

London Borough of Ealing

Housing Revenue Account Asset Management Strategy

Executive Summary

1. Introduction and Vision

This Housing Revenue Account (HRA) Asset Management Strategy (ASM) has been developed to inform the strategic medium and long term approach to our housing assets. It sets out our vision for the housing stock and sets key priorities for the maintenance and improvement of the housing stock and how Ealing will continue to meet the needs of the borough, as well as looking at the key drivers in managing our assets. It has been specifically designed to meet Ealing's planning needs under the self-financing arrangements resulting from HRA reform. This will enable the Council to improve our existing assets and to increase the supply of new affordable housing.

Our vision is:

Through effective asset management get the best value from of our available assets, to create vibrant, sustainable communities and to continue to ensure that the housing stock meets current and future needs of residents.

2. Local and National Drivers

Changes by central government to national policies have created both opportunities and risks for the Council in managing its assets.

Social Housing Reform

- Fixed Term Tenancies – mean that the Council can, if it chooses to, offer fixed term tenancies. However, this may lead to a higher turnover of units, which may lead to higher void costs, and is potentially disruptive to communities
- Affordable Rents – means the Council could increase its income for improvements, while continuing to provide affordable housing
- Right to buy discounts – the increase in the level of discount could increase the stock loss and undermine HRA viability, while also lead to the loss of more popular properties or valuable properties
- Tenant Right to Manage and Right to Transfer – create opportunities for localised tenant control, but also the risk of further stock loss

Energy Efficiency and Climate Change

- The Green Deal – creates opportunities for retro fit in our stock
- Feed in-tariffs – provides opportunities for additional revenue to the HRA
- Zero Carbon Homes and the Code for Sustainable Homes – remain a challenge for the Council's new build programme to achieve in the medium term

Local corporate policies

There are four policies relevant to the ASM

- Council's Corporate Plan 2010-14
- Ealing Council's Property Strategy 2010
- Ealing Capital Strategy 2012-16
- Ealing Community Strategy

3. Context – Ealing's Housing Stock and Housing Demand

Ealing's Stock Profile

Our ambitious regeneration programme does mean that overall stock numbers will reduce year on year. While this removes from the HRA the least viable stock in terms of investment needs, as well as meeting other long term regeneration objectives, it does reduce the overall rent roll (unless Ealing chooses to charge higher rents). In addition to this, the recent changes to the right to buy will have an impact at least in the medium term on stock numbers. This will further reduce the stock, and in the case of the right to buy is more likely to remove attractive properties from the portfolio or those properties that are attractive to buy to let investors.

Stock Numbers

Year	Stock
2012	12,969
2013	12,555
2014	12,213
2015	11,877
2016	11,533
2017	11,487

Although stock numbers are decreasing through demolition for regeneration, these social rented units are replaced by our partners on the regeneration schemes.

Stock Condition and Stock Condition Surveys

The Council is in a strong position relating to its stock condition having completed the Decent Homes programme (excluding refusals and the regeneration programme).

Ealing continues to update its stock condition information through regular stock condition surveys, with the ultimate goal of complete a rolling programme of 20% of properties being surveyed every year. Technological advances whereby surveyors can input live data from handheld devices should make this achievable.

Local Standards – Ealing Standard for Accommodation

Ealing is now in a position to maintain its stock at a higher level than Decent Homes, and one that includes the external environment too. To this end the Council has developed an Ealing Standard of Accommodation, on which future investment programmes will be based.

In defining a local standard for quality of accommodation extensive consultation work was carried out with residents resulting in a basis standard being agreed by the Council's

Housing Forum and residents Scrutiny Panels. The resulting standard can be seen at Appendix 1 and form part of our local offer to tenants and our service standards.

Post Decent Homes Capital Programme

Following the completion of the Decent Homes programme the Council has identified a number of future investment schemes that will improve the viability of its stock.

- The full estate regeneration programme;
- Essential new investment in sheltered housing schemes – upgraded alarm systems, improved communal areas and common rooms, conversions of bedsits to one-bed properties.
- The vision for Copley close estate which includes a local investment standard and environmental improvements to the majority of the estate and a Council delivered and funded regeneration scheme on viable blocks on the estate.
- Interim maintenance works on Regeneration estates prior to their regeneration/ redevelopment.
- Disabled adaptations to council properties.
- A comprehensive lift replacement programme.
- Estate remodelling and environmental works on other priority estates not identified for regeneration
- On-going stock improvement programme to meet the Ealing Standard

Demographics

Ealing had a total of 124,082 households with at least one usual resident, with an average of 2.7 members per household. This is the third highest in London and is projected to increase by a further 19% over the next 30 years. However it is expected that the average household size will continue to decrease as a result of longer life expectancy and other social factors.

