

**Report to:**

**Council: 18<sup>th</sup> January 2018**



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## **Housing Revenue Account Budget Setting 2018/19 and Beyond**

### **Report of the Leader of the Council**

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#### **1 Purpose of the Report**

- 1.1 To present to Council: The Leader's Housing Revenue Account Budget 2018/19
- 1.2 The following Appendices are attached to the report:
  - 1. Detailed budget annexes
  - 2. Rent Policy 2018/19
  - 3. Hull Stock Investment & Asset Management Strategy 2018-22

#### **2 Executive Summary**

- 2.1 This report sets out the revenue and capital budgets for the Housing Revenue Account ("HRA") for 2018/19 alongside indicative forecasts for future years.
- 2.2 Whilst the Council, in line with housing services across the country, faces a series of difficult challenges over the coming years as a consequence of Government Policy changes, the latest projections and assumptions set out in this report provide assurance that the HRA remains sustainable in the short to medium term. Longer term projections do highlight the need for modernisation in order to secure the future financial position and the service is focussed on delivering an appropriate programme of change.
- 2.3 Within this context it is important to note, however, that the HRA continues to face uncertainty which could impact adversely on future projections. For example, whilst the Council welcomes the cessation of capping rents at Local Housing Allowance rates and the ability to raise rents in future following four years of forced reductions, implementation of Universal Credit and our ability to collect income is, and remains, the biggest risk to the financial viability of the service.

- 2.4 Indeed, there are a number of issues that are not yet resolved – not least the prospect of Fixed Term Tenancies and a levy on the value of Higher Value Properties – that pose further risks should they be enacted. Governmental policy is still fundamentally directed towards social housing being a solution for people for when they need it and only for as long as they need it, with the emphasis mainly being on encouraging home ownership. At the same time the Government is looking to reduce the national £27bn housing benefit budget which will indirectly impact on housing authorities and, whilst the LHA cap may not be the mechanism used to achieve this aim, it is unlikely that there will not ultimately be a different approach with consequential issues to respond to.
- 2.5 Housing is a long term business – it would not be prudent to look at the budgets over the short term – and present trends need to be taken into account when forecasting for the future. The plan is to manage resources and to put the HRA into the best possible position to respond to the direction of travel whilst at the same time undertaking a thorough review of the housing service both to modernise the existing offer and also to respond to the changes and challenges that continue to emerge.
- 2.6 In response to the needs – using right to buy receipts, HCA grants and other available funding that can be utilised and alongside partners - the Council continues with a significant new build and regeneration programmes. In addition to the 206 units expected to be completed by the end of this financial year a further 106 will be completed in 2018/19 to conclude that initial programme. A number of smaller sites are now being looked at in detail and these are expected to deliver a further 186 units over four years with a further 100 on larger sites. Partners are expected to deliver a further 400 to 450 social housing units in that time.
- 2.7 Overall the new build and cladding programmes are an investment of **£95m** over the next five years, out of a total capital programme of just less than £½bn.
- 2.8 One of the most significant impacts on the budgets in 2017/18 and onwards has resulted from the tragic fire at Grenfell Tower in June 2017. There is a national review underway and the conclusions of that will be enacted as appropriate in Hull, but in the meantime issues around flat & communal doors and minor remedial works to infill panels (as part of the curtain walling on three blocks) are being addressed with some sprinklers, dry risers and communal fire alarms also included. To date this results in an investment need of nearly £12m over the next 5 years, but the need for works and associated costs will be kept under ongoing review to ensure that the budgeted requirements are appropriate and proportionate.
- 2.9 The service has also embarked upon the process of tendering for a replacement Housing IT system, the existing one having been procured some years ago. The indicative budgets for future years contains provision for implementation costs should that be needed, although this is still an estimate with a significant degree of likely variation in practice at this stage.

Discussions are ongoing with neighbouring authorities to understand the scale of the investment required to change what is a complex system with many links into other services and partners. When the process develops there may be the need to readdress the expected costs and/or the timelines for delivery.

- 2.10 This report contains the Investment & Asset Management Strategy 2018-22 at Appendix 3, which also outlines some of the challenges facing the Housing service with details of new modelling techniques to ensure our stock remains viable and investment takes place in the most appropriate way. Generally progress continues on the changes that we have commenced in the last few years to develop a “Best in Class” housing service within the resource constraints and this will manifest itself in part in changes in how staff are deployed to reflect the anticipated extra burden of work that full implementation of Universal Credit will bring.

### **3 Recommendations**

- 3.1 The Council is recommended to approve:-
- i) The revenue budget as set out in 10.1;
  - ii) The capital budget as set out in 15.1;
  - iii) The rent and service charge changes as set out at Appendix 1 (10) and 1 (11) respectively.
  - iv) The Rent Policy (appendix 2)
  - v) The Asset Management Plan (appendix 3)

### **4 Reasons for Recommendations**

- 4.1 The Local Government and Housing Act 1989 requires the Council to maintain a Housing Revenue Account in accordance with proper practices. The Council must approve a budget for the HRA that does not go into deficit. There is, therefore, no legal option to not set a budget. The HRA budget must be set during the months of January or February.
- 4.2 Notice of changes to rent must be given to tenants giving at least 28 days’ notice of the changes coming into force which means that the notice must be in their physical possession no later than 4<sup>th</sup> March 2018.
- 4.3 This report enables the Council to fulfil those statutory obligations.

### **5 Revenue Budget 2018/19 - Consultation**

- 5.1 The Housing Service has commenced a fundamental review of all strategies, policies and operations to ensure that moving forward the service is financially stable and delivers services commensurate with those that are

perceived as being 'best in class'. This will in all probability result in significant strategic and operational change.

- 5.2 As part of this process a comprehensive programme of consultation has been introduced including Elected Members, tenants and other stakeholders. Any decisions on specific proposals resulting from the review will be undertaken in accordance with the Council's governance processes
- 5.3 Briefing sessions for all stakeholders will take place in early December 2017. Detailed briefing sessions with KWL, as the main contractor, on the future capital and revenue repairs programmes will also commence in early December 2017. The draft capital programme will be sent to KWL on the 30th November as per previous years.

## **6 Background and Underlying Assumptions and Impact of National Policies and Local Priorities**

### Background

- 6.1 The Council presently owns approximately 24,500 homes making it the 10th largest local authority housing business in the country with an annual turnover from rents and other sources being £94 million per annum.
- 6.2 The overall financial strategy for the Housing Revenue Account is centred around:
  - achieving and maintaining the Decent Homes Standard under the stock retention strategy approved by Council in March 2005
  - supporting the Housing and Neighbourhood Renewal Strategy
  - providing a customer focused and effective repairs and management service; and
  - maintaining a sufficient level of balances both as a contingency against risks and to ensure that investment can be sustained over the 30 year business plan.

### Grenfell Tower

- 6.3 Members will be aware of the tragic fire at Grenfell Tower that took place on 14<sup>th</sup> June 2017. This has led directly to a national review of all aspects of fire safety in high rise blocks over 6 storeys high. None of Hull's blocks use the same type of materials as found at Grenfell. The full outcome of that review is not known at the time of writing and therefore there may be recommendations that emerge with a cost over and above that assumed in this budget report. We have completed an extensive review of the safety and integrity of our blocks and that has not revealed any fundamental defects and all remedial actions are being addressed. An interim strategy has been



agreed with Humberside Fire & Rescue Service and this is included in the budgets.

- 6.4 To date £3.9m of required works has been identified and included in the capital programme over the next 5 years with regard to fire resistant doors in flats and minor remedial works to curtain walling. An additional £7.7m has been identified to reflect other measures such as sprinklers, risers, and communal fire alarms.

#### New Build programme

- 6.5 Existing developments at Milldane (Orchard Park), Portobello Street (Preston Road) and the former Viking public house site are due to complete within 2018/19 delivering a further 106 units.
- 6.6 A report entitled "Housing Growth Plan 17-20 and City Wide Land Strategy" is due to be presented to Cabinet in January 2018 which will outline a number of smaller sites to include within an ongoing build programme. Alongside this there will be a small number of potentially larger sites that could be considered in conjunction with a developer. In total 286 units are assumed over the next four years to be developed on those combined sites.
- 6.7 Further potential sites, with the ability to deliver an additional 120 units, including conversion of empty properties, are also being explored subject to ongoing issues of affordability. These are at a much less advanced stage of planning and none of these sites are assumed to be delivered in 2018/19.

