



Executive
11 November 2013

**Report from the Strategic Director,
Regeneration and Growth**

For Action

Wards affected:
ALL

HRA Asset Management Strategy

1.0 Summary

- 1.1 The HRA Asset Management Strategy sets a long-term approach to the maintenance and development of the Council's housing assets in order to best meet its housing objectives.
- 1.2 A draft of the strategy was prepared and the Executive agreed in July for consultation to proceed on the approach proposed. The HRA Asset Management Strategy encompasses plans for:
- Stock Investment – to improve and maintain the condition of the existing housing stock
 - Stock Reform – to raise the performance and improve the balance of the stock to better align with housing demand
 - Development – to provide additional affordable housing to increase the capacity to meet housing need
 - Rent Policy – to provide the income required to fund the investment in existing and new council homes
- 1.3 Brent tenants and leaseholders and the wider public were consulted on the draft strategy over an eight week period from early August to early October.
- 1.4 Overall there was a high-level of endorsement for the approach proposed in the draft strategy. The responses received are summarised in the report and these have been taken into account in finalising the strategy.
- 1.5 Subject to the agreement of the Executive implementation of the strategy will commence from April 2014 and preparatory work is underway to facilitate this.

2.0 Recommendations

The Executive agree:

- 2.1 The HRA Asset Management Strategy which is appended to this report and authorise its implementation from 1 April 2014.
- 2.2 An indicative five-year capital budget of £86.3m for stock investment, with the final budget being reported annually to the Executive for approval.
- 2.3 To proceed with an initial programme for the development of between 75 and 100 new affordable homes within the HRA estate for let at Affordable Rents with local consultation and scheme development to be managed by Brent Housing Partnership and with the final schemes to be subject to approval by the Executive.
- 2.4 That capital receipts that are realised from the disposal of HRA stock are ring-fenced for the development and acquisition of affordable housing through the HRA subject to annual approval in the capital programme, and that replacement receipts that have arisen from Right-to-Buy sales since April 2012 and that arise in the future, are additionally ring-fenced for the development or acquisition of affordable housing through the HRA.
- 2.5 That further examination is made of approaches to maximise the provision of new affordable housing with the intention being to develop one thousand affordable homes, including replacement homes, from 2014-2022, with this including examination of the use of corporate land-holdings, prudential borrowing, the contribution of BHP and relevant partnership arrangements to achieve this, and to report further to the Executive in respect of specific projects in relation to this.
- 2.6 The rent policy set out in the Asset Management Strategy for the period 2014-19 with actual rent increases being subject to annual approval by the Executive.
- 2.7 That under the HRA prudential borrowing regime, additional HRA borrowing of up to £20.6m be approved, to be used by March 2016.
- 2.8 To note the responses to the consultation regarding the draft HRA Asset Management Strategy which are set out in Appendix 2 to this report.
- 2.9 To note the content of the Equality Impact Assessment which is set out in Appendix 3 to this report.

3.0 Detail

Background

- 3.1 In April 2012 the Government implemented reform of Local Authority Housing Revenue Accounts (HRAs) through a one-off debt settlement. This reform provided for significant devolution of control and responsibility to each stock-

owning authority. This enables the Council to plan for the effective maintenance and development of its stock over the long-term.

- 3.2 An Asset Management Strategy is required to set clear strategic priorities to improve and develop the Council's housing assets and to assure the financial sustainability of the HRA.
- 3.3 On 15 July 2013 the Executive agreed to consult on the proposals set out in a draft Asset Management Strategy.

Consultation

- 3.4 Consultation was undertaken from August to early October 2013 and was open to both Brent tenants and leaseholders and to residents generally in the borough. Over 600 people in total responded to the consultation and the great majority of these were existing Brent tenants and leaseholders.
- 3.5 The majority of consultation responses were received in reply to a postal survey sent to all Brent tenants and leaseholders. The survey provided a brief summary of the proposals and invited response to a number of specific questions on these. Almost 500 responses were received to this survey.
- 3.6 The draft Asset Management Strategy and a set of consultation questions were posted on the Council's website and a further 50 responses were received.
- 3.7 Two consultation events were held, at the start and end of the consultation period. The first, organised by BHP was exclusively for Brent tenants and leaseholders and this provided an opportunity for group discussion of the proposals, and was attended by over 80 residents. A consultation event on the Asset Management Strategy and the draft Housing Strategy was held at the Civic Centre in early October and included presentations and question-and-answer sessions. This was attended by a further 40 borough residents.
- 3.8 The overall consultation responses are summarised in the following sections, with more detail provided in appendix 2.