As of April 1st 2012, Ealing Council had 13,870 people on the housing register waiting for social housing. For 2011-12, there were 1065 lets into social housing. Of these, 729 were into Ealing Council properties and 336 were into registered providers properties.

The demand for social housing combined with the reduced availability of private sector accommodation due to changes in the local housing allowance is also placing pressure on the Council's ability to discharge its housing obligations. There was a downward trend in the decade to 2011/12 in the use of temporary accommodation and bed and breakfast. However this has reversed and the Council is now forced to use B&B more frequently. This has a direct cost on the General Fund rather than the HRA, and so the Council will need to expand its supply of temporary accommodation.

4. Strategic Priorities for Asset Management

- Eight strategic priorities have been identified for the HRA Asset Management Strategy.
- As Ealing has already achieved 100% Decent Homes Standard, four of the priorities reflect this and are focused on improving the quality of the current stock and focusing on the way in which we invest in the stock.

- Alongside the priorities is an action plan setting out how Ealing will meet its priorities and when. Progress will be monitored against the action plan, and updated and revised as necessary.

Ealing's strategic priorities are:

1. To ensure well designed repair and maintenance systems that ensure the stock is kept in a good state of repair and meets the Ealing Standard for Accommodation
2. To ensure current, robust and accurate data about its assets and the necessary IT systems and processes to interrogate and use the data effectively
3. To develop a long term strategy to improve the thermal efficiency of HRA stock, reducing carbon emissions and fuel poverty
4. To get the best value from our stock by replacing obsolete or uneconomic stock with improved or new assets that are better designed to meet future needs and maintain a balanced portfolio
5. To regenerate Ealing's neighbourhoods and estates
6. To identify land (HRA, General Fund or non-council) to build additional homes and increase the number of Council owned homes available and identify opportunities for acquisition of properties and land to match housing need, location and type
7. To ensure that specialist housing continues to cater to the needs of particular groups, including housing for older people, special needs and hostels

Priority 1

To maintain well designed repair and maintenance systems that ensure the stock is kept in a good state of repair and continues to meet required standards

- An efficient and effective repairs and maintenance system is an essential requirement of good asset management.
- While the decent homes standard has been met, there remains challenges to meeting a higher Ealing Standard (detailed in appendix 1)

To meet these challenges the Council will have the following systems in place:

- An efficient and effective responsive repairs service
- An efficient and effective voids service that acts as preventative maintenance and minimises rent loss during void periods
- Effective compliance programmes to meet asbestos, fire safety and other health and safety requirements
- A cyclical maintenance programme that reduces the need for responsive repairs
- A planned investment programme to ensure that housing stock continues to meet the decent homes standard and a higher Ealing Standard of accommodation

Planned Investment programmes

- The Council has already met the Decent Homes standard. However this does not reflect the potential for higher levels of investment in Ealing. It also does not acknowledge that many residents have aspirations for a higher standard for their homes.

- Council wants to meet a higher local defined 'Ealing Standard, which is set out in appendix 1. This sets life cycles for key components such as windows, kitchens and bathrooms as well as wider environmental and neighbourhood standards.

Priority 2

To maintain current, robust and accurate data about its assets and the necessary IT systems and processes to interrogate and use the data effectively

- Robust data and IT systems will be essential to ensuring that all the Council's other Asset Management priorities can be met. As important is whether they are used effectively and data is inputted accurately.
- Information needs to be shared between different systems and teams so that up to date information can be presented.
- These processes will be linked with the options appraisal process. So where there are large numbers of repairs or expensive repairs to particular property types or blocks, this could trigger the options appraisal process.

Priority 3

To develop a long term strategy to improve the thermal efficiency of HRA stock, reducing carbon emissions and fuel poverty

- Climate Change is high on central and local government agendas.
- Ealing needs a specific strategy for its own stock.
- In addition, for Council tenants in particular, fuel poverty is a key issue especially in a time of rising utility bills. Cost in use to residents of any sustainability improvements must be a key factor when deciding on whether to proceed with the work.
- New technology that is installed will also need to be financially sustainable, otherwise the Council runs the risk of installing technology that cannot be maintained in the long term.
- SAP ratings or EPC ratings could act as targets for improvement or to trigger actions.

Priority 4

To get the best value from our stock by replacing obsolete or uneconomic stock with improved or new assets that are better designed to meet future needs and maintain a balanced portfolio.