## **7 Government Policy**

#### Restriction of rents to LHA

- 7.1 The plans to introduce the LHA cap for both general needs social housing and supported housing have now been dropped. The Prime Minister announced the change at PMQs on 25th October 2017. This relieves the HRA of a potential significant pressure in future years, although it is possible that there will be some future restrictions given the impact on national Government finances of this change.
- 7.2 Draft proposals have been released in respect of Supported Housing. The policy statement abandons the proposals that were made in 2016 in favour of a new approach based on different funding arrangements for sheltered housing, short-term accommodation and long-term accommodation. These three categories of housing are defined as follows:
- Sheltered and extra care housing (usually designated for older people, but including some working age tenants);
  - Short-term supported housing (for those in crisis such as those fleeing domestic violence and homeless people with support needs, or

shorter term transitional help for those with substance misuse problems or vulnerable young people, such as care leavers); and

- Long-term housing (for those with long-term needs, such as people with learning or physical disabilities, or mental ill health).

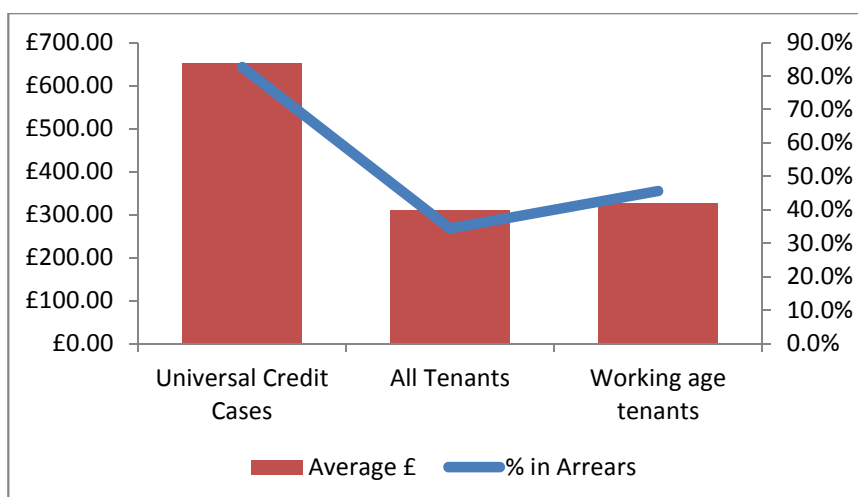
7.3 There will also be local strategic planning and oversight through a local strategic plan, needs assessment, local partnerships, grant conditions, non-statutory guidance, a national statement of expectation and an important role for the regulator. It is intended that these new funding regimes will come into effect from April 2020.

#### Universal Credit

7.4 Universal Credit is being slowly introduced in Hull with full Digital roll out now expected to commence in December 2018. From that date, all new claims for means tested working age benefits administered by the Department for Work and Pensions (“DWP”) will be for UC. In transaction terms alone this means an additional half million payments need to be processed compared to Housing Benefit.

7.5 The initial introduction of easier cases has already proven difficult with information from DWP being poor. In addition presently both paper letters and email notifications in respect of all claimants, are being received although at full digital rollout it is intended that correspondence should be fully electronic. Moreover information is normally received after award and there has been some confusion with a number of tenants stating they have no housing costs during the claim process and thus receiving no housing element of universal credit. There are also seeing difficulties with tenants gaining advance payments of UC and using the funds to repay other debts. This advance amount is usually repayable over 6 months and reduces their ongoing award meaning payment of rent is more challenging than it might otherwise be.

7.6 To date, the level of arrears for those tenants on UC (or at least those that are known about) compared to tenants on average are as shown. 83% of such tenants are currently in arrears. The overall picture of arrears is already not sustainable – the expectation for UC cases of 10,000 (bearing in mind these are presently the more straightforward cases) would see arrears levels reach wholly unsustainable levels and evictions for rent arrears between 400 and 500 per annum as it stands with arrears in total approaching £8m to £9m.



7.7 Announced in the Budget were a number changes which might have a beneficial impact on tenants but the main change is around initial payments in effect bringing forward the first payment to 5 weeks after commencement of a claim rather than the sixth week. This is unlikely to see a material change in these numbers.

7.8 At present approximately 1 in 3 affected tenants are on Alternative Payment Arrangements, broadly in line with the national average.

#### Welfare Reform – other restrictions

7.9 As members will be aware

- the Benefits Cap has been reduced to £20,000 (£13,400 for a single person) with over two hundred affected people losing – on average - £316 per week and this will be unchanged in 2018/19.
- the bedroom tax remains in place with just under 3,000 tenants presently affected.
- the restriction of benefits to the under 21s as part of Universal Credit remains.

#### Fixed Term Tenancies (“FTT”)

7.10 There has been no progress on this matter at a national level since spring 2017. The introduction of fixed term tenancies would require affirmative legislation – i.e. both Houses of Parliament would have the chance to review the regulations. Parliamentary time seems to be otherwise occupied at present. It is thus regarded as unlikely that this will be introduced in 2018/19 as we expect a minimum six month lead in from Parliamentary approval.

#### Future rent increases

7.11 On 4th October 2017, the Prime Minister gave a promise of “certainty on rents” in her closing conference speech. Immediately after that the

department for Communities and Local Government (CLG) issued a statement which said: *“Under the proposal set out today, increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for five years from 2020/21. This will give social tenants, councils and housing associations the security and certainty they need.”*

- 7.12 To that end rents have been modelled at CPI+1% from 2020/21. The business plan fundamentally requires this level of increase to take place to remain viable. This ultimately generates c £4.5m per annum more than rent rises of CPI alone.

#### Sale of Higher Value Properties Levy (“SHVT”)

- 7.13 As with Fixed Term Tenancies, there has been no progress on this issue, although there has been a greater amount of speculation on this issue nationally. It seems highly unlikely that anything could be introduced in respect of 2018/19 and thus this has been discounted for the present. There does remain a risk that this is an issue that the Government returns to although, as with FTT, affirmative legislation is required, with all the concomitant issues around Parliamentary time.

#### Housing White Paper

- 7.14 The White Paper “Fixing our broken housing market” was published on 7<sup>th</sup> February 2017 and further updates will be provided to Members as they become clearer. The paper has 4 themes
- Planning for the right homes in the right places
  - Building homes faster
  - Diversifying the market
  - Helping people now
- 7.15 Key White Paper announcements so far
- Standardised mechanism for setting housing delivery targets for councils’ local plans
  - New guidelines to encourage compulsory purchase of undeveloped land
  - A new rent standard for the social housing sector post-2020
  - Dropping of the 20% threshold for Starter Homes and the 200,000 Starter Homes by 2020 target
  - Councils to include Right to Buy in homes built through new council companies

#### Regulations & information awaited

- 7.16 The regulations still awaited are:
- Fixed Term Tenancies
  - Sale of Higher Value Properties

## 8 Housing Strategy and Housing Review

### Housing Strategy

- 8.1 Cabinet approved the 2017-2020 Housing Strategy in March 2017. The Housing Strategy's priorities are set out under three separate but interlinked themes; Housing, People and Neighbourhoods.
- 8.2 The themes can be broadly summarised as follows:
- Housing – about existing, physical housing assets
  - People – focused on individual housing need and the wider determinants of residents' housing situations i.e. financial inclusion and health and wellbeing
  - Neighbourhoods – incorporates new build, regeneration and neighbourhood management

### Housing Review

- 8.3 A detailed Housing Review commenced in Autumn 2016, being a comprehensive review looking at everything the HRA undertakes and the interactions housing has with the rest of the Council and the wider environment. The aim of this review is to conclude with a modern, efficient, housing service whilst addressing the remainder of the funding gap. The Review Programme Board is chaired by the Leader and members of the group include the Deputy Leader and Portfolio Holder for Council Infrastructure (including housing and waste management), the Chief Executive, the Deputy Chief Executive and the s151 Officer.
- 8.4 The Review encompasses a range of projects covering:
- Policies
  - Asset Management
  - A Functional Business Review
- 8.5 Under the auspices of the Housing Review there are in excess of sixty projects. Some of the largest projects include:
- Rent Income Project - An independent review has led to a series of specific actions. These include consideration of the software used, consideration of twilight working, actions to improve direct debit usage, process changes and improved performance management.
  - Worksmart - ongoing work to enable staff to work remotely and improve customer contact and electronic data storage and retrieval allied with better use of office assets.

- Adaptations - proposed changes to the adaptations policy designed to better use available budget.
- Allocations policy - changes designed to simplify and improve letting performance and reduce unnecessary bureaucracy.

## 9 Financial Pressures and Savings

### Grenfell Tower

- 9.1 As noted in section 6, the Grenfell fire disaster took place in June 2017. There have been a number of required responses in repairs and maintenance budgets which are estimated to cost £674,000 in 2018/19. These are expected to be ongoing. In addition capital works of £3.0m have also been identified for 2018/19 out of a total of £11.6m in the next 5 years. These works are considered necessary to provide sufficient fire protection, although once the enquiry has concluded there may be further costs.