Stock Investment

- 3.9 The draft strategy proposed a 7-year programme across all properties of external painting and repairs and roof and window renewal where required. Maintenance of the Decent Homes standard was committed to, and targeted provision was made for environmental and energy efficiency work.
- 3.10 The overall approach to investment was endorsed by 80% of those who responded. Energy efficiency works to reduce fuel poverty were identified as the highest priority followed by roof and window works and then by external painting and repairs. The strategy has been amended to give a higher priority to energy efficiency works and this will additionally be supported by the procurement of an ECO-partner which was authorised by the Executive in August 2013.

- 3.11 The investment programme length of 7 years was supported by half of respondents but two-fifths felt that this was too long. There is a need to strike a balance between funding for stock investment and for the development of new homes and it is important that there is a high level of confidence that the timetable committed to can be achieved within available resources and for these reasons a 7-year duration has been maintained.

Stock Reform

- 3.12 An active approach was proposed to improve the performance and balance of the Council's stock through selective disposal and re-investment in more suitable properties. This includes appraisal and disposal of some properties with high investment needs or to release value, and in order to improve management efficiencies, and the disposal of selected smaller units to provide more, larger family homes.
- 3.13 This approach was supported by a majority of respondents but a significant proportion – some 2 in 5 – were not in favour with the predominant concern being the loss of smaller units.
- 3.14 The final strategy makes clear that changing profiles of demand over time will continuously inform decisions about disposals and re-investment, and in particular about the scale and focus of rebalancing, and these will be subject to periodic approval by the Executive.
- 3.15 Stock reform depends on the re-investment of proceeds from disposal of existing homes in more suitable homes through acquisition or new development. This requires that capital receipts arising from disposals of HRA dwellings are ring-fenced for this purpose.

Development

- 3.16 The draft strategy proposed commitment to maximise the provision of new council homes. This includes a programme of infill development within the HRA estate and consideration of redevelopment of some existing estates to provide better quality homes.
- 3.17 The construction of new council homes was strongly supported by respondents – with 4 in 5 in favour. Building new homes on existing estates was supported by two-thirds of respondents and there was a very high level of support for estate redevelopment. The importance of consultation with local residents was stressed.
- 3.18 Priorities for the type of homes to be built were evenly-spread with similar levels of priority for smaller homes and larger family homes and for provision for people with disabilities and for older persons. The final strategy maintains a focus on provision of larger family homes as these are most acutely under-supplied while recognising the need for provision for people with disabilities.

- 3.19 Further examination has been made in recent months of the scope for infill development within the HRA estate and initial capacity for 75 to 100 units has been identified. It is anticipated that, subject to consultation and further scheme development that an initial phase of new affordable housing development can be brought forward in 2014. The final schemes proposed will be reported to the Executive before proceeding.
- 3.20 The scale of affordable housing development that can be realised through the HRA is limited by the debt cap that was imposed at the time of the self-financing settlement. In addition to the initial infill phase it is estimated that a further 175-200 units could be directly funded by the HRA over the next seven years.
- 3.21 In order to make a significant impact on the scale of unmet housing need it is proposed to set a demanding but realisable target of providing 1,000 affordable homes over the first 7-year cycle of the Asset Management Strategy.
- 3.22 This target will primarily see additional new affordable homes provided but it will include the investment of receipts arising from stock reform and Right-to-Buy disposals to provide replacement homes.
- 3.23 In order to bring forward new affordable homes at this scale it will be necessary to examine the use of suitable General Fund sites. It may also require the support of prudential borrowing to fund development provided that such schemes are financially self-supporting and do not impose any additional financial burden on the Council. The potential for BHP to bring forward additional development will be explored as will a range of partnerships with 3rd parties in order to maximise development opportunities.
- 3.24 Officers will develop proposals to support realisation of the target level of development and report on these individual projects for consideration by the Executive.