- Not all of the Council's stock is suitable in the long term and some estates or property types are either of poor design or construction type, and some are unpopular with residents.
- This would make long term investment in these properties either uneconomic or an inappropriate use of resources.
- An options appraisal process included in appendix 2 sets a series of tests before investment in a property can be agreed
- Options to deal with these assets include
 - Investment to a higher standard
 - Disposal
 - Regeneration

- Increase the rent to cover the costs of investment

Priority 5

To regenerate Ealing's neighbourhoods and estates

- Ealing is delivering an ambitious estate regeneration strategy both directly and in partnership with housing associations and developers.
- 8 estates are in the process of regeneration following a review that identified that they were in need of more radical change beyond that available through decent homes
- The options appraisal process means that there is a dynamic way for the Council to keep the quality of its estates under review and to choose the most appropriate investment option for improving the quality of life for residents.
- Appendix 4 shows a proforma for a neighbourhood appraisal for Ealing, which enables them to be scored against a matrix and key performance indicators.

Priority 6

To identify land (HRA, General Fund or non-council) to build additional homes and increase the number of Council owned homes available and identify opportunities for acquisition of properties and land to match housing need, location and type.

- The Council will develop its own sites and look to acquire private sector sites where appropriate and affordable
- These sites could be developed:
 - Directly by the Council
 - In partnership with a developer or Registered Provider

Priority7

To ensure that specialist housing continues to cater to the needs of particular groups, including housing for older people, special needs and hostels

- There is likely to be an on-going demand for specialised housing. In particular, the Council's housing stock will need to respond to the needs of older people and disabled people.
- The Council continue to provide housing that is specifically for older people.
- The Council has taken a series of decisions to effectively remodel it's sheltered housing supply to better reflect the needs of older people
- The Council will continue to carry out appropriate adaptations to meet the needs of the increasing number of older people within the stock.

5. Other HRA Assets

The Council has a number of other assets that will need regular review including:

- Hostels
- Garages
- Sheds

- Community Centres
- Shops and other commercial premises

6. Delivery of the ASM

30 year Investment Programme

- The Council will prioritise and programme capital improvement projects over a 30 year period. This will be established as part of the HRA business planning process to forecast expected expenditure and income.
- The programme will set out a 30 year profile of annual expenditure
- The 30 year programme will then will be broken down into a rolling three year programme to match the star chamber process, and a one year live programme.

ICT systems

- Appropriate ICT is needed to maintain robust data and systems, and informs all relevant decisions on planned investment and routine maintenance.

Funding

- The Council will look to use the most optimal form of finance for all projects and to access outside funding opportunities to meet its objectives and meet the strategic objectives.

Action Planning

- To deliver this strategy and the strategic priority an action plan has been developed. This pulls together the various task to achieve these priorities, with details of the work needed and responsibility for delivery, and the target timescales

Appendixes

Appendix 1 – Proposed Ealing Standard of Accommodation

Appendix 2 - Sustainable Assets and Options Appraisal Process

Appendix 3 - Neighbourhood Appraisals

Appendix 4 - Properties to be reviewed before any investment

Appendix 5 - Resident Involvement

Appendix 6 - Void and re-let standards

Appendix 7 – Void LEAN review

Appendix 8 - Procurement VFM Strategy

Appendix 9 - New Build

Appendix 10 - Medium intervention estates

Appendix 11 - Business plan

Appendix 12 - Capital Programme budgets

Appendix 13 - Action Plan

Appendixes

Appendix 1 – Proposed Ealing Standard for Accommodation

1. Inside your home

- **Kitchens 20 year cycle:** Modern fitted Kitchen units with space for appliances, food preparation, safe flooring, tiling and extractor fan
- **Bathrooms 30 year cycle:** Modern Bathroom with shower, tiling and extractor fan
- **Electrical Systems 30 year cycle with 10 year testing:** Modern wiring including adequate supply of sockets, outside light by front door and consumer unit
- **Central Heating;** Full controllable central heating

2. Your Health, Safety and Security

- **Health:** Disabled Adaptations, safe steps, paths and handrails
- **Safety:** Hardwired smoke alarms, removal of asbestos, fire prevention works,
- **Security:** Window and door locks, front or side gates, to secure by design standards where possible

3. Energy Efficiency

- **Double Glazing:** high quality PVCu windows with secure locking handles
- **Energy Efficiency:** All homes to have energy efficient boilers, draught and sound proofing (where cost effective) and roof/cavity/wall insulation, and properties will not fall below an agreed SAP rating

4. Improving Communal Areas

- Package to include: Secure Door Entry to communal flats, C.C.T.V. and modern lifts for sheltered housing, communal aerial upgrades, safe flooring and security in communal areas and compliance with the Disability Discrimination Act

5. Improving Your Neighbourhoods

- Package to include: Improved car parking, Improved lighting, fences and walls, improved maintenance and communal facilities

6. Your Housing Services

- Improved repairs service including appointments
- Improved levels of grounds maintenance and estate management services

7. Other Maintenance

- **Roofs/Chimneys 57 year cycle:** Safe and watertight including rainwater goods
- **Doors 40 year cycle:** Secure and modern GRP type entrance doors to 'secure by design' standard