### Legionella

- 9.2 Hull City Council as a duty holder (landlord) has a statutory obligation to ensure empty properties which are vacated for more than two weeks have control measures put in place to prevent the growth of Legionella bacteria in the domestic water supply before it is re-used. Additional checks on void properties in respect of legionella are now being undertaken at an additional cost of £100k.

### Voids

- 9.3 Whilst the historic trend in overall voids reducing continues, the level in 18/19 is expected to be higher than in 2017/18. 2017/18 has been higher than expected predominantly through the Extra Care facilities opening and drawing more clients from general needs (especially adapted) stock than expected. However, the underlying number is also increasing marginally with an impact on repairs budgets and council tax whilst properties are empty.

### Worksmart

- 9.4 There are a number of short term costs included in the budget in relation to this project, not least costs of making adaptations to Warehouse 9 but this is offset by long term savings on building costs with Mount Pleasant and the Octagon due to be vacated and staff relocated at Warehouse 9.

### Gas Service: new MOT style

- 9.5 Revised legislation on gas servicing allows an annual saving of £149k to be realised in 18/19.

### Staffing

- 9.6 The area management review has been implemented during 2017/18 with no additional savings expected in 2018/19. Pressures on workload from the continuation of universal credit (with full digital implementation expected mid-way through the year meaning c 10,000 tenants would pay rent to the HRA as individuals rather than Housing Benefit being directly received from the DWP) are expected to be absorbed and the service has invested in software to assist with rent collection and arrears management. In addition the Allocations review is looking to free up resources that can be deployed to assist with this growing area. A further push on ensuring tenants sign up for direct debits wherever possible will also continue. Until the full extent of the additional work pressures on the service through universal credit in particular are understood there is no intention to make further staffing changes.

## 10 HRA Revenue Budget

- 10.1 The proposed revenue budget is set out below:

|  | <u>Current<br/>Budget<br/>2017/18</u> | <u>Proposed<br/>Budget<br/>2018/19</u> | <u>change</u>  |              |
|--|---------------------------------------|--|----------------|--------------|
|  | <u>£'000</u>                          | <u>£'000</u>                           | <u>£'000</u>   | <u>%age</u>  |
| <b>INCOME</b>                                      |                                       |  |                |              |
| Dwelling Rent Income                               | 90,240                                | 89,027                                 | (1,213)        | -1.3%        |
| Charges for service and facilities                 | 2,647                                 | 2,635                                  | (12)           | -0.4%        |
| Non dwelling rents                                 | 1,237                                 | 1,231                                  | (6)            | -0.5%        |
| Leaseholders charges for services                  | 259                                   | 259                                    | 0              | 0.0%         |
| Other fees & charges                               | 358                                   | 325                                    | (33)           | -9.1%        |
| Interest on balances                               | 32                                    | 93                                     | 61             | 194.0%       |
| General Fund Transfer re Whole Community           | 673                                   | 674                                    | 1              | 0.2%         |
| <b>TOTAL INCOME</b>                                | <b>95,445</b>                         | <b>94,244</b>                          | <b>(1,201)</b> | <b>-1.3%</b> |
| <b>EXPENDITURE</b>                                 |                                       |  |                |              |
| Repairs & Maintenance                              | 21,427                                | 22,188                                 | 761            | 3.6%         |
| Supervision and Management                         | 15,803                                | 15,196                                 | (606)          | -3.8%        |
| Special Services                                   | 4,484                                 | 4,373                                  | (111)          | -2.5%        |
| Rent, rates, taxes & other charges                 | 726                                   | 696                                    | (30)           | -4.2%        |
| Provision For Doubtful Debt                        | 1,639                                 | 949                                    | (690)          | -42.1%       |
| Capital Financing Costs                            | 53,319                                | 53,161                                 | (158)          | -0.3%        |
| Contribution to Corporate & Democratic Core        | 295                                   | 295                                    | 0              | 0.0%         |
| Provisions / potential housing systems replacement | 250                                   | 585                                    | 335            | 134.0%       |
| <b>TOTAL EXPENDITURE</b>                           | <b>97,943</b>                         | <b>97,444</b>                          | <b>(500)</b>   | <b>-0.5%</b> |
| <b>Net surplus / (deficit)</b>                     | <b>(2,498)</b>                        | <b>(3,199)</b>                         | <b>(701)</b>   |              |

## 11 Rents and Other Income

### Rents

- 11.1 The passing of the Welfare Reform and Work Act created a legal compulsion to reduce rents by at least 1% for 2018/19 (and 2019/20) and there is therefore no discretion for Members to increase rents. This reduction is described by the Government as social landlords' contribution to reducing the housing benefit bill. Social Rents are thus assumed to reduce by 1% compared to 2017/18 levels for existing tenants. In line with prior years, new tenancies commence on Formula Rent levels.
- 11.2 The Government has recently announced that rents for the five years from 2020/21 can increase by CPI+1% (in line with the position prior to the implementation of the reduction). This has been modelled in the forecasts for future years. In relation to Affordable Rents the position remains that existing tenants will see an immediate reduction of 1% but new tenants will see their rents fixed in relation to Market Rent. This may mean anomalies between the rents in similar/ adjacent properties.
- 11.3 An updated "Rent and Service Charge Setting Policy Statement 2018/2019" is included at Appendix 2 which remains substantially unaltered from 2017/18s Statement except for the addition of a clause in relation to Shared Tenancies.

### Service Charges

- 11.4 Increases in service charges are typically tied to increases in the cost of providing those services. Proposed changes to service charges have been set to maintain the link between the costs of providing services and the income derived from them.
- 11.5 There are two areas where income does not yet fully reflect the cost of those services, these being:
- Caretaking & concierge: As income is significantly below the cost of running the service it is proposed to increase charges above inflation to catch up over the next 3 to 4 years.
  - Communal areas: As income is significantly below the cost of running the service it is proposed to increase charges above inflation to catch up over the next 3 to 4 years. Costs of this service are particularly influenced by changes in gas and electricity costs

### Garage Rents

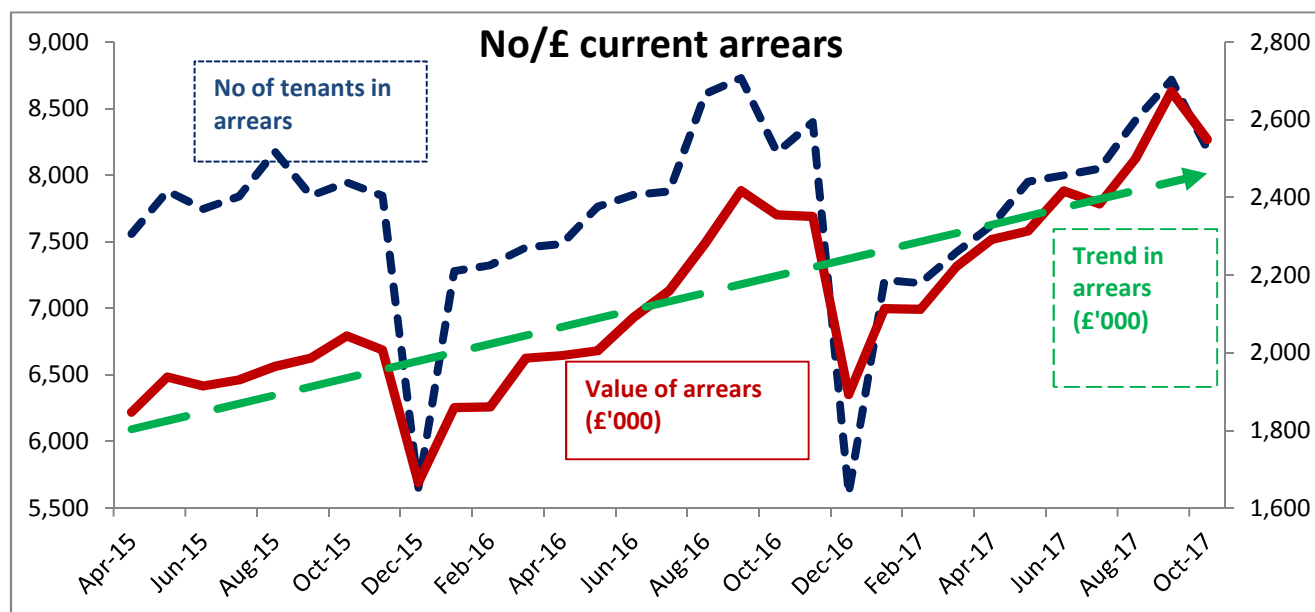
- 11.6 Despite the freezing of garage rents for a number of years, and selective demolitions, the number of empty garages is continuing to increase with just under 42% of garages vacant at present. The programme assumes the



ongoing demolition of unviable garage blocks and improvement of the remaining garages, with a capital budget set aside to address these issues. Rents are set to rise by 3% in line with corporate income targets. Low demand for garages, however, seems to be caused by a more fundamental issue than rent levels, Our garages are typically too small for modern cars, are poorly lit and many are separate from residential blocks.

