended over the next period to begin development of an Asset Management Plan which will develop the necessary programme delivery arrangements internally and within Brent Housing Partnership who will have a lead responsibility for the implementation of many of the proposals under their Management Agreement with the Council.

Rent Policy

- 3.26 Rents are the primary income to the HRA business plan. The HRA business plan and the draft Asset Management Strategy are based on a continuation of recent rent policy over future years and on reasonable assumptions in relation to inflation and income collection.
- 3.27 In order to provide a secure basis for the funding of the Asset Management Strategy it is proposed that the Council agree a rent policy for the period 2014 to 2019 when agreeing the final Asset Management Strategy. The following policy position is proposed.
- 3.28 For rents to continue to increase in line with the rent convergence regime- a maximum annual increase of RPI+0.5% plus £2 per week for existing tenants. Following rent convergence for the annual increase to be set at RPI+0.5%.
- 3.29 For void properties to be re-let at target rents.
- 3.30 For consideration to be given to restraint in rent increases for 4-bedroom and larger properties in order to assure affordability under the benefits cap which is being introduced later in 2013.
- 3.31 For new-build and newly-acquired properties (except where required for decant) to be let at affordable rents in line with the thresholds set within the Council's Tenancy Strategy.

4.0 Financial Implications

- 4.1 The proposed approaches set out in the draft Asset Management Strategy and their funding through the Housing Revenue Account are predicated on future rent increases for the existing stock continuing to be in accordance with the Government's Rent Restructuring Guidance and, following rent convergence, on the assumption that rents will thereafter rise by RPI + 0.5%.
- 4.2 It is currently council policy that all capital receipts (except those subject to RTB pooling arrangements) are taken centrally. The draft strategy proposes that receipts arising from HRA disposals would instead be ring-fenced and expended through the HRA in order to develop or acquire new affordable housing.
- 4.3 All expenditure associated with the HRA Asset Management Strategy will be met from the Council's HRA. Further reports to the Executive on specific elements of the strategy will contain, for Member agreement, the detailed financial impact(s) on the HRA and the HRA budget and recommendations in respect of 4.1 and 4.2 above. In the event that there is an impact on the Council's General Fund, this will be reported to the Executive for prior approval.

- 4.4 The costs associated with implementing the recommendations in this report are estimated at up to £200,000. These costs will be met from the Housing Revenue Account (HRA) and will be funded by transferring uncommitted one-off resources from the HRA depreciation budget in 2013-14.

5.0 Legal Implications

- 5.1 Under section 74 of the Local Government and Housing Act 1989 (“the 1989 Act”), the Council is required to keep a separate Housing Revenue Account (HRA) of sums falling to be credited or debited in respect of its housing stock. Sections 75 and 76 of the 1989 Act set out the rules for establishing and maintaining that account.
- 5.2 Sections 167 to 175 and schedule 15 of the Localism Act 2011 includes provisions for a new self financing HRA system from April 2012. This new system enables the Council to operate a Housing Revenue Account which will allow the Council to keep all of its rental income and use it to support its own housing stock. The Localism Act 2011 includes powers for the Secretary of State to set a maximum limit on the amount of housing debt that each authority can hold.
- 5.3 Under section 11 of the Landlord and Tenant Act 1985, the Council as the landlord has a duty to keep in repair and proper working order the structure and the exterior of the residential properties it owns as well as certain installations for the supply of water, gas and electricity.
- 5.4 Consent from the Secretary of State is required under section 32 of the Housing Act 1985 for local authorities to dispose of housing land. However, in March 2013, the Department of Communities and Local Government issued “The General Housing Consents 2013 – Section 32 Housing Act 1985” which sets out the circumstances in which the General Housing Consents can be relied by local authorities to dispose of properties without the need to obtain specific consent from the Secretary of State. Legal advice will be provided on a case by case basis as to whether it is necessary to obtain specific consent under section 32 of the Housing Act 1985 or whether it is sufficient to rely on the General Housing Consents 2013.
- 5.5 Under section 105 of the Housing Act 1985, the Council as a local authority landlord has a duty to consult with those of its secure tenants who are likely to be substantially affected by matters of housing management, which includes the management, maintenance and improvement of dwelling houses let by the Council under secure tenancies and the provision of services in connection with such dwelling houses. The consultation requirements under section 105 of the Housing Act 1985 must enable the secure tenants likely to be affected to be informed of the Council's proposals and to make their views

known to the Council within a specified period. Leaseholders of Council-owned properties will also be involved in the consultation process.

- 5.6 The Council may make such *reasonable* charges as it so determines for the tenancy or occupation of their dwellings and shall review those rents and charges from time to time. In so doing the Council shall have regard to the principle that the rents for different types of houses should bear broadly the same proportion to private sector rents for those different types of houses. This means that the difference between the Local Authority rent for, say, a bedsit and a two bed house with a garden should be broadly comparable to the difference between the rents for those types of dwellings in the private sector. In making such reasonable charges, the Council will need to give consideration to the Government's policy aims of introducing social housing rents that will ultimately produce rents being set (both in the council and Registered Provider/RSL sectors) on a nationally determined basis (whilst taking into account local factors such as the value of dwellings). This aim is not prescriptive in so much it remains the responsibility of the local housing authority to set rents.
- 5.7 From April 2012, the "Regulatory Framework for Social Housing in England from April 2012" ("the Framework") has been in force and this has been issued by the Homes and Communities Agency (HCA), the social housing regulator. This framework implements the amendments to the Housing and Regeneration Act 2008 that were introduced by the Localism Act 2011 and the Secretary of State's directions on specific standards. This Framework has to be followed by Registered Providers of Social Housing, which includes local authorities. The Council will need to take into account the guidance given by the Framework and Annex 1 to that framework regarding rent standards when setting a rental policy.

6.0 Diversity Implications

- 6.1 An equality impact assessment will be carried out and this will, after the consultation process has been carried out, be presented to a future Executive meeting for Members' consideration when the Executive decides to approve the finalised HRA Asset Management Strategy and related rent policy for 2014-19.

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 There are no staffing implications.

8.0 Background Papers

- 8.1 There are no background papers. The draft HRA Asset Management Strategy is appended to this report.

9.0 Appendix

Appendix 1: The Draft HRA Asset Management Strategy

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