Rent Policy

- 3.25 In order to provide the funding within the HRA for the proposed investment in existing and new homes it was proposed to commit to a 5-year rent policy. This would provide for rents for existing tenants to increase in line with the Government's rent convergence regime. New properties would be let at 'Affordable Rents' in line with the Council's Tenancy Strategy guidance.
- 3.26 There was an even split between those who supported and did not support this approach.
- 3.27 Since the preparation of the draft strategy the government has issued new guidance to local authorities on rent increases. This recommends that from 2015 rent increases are linked to a different inflation measure – CPI rather than RPI – and that increases to achieve rent convergence should cease from 2015. Further clarification of the government's approach, and the extent of

discretion that will remain to councils in relation to rent convergence, is expected to be provided over the next few months.

- 3.28 Pending this clarification, the final strategy sets a policy that, from 2014/15-2019/20 rent increases will be based upon the government's previous rent convergence regime, and from 2015 will be based on the CPI index.
- 3.29 New homes will be let at Affordable Rents, with thresholds set in line with the Council's Tenancy Strategy. Where possible GLA grant support will be obtained. In order to maximise the viability of new development the agreement of the GLA will also be sought to convert a corresponding number of existing smaller properties from social rent to Affordable Rent levels in order to provide an element of cross-subsidy to new-build development.

Implementing the Asset Management Strategy

- 3.30 The Asset Management Strategy will be implemented through an Asset Management Plan which will set out the constituent programmes and arrangements required. Preparatory work has commenced in readiness for the implementation of the strategy from April 2014. Brent Housing Partnership (BHP) will take leading responsibility for the implementation of many elements of the strategy, in particular the management of the stock investment programme and the initial phase of development on existing HRA estates.
- 3.31 The commitment to a major programme of stock investment provides the opportunity to secure significant economies and efficiencies and to maximise employment and training opportunities for borough residents and supply-chain opportunities for local businesses. BHP has recently commenced a major procurement exercise for contractors to deliver the stock investment programme, and to support a new development programme.

4.0 Financial Implications

- 4.1 Significant additional borrowing will need to be undertaken by the HRA to fund the implementation of the Asset Management Strategy and in particular the approach to stock investment and development.
- 4.2 The table below provides a summary of the current HRA baseline position and the anticipated spending and borrowing position for 2014-2022 as a consequence of the Asset Management Strategy.

Asset Management Strategy – Financial Summary 2014/15 to 2018/19		£m
HRA Budget	Current projected borrowing at March 2014	141
Stock Investment	Capital expenditure	86.3
Initial Development	Capital expenditure	16.2
Asset Management Strategy	Capital works expenditure	102.5
	Peak debt	165.6
	Peak debt year	2018/19

- 4.3 Members are asked to agree additional HRA borrowing of up to £20.6m to be used by March 2016, on the basis that the associated debt charges are met by the HRA. The HRA business plan demonstrates that the HRA can meet these additional charges. This additional borrowing can be accommodated within the HRA borrowing headroom, which is currently approximately £58m.
- 4.4 The proposed approaches set out in the Asset Management Strategy and their funding through the Housing Revenue Account are predicated on future rent increases for the existing stock for the period 2014/15 to 2019/20 continuing on the basis of the Government's previous Rent Restructuring policy, but using the Consumer Price Index (CPI) instead of the Retail Price Index (RPI) from 2015. In the event that further guidance is issued by the Government, this will be updated accordingly.
- 4.5 It is currently council policy that all capital receipts (except those subject to RTB pooling arrangements) are taken centrally. The 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. This ring-fencing will be subject to annual approval through the Capital Programme. It should be noted that ring-fencing the capital receipts to the HRA will preclude any such receipts being used for other Council priorities (e.g. to provide school places).
- 4.6 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. Some of the options being explored may involve the general fund (such as GF sites, and GF prudential borrowing), but it is anticipated that this will be on a self funding basis, with no net impact on the General Fund. In the event that there is an impact on the Council's General Fund, this will be reported to the Executive for prior approval.

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. The necessary consultation has been carried out with secure tenants and leaseholders of Council owned properties.
- 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 The rebalancing of the stock from smaller to large homes, through selective disposal and re-investment and through new development will increase the council’s capacity to provide housing for larger households, which constitute a higher proportion of those in housing need in some BAME communities than in the population as a whole.
- 6.2 An Equality Impact Assessment has been carried out and is provided as Appendix 3 to this report

7.0 Staffing/Accommodation Implications (if appropriate)

- 7.1 There are no staffing or accommodation implications. BHP will be responsible for the management of the stock investment and initial development programme and are in the process of revising their staffing structure to provide for this.

Background Papers

None

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