### Arrears & bad debts

11.7 Arrears levels continue to increase as shown below:



11.8 This is common across local authorities, and is especially influenced by the number of tenants on Universal Credit where arrears levels are twice those of other working age tenants. Universal Credit remains a significant risk to the HRA.

## 12 Repairs and Maintenance

### Changes in R&M

12.1 These can be summarised thus:

|                         | £'k           |
|-------------------------|---------------|
| Current Budget 2017/18  | 21,427        |
| Grenfell response       | 674           |
| Legionella testing      | 100           |
| Gas MOT                 | (149)         |
| Increased voids         | 230           |
| Others                  | (94)          |
| Proposed Budget 2018/19 | <u>22,188</u> |

### Grenfell

- 12.2 As previously indicated the Grenfell Fire Disaster has had a significant impact upon the underlying position, with significantly more work required in relation to flats. This has been costed at

|  |                        |
|--|------------------------|
| Fire protection works to void flats (3+ storey)                    | 500,000                |
| Communal Maintenance - On-going programme of Fire Risk Assessments | 117,000                |
| Rising Water Fire Main - Additional inspections                    | 25,000                 |
| Fire Alarms - Potential enhanced service & inspection              | 10,000                 |
|  | <u><b>£652,000</b></u> |

### Legionella

- 12.3 Hull City Council as a duty holder (landlord) has a statutory obligation to ensure empty properties which are vacated for more than two weeks have control measures put in place to prevent the growth of Legionella bacteria in the domestic water supply before it is re-used. Additional checks on void properties in respect of legionella are now being undertaken at an additional cost of £100k (this affects approx. half of all voids).

### Gas MOT

- 12.4 Revised legislation is to be introduced 2018-19 with an "MOT style" servicing approach adopted. The current 10 month cycle arrangements constantly bring forward the anniversary date of servicing by 6 weeks each year which results in some properties receiving two gas services within a financial year. The legislation provides for a new approach which preserves the anniversary date of a service when it is carried out up to 8 weeks ahead of the due date. The timing adjustment is being made in the current year and will effectively change the process to the previous arrangements whereby each property will now have only one service order raised each financial year reducing service numbers by approximately 3,000 and saving £149,000.

### Voids

- 12.5 The long term trend in voids continues to be downwards, although there has been a spike in 2017/18, in the main caused by the opening of the Extra Care units but also a slight underlying increase compared to the assumed budget numbers. An increase of 100 units has been assumed. Voids remain, however, historically low.

## **13 Management and Other Costs**

### Income management software

- 13.1 The primary financial objective of the HRA is to protect the income base, with tenants on Universal Credit proving to be especially challenging and

resource intensive in dealing with and collecting rent from. Universal Credit (& Income collection generally) is a key risk for the organisation.

- 13.2 In order to assist investments are being made in software, including a piece of software that uses algorithms to analyse payment behaviours, aggregate trends, highlight risk and provide predictive intelligence to support a focused and efficient targeted approach to rent arrears recovery work, analysing payment variations, risk and escalating which customers to contact and when. Not only should this allow a more intelligent and targeted approach but savings in staff time on individual cases is expected.

#### Worksmart

- 13.3 As part of the Worksmart programme the HRA will be relocating staff from Mount Pleasant and the Octagon into Warehouse 9 which will include the need for some extensive building works in Warehouse 9 ("W9") which have been costed at £100,000 and are included within the budget for 2018/19.
- 13.4 In addition there is extensive investment in IT software to improve the efficiency and effectiveness of staff. This includes the purchase of the rent software mentioned earlier alongside investment in digital technology which will allow working away from base and the free up office accommodation allowing savings to be made.

#### Document Management

- 13.5 As previously reported the volume of information received from DWP in respect of universal credit is expected to increase substantially over the next year. With this in mind alongside general housekeeping and efficiency measures the HRA is undertaking an extensive programme of digitising information and installing document management software throughout the coming year. This will include a substantial investment in scanning existing documentation such that it becomes available as part of the housing management IT system as well as improving processes to manage existing information flows including workflow management.

#### Northgate replacement

- 13.6 Cabinet received a report entitled "Re-Procurement of Housing Management IT System" in September 2017 which outlined the steps to be taken in procuring a new housing management IT system. This is a significant and highly complex procurement exercise and costs have been included in 2018/19 to provide support, including the engagement of specialist consultants.
- 13.7 Should the conclusion be other than the continuation of the existing system then a period of implementation of at least 4 years for a new system has been assumed. This would be a highly complex process with significant links with other major systems and parts of the Council. Alongside the technical installation, and data transfer/ cleansing issues that would undoubtedly

emerge, several hundred members of staff would require training on the new system and it may require additional hardware and software upgrades elsewhere. To that end an indicative provision of £5m has been included for future years, which is in line with comparable Authorities spend on similar projects.

#### Allocations Policy review

- 13.8 The purpose of the Allocations Policy review is primarily to address issues brought about by welfare reforms and the Housing and Planning Act 2016. In addition, the review aims to ensure that income to the HRA is increased, waste is reduced and advertising and allocation of properties is made as efficient as possible. It is proposed that the review will be in two stages.
- 13.9 Stage 1 will include consideration of the following: the introduction of tenancy affordability assessments to ensure that homes are not allocated to applicants who don't have the means to pay their rent; reducing the number of bids in each "round", to encourage more careful bidding; introducing a limit on the number of properties that can be refused, again, to encourage more careful bidding and reduce administrative costs; expanding the existing priority direct let category of "Fostering" to include those needing to move as part of the Adult Social Care "Shared Lives" Scheme; proposal to relax the restrictions in allocating high rise flats to households with children under 12, in order to make better use of stock; finally, proposal to introduce the principle of taking a weeks' rent at tenancy sign up, in order to safeguard the HRA.
- 13.10 Stage 2, anticipated to be developed in the next financial year, will include a review of the existing housing need points and banding scheme and a review of age restrictions to assess whether improvements can be made.

#### Stock Appraisal

- 13.11 A report to the Housing Review Board in November 2016 noted that, in the light of these policy changes and to ensure the viability of the HRA going forward, we need to adopt a much more rigorous approach to assessment of our current stock's financial performance than previously has been the case. This includes monitoring performance across the stock to identify where groups of properties are already or are likely to become unsustainable. The report in November outlined the introduction of a 2 stage annual process. Stage 1 is a high level of assessment of 380 'beacon' property groups covering all stock. A beacon group is defined by the type size and location of a group of properties.
- 13.12 Stage 1 aims to identify poorly performing groups of properties by using a range of existing data. These property groups identified as underperforming on a range of indicators, are then subject to a more in depth 2nd stage full option appraisal to look in detail at the issues affecting demand for these

properties and making recommendations to resolve them and ultimately reducing pressures on the HRA.

13.13 This approach to stock modelling was approved by the Board to ensure the long term viability of the Housing Revenue Account. A focus on poorly performing assets on the basis of their Net Present Value (“NPV”) and other key sustainability indicators will ensure limited resources are allocated in a way that represents value for money and also improves resident satisfaction. It will also ensure that failing assets are addressed at the earliest opportunity.

13.14 The stage 1 analysis is based mainly on historical data which means performance projections may be influenced by factors that no longer exist. For example where recent improvements have taken place to properties improved void rates and repairs will not be reflected in current projections. As a result stage 1 can only be taken as a high level indicator of a group’s performance and stage 2 will examine underlying data in more detail to build up an accurate picture of performance. Trend information will continue to be built up as the whole stock appraisal is built into the annual HRA budget process.

## **14 Capital Financing**

14.1 Cost of capital financing reflects the following elements:

- debt management expenses which are a contribution towards the overall Council cost of managing the debt portfolio;
- interest payable on existing debt;
- depreciation both on Dwellings and other properties. Unlike the general fund these costs are charged direct to the HRA but can be used in effect to finance capital expenditure (Major Repairs Allowance or “MRA”); and
- repayment of debt which, consistent with prior years and the general fund, is repaid when it falls due with borrowing back only undertaken when there is a need to finance capital expenditure. This has the benefit of saving interest in the short term.