Appendix 2 - Sustainable Assets and Options Appraisal Process

Sustainable Assets are those that:

- Contribute to meeting housing need in Ealing
 - Contribute to mixed and successful communities
 - Structurally safe and sound
 - Sufficiently warm and affordable to heat
 - Provides a living space that can be used by the resident living there (i.e. accessibility)
- On regeneration estates for properties that are awaiting demolition (potentially over a long period, e.g 5+ years) a different standard will be applied. This will acknowledge the need to:
 - Maintain health and safety standards
 - Keep the property wind and watertight
 - Properties on regeneration estates will not see investment to the Ealing standard

Investment Options Appraisal

The Council will apply a series of tests before investment can be agreed, following the Green Book evaluation process. This relates to investment, for example, for component replacement and not responsive repairs, and relates to investment in individual properties (for example major voids) and whole programmes. Where properties are in occupation and there are standard routine repairs these will still need to be carried out.

Key Investment Tests

- A) Is the property on an existing regeneration estate?
- a. If yes an appraisal should be carried out to determine whether to invest, considering:

What is the timetable to vacant possession?	If it is less than two years, do not invest unless property is in occupation and H&S works are required. If property is vacant consider use as temporary accommodation.
What is the condition of the property?	Consider early decant if works are expensive and the property is no longer habitable, but property is not in active decant phase.
How urgent are the works?	If property is in occupation, emergency and health and safety works must still be carried out.
What is the cost of the works?	When set against the rental income before the property is required vacant and the cost of homelessness for a tenant the works should be less than this.
What are the implications for the area if there is no investment?	If there is a risk that inaction might cause regeneration blight, discuss with the regeneration project manager.
Does the tenant have specific needs?	If there are for example disability needs,

	consider the wellbeing of the tenant and whether standard assumptions can be overridden.
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- b. Where investment is not deemed appropriate, the work should not be carried out. Alternatives to include re-housing of exiting tenant, options for speeding up regeneration, letting the property as temporary accommodation.

B) Is the Net Present Value (NPV) negative or positive? A viability test should be carried out that considers whether the proposed investment is recovered from the rental income, after considering all income and outgoing and financing costs.

The test can also be applied to a whole block.

The majority of properties will have a positive NPV and investment would be recommended on this basis.

NPV = Net Rents over 30 years allowing for inflation (Gross Rents – Voids – Management – Maintenance – Major Repairs) – financing cost – cost of investment now.

Alternatively, if the work is expensive for an individual property but it does not lead to a negative NPV, the cost of the investment versus the average cost for that type of property should also be considered, for example is the work double the average cost?

- a. If NPV is negative then a further appraisal should be carried out which considers whether disposal of the property would be appropriate:

Are there specific features that mean disposal should not be recommended?	If there are disabled adaptations, or the property is a larger unit, or suitable for extension then disposal should not be recommended in the first instance
What is the local tenure context?	If the ward has lower than average levels of social housing then retention should be considered to meet mixed community goals.
Would change of tenure or rent level make investment viable?	If changing to affordable rent can achieve viability, this should be considered.
What is the market value of the property?	If investment were to increase the capital value, this could benefit the HRA by providing more borrowing opportunities.
What would be the impact of disposal on the community?	Would it go to a buy to let investor, which may be detrimental to the local community.
Does disposal impact negatively on the HRA as a whole?	If so, then disposal should not be recommended

- b. Any decision on whether to dispose or not dispose in these circumstances will be reviewed by a panel made up of ED Regeneration and Housing, AD Landlord Services, Head of Supply, Cabinet Member and Corporate Resources rep.

C) General Sustainability Index

Properties not falling into the above two categories should be subject to the following reviews, with each question scored on a 1-5 basis (five is worse).

Does the property have a high capital value?	Properties worth over a set amount score automatic 5
Is the property of non-standard construction?	Yes = automatic 5
What is the energy rating for the property	Use gradings of SAP ratings with the highest = 1 and lowest = 5 If EPC is lower than E property should be automatically reviewed
Difficulty to let	Use average number of bids on LOCATA, as per neighbourhood appraisals
ASB, Crime and Security	Use ratings as per neighbourhood appraisals
Estate Environment	Use ratings as per neighbourhood appraisals
Local facilities	Use ratings as per neighbourhood appraisals
Socio-Economic performance	Use ratings as per neighbourhood appraisals
Management intelligence on turnover	Number of lettings in 3 year period
Reactive maintenance spending	In relation to average spending

Properties that score more than half (more than 25 out of 50) should be referred to an appropriate decision making forum with options to consider:

- Disposal
- Tenure change
- Enhanced investment with an increased rent
- Demolition
- Regeneration through demolition or remodelling either directly by the council or in partnership.