14.2 Unlike the general fund the HRA operates under a debt cap which was introduced as part of the self-financing settlement some years ago. At present there is some head room which will be used in parts to fund new build. Reaching the cap is not expected until decent homes work undertaken in the last 5 to 10 years requires replacement. However at that point it is expected to place a considerable burden on the HRA.

## 15 HRA Capital Programme

15.1 The proposed capital budget is set out below:

|   | <u>Current<br/>Budget<br/>2017/18</u> | <u>Proposed<br/>Budget<br/>2018/19</u> | <u>change</u> |             |
|---|---------------------------------------|--|---------------|-------------|
|   | <u>£'000</u>                          | <u>£'000</u>                           | <u>£'000</u>  | <u>%age</u> |
| <b><u>Capital Spend</u></b>                           |                                       |  |               |             |
| Maintaining Decent Homes                              | 8,152                                 | 9,351                                  | 1,199         | 14.7%       |
| Mechanical & electrical                               | 3,381                                 | 3,614                                  | 233           | 6.9%        |
| KWL overheads   | 2,000                                 | 2,000                                  | 0             | 0.0%        |
| Others (inc. client costs)                            | 1,400                                 | 1,400                                  | 0             | 0.0%        |
| High Rise Fire Protection Works                       | 0                                     | 2,984                                  | 2,984         |             |
| Council House Adaptations                             | 2,750                                 | 3,000                                  | 250           | 9.1%        |
| Empty Properties                                      | 250                                   | 920                                    | 670           | 268.0%      |
| Regeneration  | 1,636                                 | 1,087                                  | (549)         | -33.6%      |
| <b>Base Programme</b>                                 | 19,569                                | 24,356                                 | 4,787         | 24.5%       |
| Cladding  | 9,489                                 | 9,920                                  | 431           | 4.5%        |
| New build   | 14,602                                | 9,342                                  | (5,260)       | -36.0%      |
| New Build/Empty properties – subject to affordability | 8,284                                 | 0                                      | (8,284)       | -100.0%     |
| RTB grants  | 0                                     | 177                                    | 177           |             |
| <b>TOTAL EXPENDITURE</b>                              | 51,944                                | 43,795                                 | (8,149)       | -15.7%      |
| <b><u>Capital Financing</u></b>                       |                                       |  |               |             |
| RTB Receipts - new build                              | 1,411                                 | 1,081                                  | (330)         | -23.4%      |
| RTB Receipts - general                                | 676                                   | 1,377                                  | 701           | 103.7%      |
| NAHP  | 2,206                                 | 3,138                                  | 932           | 42.3%       |
| HCA grants - indicative                               | 4,030                                 | 0                                      | (4,030)       | -100.0%     |
| ECO   | 602                                   | 597                                    | (5)           | -0.8%       |
| Empty Homes Grant                                     | 88                                    | 0                                      | (88)          | -100.0%     |
| MRA (general)   | 39,514                                | 25,972                                 | (13,543)      | -34.3%      |
| Borrowing   | 3,418                                 | 11,631                                 | 8,212         | 240.3%      |
|   | 51,944                                | 43,795                                 | (8,149)       | -15.7%      |

### Maintaining Decent Homes

15.2 Costs in relation to maintaining decent homes standard going forward have been included in line with previous years. This maintains properties in a reasonable state of repair and to the minimum level required of the decent homes standard but does not necessarily meet aspirational standards going forward. Work is included on a planned basis reflecting our understanding of the condition of the stock.

### Fire Protection Works

- 15.3 As set out earlier in this report there are a number of costs included within the budget as a response to the Grenfell disaster. In 2018/19 a provision of just under £3m has been included to undertake works to doors in high rise flats curtain walling upgrades and work to sprinklers risers and communal fire alarms. It is potentially the case that findings that emerge from the review may lead to further works being required and thus cost pressures in 2018/19 and or future years.

### High Rise electrical Mains

- 15.4 The Council has been in dialogue with Northern Power regarding the ownership of electrical mains with tower blocks (& thus where the consequent maintenance responsibility lies) for a number of years. There are a number of blocks where the mains supply terminates at ground floor level where Northern Power assert that the responsibility is the Council's not theirs, although this is subject to ongoing legal debate which has not concluded. Should Northern Powers position prove to be legally valid then there is a maintenance liability of £3.75m for these blocks where work would need to be undertaken over the next 5 years. This is particularly prescient now given Grenfell. Further discussions between Housing, Legal colleagues and Northern Power are due to take place to attempt to resolve this issue.
- 15.5 Costs in relation to this have not been included in the budget – however, should the works be required then the budget would need to be adjusted accordingly.

### Council House Adaptations

- 15.6 As part of the Housing Review there is a project to develop a fair but more cost effective policy to meet disabled customers' needs and at the same time make the best use of the council's adapted housing stock. The HRA spends around £2.75m per annum with approximately 25% of the council stock adapted to a greater or lesser extent. Typically around 500 properties become void each year although this has seen a significant increase in the current year as the three extra Care schemes have opened.
- 15.7 Cabinet will be requested to consider a new adaptations policy at its meeting in January 2018 which, if adopted, is expected to lead to savings of £250,000 per annum. This has been reflected in the budget proposals for 2018/19 onwards although it appears possible that the savings from 19/20 onwards may exceed that sum.
- 15.8 In the meantime, principally because of a shortage of Occupational Therapists, there is a considerable backlog back in existing applications which are likely to lead to a saving in the current year of £500,000 and it is proposed that this will be caught up in 2018/19 meaning a budget of £3m, reducing to £2.5m in future years.

### New Build

- 15.9 The budget allows for the continuation of the existing new build programme with sites at Orchard Park and Preston Road concluded during 2018/19.
- 15.10 In addition to this the council is exploring the potential for a further 186 new build properties on a variety of typically smaller sites subject to detailed evaluation and planning permission and a further 100 on larger sites. Work on undertaking site investigations will commence in 2018/19 with an expectation of being able to commence up to 25 additional properties which would be completed and available for rent the following year.
- 15.11 Further to this a provisional estimate of 25 new build properties per annum has been built in over the medium term although these would clearly need to have sites identified and would need further work in due course.
- 15.12 Over the next five years c£42m is expected to be invested on the confirmed new build programme with the potential for an additional £17m to be spent on further new build subject to the constraints highlighted above.
- 15.13 Numbers of new units expected to be completed are set out below:

| <u>Units</u>                             | <u>2017 /<br/>2018</u> | <u>2018 /<br/>2019</u> | <u>2019 /<br/>2020</u> | <u>2020 /<br/>2021</u> | <u>2021 /<br/>2022</u> | <u>2022 /<br/>2023</u> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Preston Road New Build Provision         | 113                    | 15                     | 0                      | 0                      | 0                      | 0                      |
| Orchard Park New Build Provision phase 1 | 86                     | 0                      | 0                      | 0                      | 0                      | 0                      |
| Orchard Park New Build Provision phase 2 | 0                      | 91                     | 0                      | 0                      | 0                      | 0                      |
| Longhill bungalows                       | 7                      | 0                      | 0                      | 0                      | 0                      | 0                      |
| General New build Provision              | 0                      | 0                      | 45                     | 95                     | 94                     | 52                     |
|  | 206                    | 106                    | 45                     | 95                     | 94                     | 52                     |

- 15.14 In addition, partners are expected to deliver a further 400 to 450 new social housing units in this timeframe, subject to the availability of grant.

### Cladding

- 15.15 Continuation of the existing cladding programme is planned to take place over the coming three years with properties in other areas of the city being covered alongside those previously improved in Preston Road and Orchard Park. Overall future costs of £27.6m have been budgeted which is in line with expectations set out in last year's budget

### Right to Buy Receipts

- 15.16 Cabinet approved a proposal to use surplus Right to Buy receipts that would otherwise have had to be returned to CLG to support other social housing providers build properties in the City. To be eligible providers would have to



apply to be on our framework (all Registered Providers being deemed to be on automatically) and would be free to submit proposals each quarter. To date there have been three proposals, which would initially support 21 new build or renovation properties, with the next round of bidding due to close at the end of December. Bids are being invited on a quarterly basis, and will be funded based on the quality and value for money of applications against the available resources.

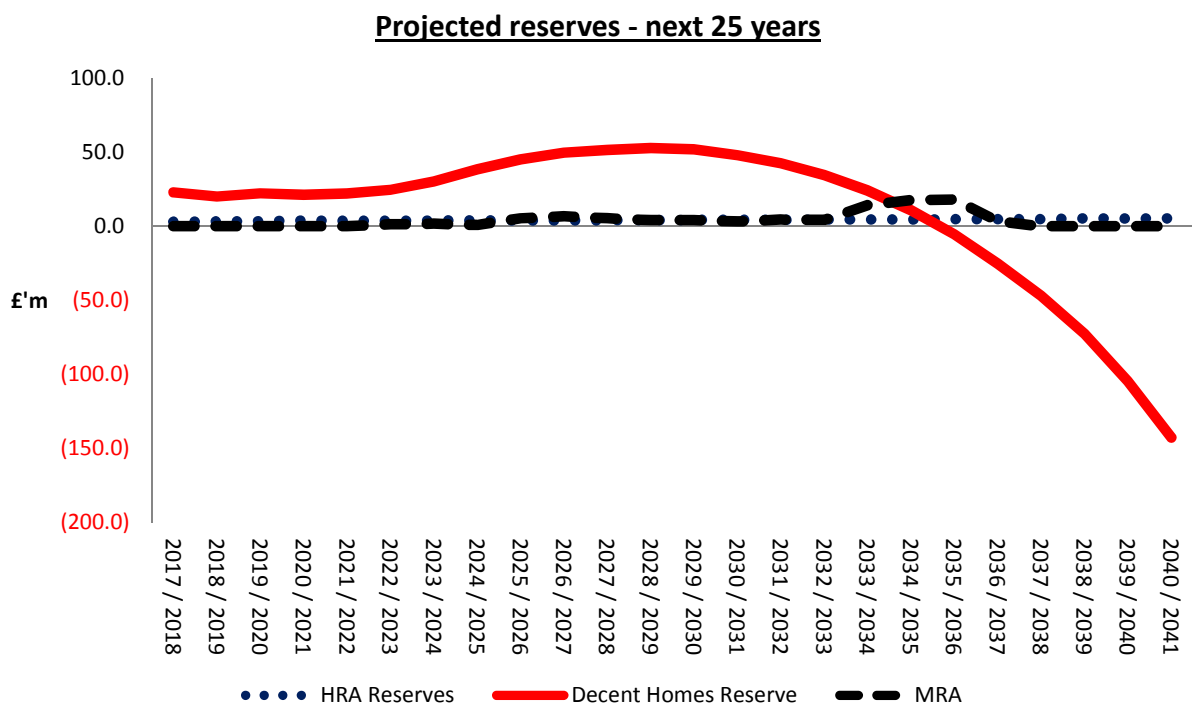
### Total investment

15.17 The table below shows the 5 year commitment to regeneration schemes.

|   | <u>HRA input</u>   |
|---|--------------------|
| New build                                       | £45,845,490        |
| Cladding  | £27,622,854        |
| RTB Grants                                      | £4,801,643         |
| Indicative new build (subject to affordability) | £16,770,970        |
|   | <u>£95,040,958</u> |

## 16 HRA Reserves

16.1 The graph below shows the projected HRA reserves over the next 25 years.



16.2 Reserves are held for the following primary reasons:

- To cover against the inherent risks in the business such as non-collection of rent and a sudden and increased need to spend (responding to Grenfell being a case in point).
- To fund the future need to spend – in effect to ensure that we can continue to maintain and repair our properties over the coming years, especially needed given the cyclical nature of the spend.

16.3 Members will note that should we take no further action then HRA reserves would be negative in around 15 years' time. It is not legally permissible<sup>1</sup> to have negative reserves and therefore there is a requirement to take further measures that either increase income or reduce costs. The scale of savings required is approximately £2.5m per annum and this is reflected in the sensitivity analyses shown later in this report.

16.4 Whilst this remains a challenging target especially in an environment with significant change, not least in relation to Universal Credit, alongside any further changes to government or local policy, this is still felt to be achievable.

## 17 Risks and sensitivities

### Sensitivities

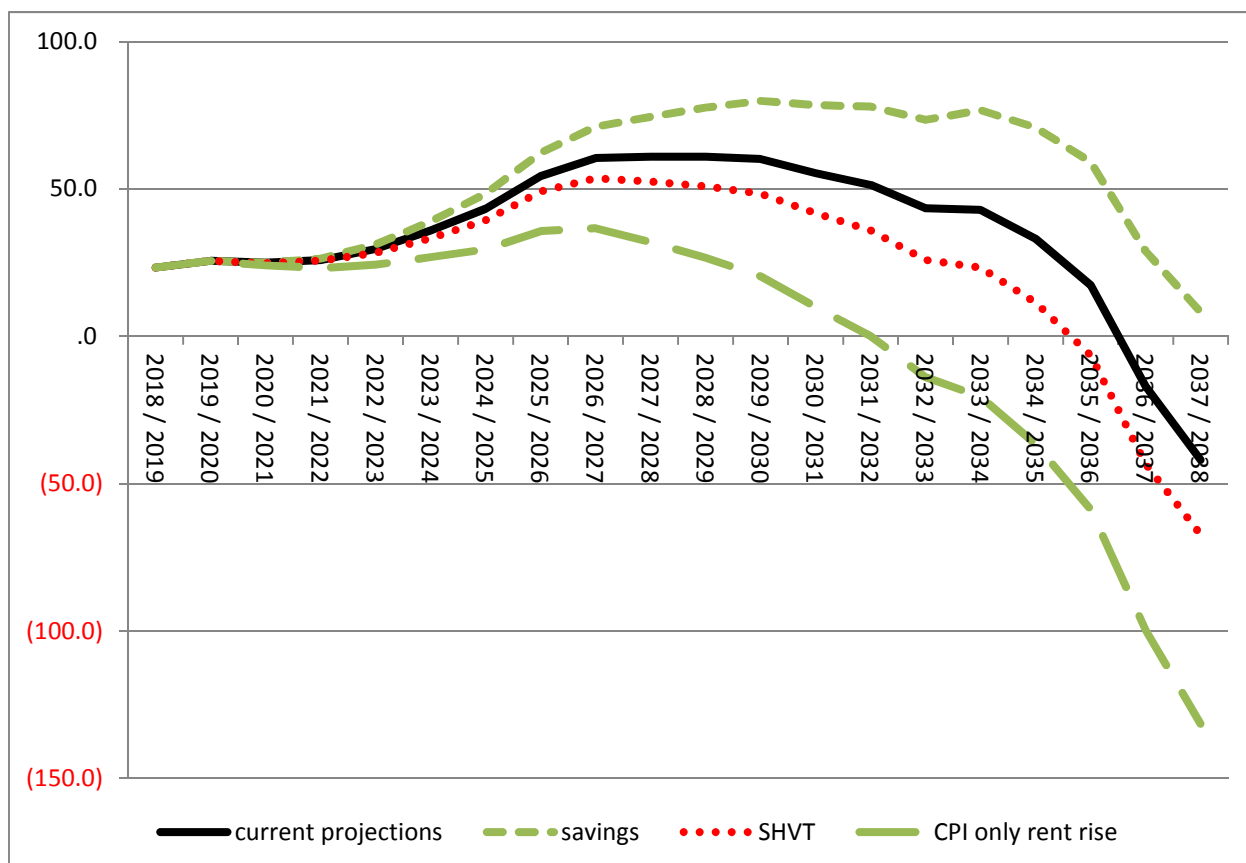
17.1 The following sensitivities have been modelled:

- Additional savings are found of £2.5m per annum (spread over 4 years – i.e. £625k in the first year, £1.25m in the second etc.).
- The sale of high value council properties levy being introduced in 2019/20 at a cost of £1m per annum
- Rent rises from 20/21 being restricted to CPI rather than CPI+1%

17.2 The reserves at the end of 5, 10, 15 and 20 years for these scenarios compared to the base is shown below.

|                            | <u>2022 / 2023</u> | <u>2027 / 2028</u> | <u>2032 / 2033</u> | <u>2037 / 2038</u> |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
|                            | <u>£'k</u>         | <u>£'k</u>         | <u>£'k</u>         | <u>£'k</u>         |
| current projections        | 29,591             | 60,870             | 43,310             | (41,973)           |
| Savings (further £2.5m pa) | 31,120             | 74,463             | 73,488             | 8,328              |
| SHVT                       | 28,277             | 52,496             | 25,900             | (67,236)           |
| CPI only rent rise         | 24,228             | 31,931             | (13,859)           | (131,537)          |

<sup>1</sup> Section 76(3) of the Local Government and Housing Act 1989 places a duty on the Authority to prevent a debit balance on the Housing Revenue Account.



## Income

- 17.3 In line with all other housing providers, collection rates from tenants on Universal Credit are significantly worse than for other tenants. There remains a significant risk that the costs of this both in terms of bad debts and ongoing enforcement and collection rates may be considerably higher than expected, especially when the need to collect rent from tenants who have no recent history of making payments and may also be affected by the benefits cap come into play. Collection rates and average arrears levels in authorities that have preceded us are generally far worse than our current experience.

## Sale of High Value Properties

- 17.4 At the time of writing the proposal for a levy on higher value properties remains in legislation but no action appears to have been taken by central government other than data collection. In previous years we had allowed for a £1m per annum payment to be made, although this number was a broad estimate. In the meantime the housing industry has lobbied hard on this issue, especially with regard to areas like Hull where sales values could not possibly lead to one for one property replacements. The provision has been removed from the budget but, as part of the sensitivities the continuation of this policy has been modelled.

## BREXIT

- 17.5 Whilst the outcomes of BREXIT are presently unknown there are essentially three main risks that may transpire.
- 17.6 Firstly, a shortage of suitable workers may arise meaning increases in labour costs, especially at a time when there are wider capital works in the area. This may impact both on ongoing repairs and maintenance costs as well as regeneration and new build programmes.
- 17.7 Secondly, there has already been a general degradation in exchange rates leading to inflationary pressures in imported raw materials and finished products, and this could worsen in future.
- 17.8 Thirdly, is the impact it might have on the general economy and how this might affect the wider tenant base (& thus ability to pay rent or issues around demand for our properties).

## **18 Finance comments**

- 18.1 This report provides a comprehensive overview of the HRA Budget.
- 18.2 Housing faces an agglomeration of pressures over the coming years, and the financial implications of Universal Credit in particular has the potential to be severe. As set out in the report and the appendices, arrears levels are already very high and are likely to rise over the coming months and years as full roll out of Universal Credit continues. The benefits cap remains in place and has been frozen for a further year. The Housing Review continues to deliver progress but this is more to generate the ability to cope with the forthcoming issues rather than deliver cashable savings.
- 18.3 It seems likely that the threat of the levy on higher value properties (SHVT) has receded but this policy remains in the extant legislation as do Fixed Term Tenancies. These have the potential to destabilise the service if enacted. Rent rises are now being allowed to rise by CPI+1% from 2020/21 and this would alleviate a considerable proportion of the ongoing savings targets, but we have seen the Grenfell disaster during the year which has already added a fiscal burden to the service with scope for further costs to emerge.
- 18.4 Previous sensible fiscal management means that there is a sufficient level of reserves and borrowing capacity to allow the HRA to see through the next few years but significant changes in the underlying budget must be implemented within the next 3 to 4 years if the HRA is to remain fiscally solvent over the medium to long term. Additionally the modernisation agenda will allow the Service to develop the resilience to adapt to the changing environment. It is imperative that the fiscal focus covers this longer period and does not concentrate only on the shorter term.

## **19 Legal comments**

- 19.1 Section 74 of the Local Government and Housing Act 1989 requires a local housing authority to maintain a Housing Revenue Account in accordance with proper practices. Section 76 of the Act places a duty on the Authority to prevent a debit balance on the Housing Revenue Account. The proposals in this report fulfil those requirements and the recommendations in the report are supported.
- 19.2 The legal implications of factors which will materially impact upon the Housing Service and in turn the Housing Revenue Account are thoroughly highlighted and discussed within the report. The impact of Government changes to welfare benefits discussed in this report is having a bearing upon the level of tenancy breaches, particularly in respect of non-payment of rent. This is set to increase as the programme of benefit changes takes effect in the City. This will inevitably lead to an increase in the number of possession proceedings and evictions in Council tenancies and will have a financial impact in terms of increased court fees and costs. Evictions are likely to influence the number of homelessness applications received by the Council which will in turn impact upon the General Fund.

## **20 Human Resources comments**

- 20.1 The staffing issues are covered in the report in terms of the review of structures and movement of staff between buildings. There are no equality issues arising from the budget proposals.

## **21 Comments of Overview and Scrutiny**

- 21.1 The Finance and Value for Money, Overview and Scrutiny Commission, considered the 'Housing Revenue Account Budget Setting 2018/19 and Beyond' on Friday, 15 December, 2017. The Commission noted the contents of the report.

Ref. Sc4462

## **22 Conclusions**

- 22.1 Easing of the restrictions on future rent rises and the abandonment by the Government of the LHA cap in particular, alongside savings made to date, have seen the underlying position in the HRA improve to the extent that a further £2.5m of savings would see the HRA revert to the position prior to the commencement of the required 1% reductions in rent.
- 22.2 The budget provides for an extensive investment programme in new build properties in particular with £95m in investment committed over the medium term.
- 22.3 However, the most significant threat remains the Council's ability to collect income, especially as the roll out of Universal Credit continues. Post self-

financing the only long term monies available to the HRA is the money collected from our tenants in rent and service charges. Protection of this revenue is vital to the continued sustainability of the HRA.

- 22.4 The scale of the savings required are now at a point where they should be manageable as the Housing Review starts to bear fruit in terms of savings and income maximisation.
- 22.5 There remains a risk that Government Policy may change that could destabilise the HRA again but the ability to mitigate such changes is greater than it was three years ago.

***Councillor Stephen Brady, Leader of the Council***

*Contact Officer – David Bell      Tel. 01482 613084*

*Officer Interests:*      *None*

*Background Documents:*

## **Appendix 2**

### **Rent and Service Charge Setting Policy Statement 2018/2019**

Hull City Council aim to set rents at a level that allows us to manage our properties well, to maintain them and to provide appropriate services and amenities for our tenants whilst keeping affordability in mind. We set rents and service charges in line with legislation, best practice and our service standards.

Customers are given at least 4 weeks notice of changes to their rent and service charges. Changes to rent will normally occur once a year on the first Monday in April. Rent is payable for each week of the year but the rent payable over the whole rent year is apportioned over 50 or 51 weeks (depending on the number of weeks in that particular rent year). This means that there are two weeks per year when customers are not required to pay rent (unless they are in arrears). The 2 weeks when customers are not required to pay will be in December each year and customers are notified of this in writing.

#### **1. Rents**

Our properties are generally let on either a Formula Rent or an Affordable Rent.

##### **a. Affordable rent**

Local authorities are able to agree with the Homes and Communities Agency to convert a proportion of their properties which are being re-let on an affordable rent to help fund the development of new homes. This means that the Council can charge a different rent (which could be higher) than their usual rent charge.

The Council may wish to use affordable rent tenancies where:

- major investment in particular housing stock has been or will be undertaken
- funding for a project requires that the Council use affordable rents.

Where the Council is considering using affordable rents tenancies it will:

- carry out reasonable consultation with the local community on its proposals
- undertake a financial viability test
- set out in a report the reasons for using affordable rents and the benefits the Council expects
- require any decision to adopt the proposed affordable rent scheme to be approved by the Head of Service with responsibility for the management of the Council's housing function in consultation with the Council's Portfolio Holder with responsibility for the Council's housing function.

The maximum rent for an Affordable Rent property, when it is first let to a new tenant, is 80% of the market rate, inclusive of service charges, or the 'social rent rate' (exclusive of service charges), whichever is higher. Each subsequent year, rents will change in line with changes in Formula Rents.

New homes built or those which have undergone major refurbishment schemes will be let at Affordable Rents or Formula Rent, whichever is the higher.

b. Formula Rent

Formula Rents are set based on Government Formulae for each individual property with annual increases in line with CPI + 1% each year, except for the 4 years commencing April 2016 when they will fall by 1%. This does not apply to service charges. Actual rent increases are determined by Council each year but rents will never be set at more than Formula Rent. All properties becoming empty will be re-let at Formula Rent. Where any significant structural alterations take place, such as the addition of extra bedrooms, the Formula Rent may be amended to take account of the change.

c. Shared Tenancies

Where properties are let with shared tenancies, rent may be set at not more than the Shared Accommodation Rate of Local Housing Allowance per bedroom.

d. Other Rent Models

The Council may develop other rent models to reflect the changing circumstances, especially in relation to Benefit eligibility.

Where the Council is considering developing a different model it will:

- carry out reasonable consultation with the local community on its proposals
- undertake a financial viability test
- set out in a report the reasons for using affordable rents and the benefits the Council expects
- require any decision to adopt any different rent scheme to be approved by the Head of Service with responsibility for the management of the Council's housing function in consultation with the Council's Portfolio Holder with responsibility for the Council's housing function.

2. Service charges

Service Charges are set to recover the costs of the service provided wherever possible and will change based on changes in costs. Some service charges are currently set below cost and these will be increased over time to align with costs. Service charges will never be set at more than the cost of providing that service.



# HULL HOUSING STOCK INVESTMENT AND ASSET MANAGEMENT STRATEGY 2018-2022



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## Foreword

At a time of unprecedented change within the national and local housing markets we continue to strive to make Hull a place where people choose to live, learn and work.

Providing our own affordable well maintained and energy efficient homes, alongside supporting delivery by our partner organisations, is key to achieving these goals.

The current economic climate and the anticipated impact of Welfare Reform presents a challenging financial environment for the Council and its partners. This Strategy outlines how we propose to address the challenge by focusing on key investment priorities.

The recent tragic fire at Grenfell highlights the importance of maintaining Health and Safety within our homes and this investment remains a key Council priority.

We will continue to meet our statutory obligations and maintain the Decent Homes Standard across our stock and where finances allow we will look to deliver a more aspirational standard that provides the best outcomes and offer for existing and future residents.

Other priorities outlined within this Strategy reflect the continuing success of our Regeneration areas, where the delivery of new homes and investment in existing properties is changing lives and revitalising communities at Ings and Preston Road and Orchard Park.

The pressures around Welfare Reform have been well publicised and the Strategy outlines the predicted impact and how we propose to adapt our housing offer to meet anticipated need particularly for single and elderly households.

For the first time in many years it is exciting to be planning new build programmes outside of regeneration areas to meet changing demand within our communities.

Improving our performance also means addressing stock or homes that are no longer in demand and where future Welfare changes are anticipated to reduce demand further, placing an increased financial burden on the Housing Revenue Account. The Strategy also outlines how as an authority we are considering a range of targeted solutions for failing stock outside of the main regeneration areas to ensure we are providing homes that people can both afford and choose to live in.

The next 5 years are going to be extremely challenging and we must ensure we make the right decisions based on sound information. This strategy is a key part of that process and I recommend this document to all stakeholders.



**Councillor Black**

**Portfolio /City Plan Enabler:Housing**

## Executive Summary

The 2018-2022 Housing Stock Investment and Asset Management Strategy (HSIAMS) has been produced at a time of significant change in national housing policy and welfare reform. These changes will in turn inevitably impact on Hull's housing market and the Council's role within it.

The Strategy sets out for the Council and our customers the major issues affecting stock investment including continuing to meet the decent homes with robust, affordable plans for effective and sustainable investment in Hull's public sector housing stock.

The strategy is based on a clear understanding of the condition and future investment needs of our existing stock and an analysis of changing patterns of demand in future years. It takes a rigorous approach to sustainable investment in order to optimise the financial performance of our properties to provide homes that people can afford and want to live in whilst maintaining the overall financial viability of the HRA.

The table below summarises our investment priorities which will direct our response to these challenges over the term of the Strategy;

| Strategic Priority  | Investment Priority                                    |
|---|--|
| Quality Homes   | 1.Health and Safety                                    |
| Quality Homes   | 2.Maintaining Decency                                  |
| Neighbourhood Renewal   | 3.Support for existing Renewal Areas                   |
| Reducing Fuel Poverty/<br>Improving Energy<br>Efficiency/Climate Change | 4.Energy Efficiency Improvements                       |
| Enabling Access   | 5.Disabled Adaptations Improvements                    |
| Better Use of Existing Stock<br>/Enabling Access                        | 6.Remodelling / Sustainability Schemes<br>Improvements |
| Quality Homes/ Enabling Access  | 7.New build  |
| Reducing Empty Homes  | 8.Empty Homes Programme                                |
| Quality Homes   | 9.Planned Renewals above Current Decent Homes          |

## **Introduction – What is Strategic Asset Management?**

**‘Building, managing and maintaining investment in homes that people want to live in at a cost that they and the business can afford’**

(ref Housing Quality Network 2017)

With over 24,000 existing Council homes, the effective management of these homes can play a significant role in delivering the Council’s citywide strategic objectives and improve the wellbeing of the people in Hull.

An effective and active approach to asset management involves;

- As a landlord establishing clear aims and objectives that support the wider strategic plans of the Council
- Understanding the risks and context of investment decisions in terms of the impact of local and national developments and policy
- Making decisions based on a good understanding of customer needs and preferences and a robust assessment of likely future demand
- Basing decisions on good information about the stock and its future investment needs and on informed budget projections
- Being prepared and able to deliver a range of options and changes to service delivery in order to tackle poorly performing stock
- Using remodelling, demolition and new build development to promote area regeneration and add value to our asset base
- Providing effective maintenance for existing stock including targeted planned and cyclical work programmes and an effective responsive repair service for tenants
- Ensuring compliance to statutory and regulatory obligations such as CDM, gas and electrical safety, asbestos and legionella
- Providing overall value for money(VFM) in all aspects of service delivery

## **1. Scope and Purpose of Hull's Asset and Investment Strategy 2018-2022**

The 2010–2015 Housing Stock Investment and Asset Management Strategy (HSIAMS) sets out for the Council and our customers a number of key investment priorities for the Housing Revenue Account (HRA) directed at supporting the Councils broader strategic objectives.

Revisiting the strategy has been delayed in the light of Government's ongoing 'austerity agenda' with continuing reductions in all areas of public sector investment and changing views of the future role of social housing.

During the intervening period we have undertaken a major reassessment of the likely impact of welfare and rent reforms on our available finances and the differential impact of these reforms for future demand across the stock.

Alongside the publication of the Councils revised Housing Strategy 2018–2020 it is now timely to revisit previous priorities and set a high level framework for delivery for the housing capital programme for the next 5 years.

The Asset Management Strategy guides investment decisions in Hull's public sector housing stock. It aims to provide the best possible housing offer for existing and future tenants by;

### **Delivering Quality Housing**

- Maintain the standard of housing customer offer with desirable, affordable energy efficient homes
- Ensure the health and safety of our tenants and residents through compliance with Health and Safety legislation

### **Enabling Access to Housing**

- Satisfy supply and demand including the provision of specialist housing

### **Progressing Neighbourhood Renewal**

- Ensure efficient focused investment in HRA stock to help create successful sustainable communities identified through the Neighbourhood and Housing Strategy

### **Ensuring Value for Money**

- Ensure value for money through informed investment and effective procurement which delivers efficiency savings where possible

Delivering efficient services and high levels of customer satisfaction

The Strategy supports the delivery of the Housing Strategy and informs the HRA Business Plan. It also sets out an approach to procurement which aims to ensure that maintenance and improvement programmes are delivered in the most cost effective way.



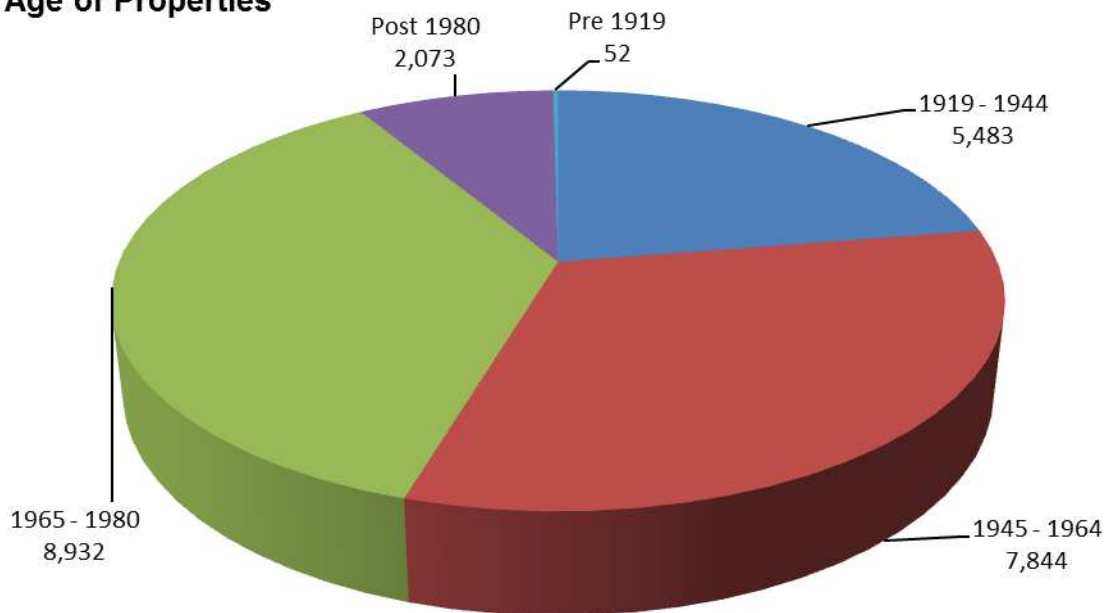
## Stock Profile

### Figure 1



**Figure 3**

**Age of Properties**

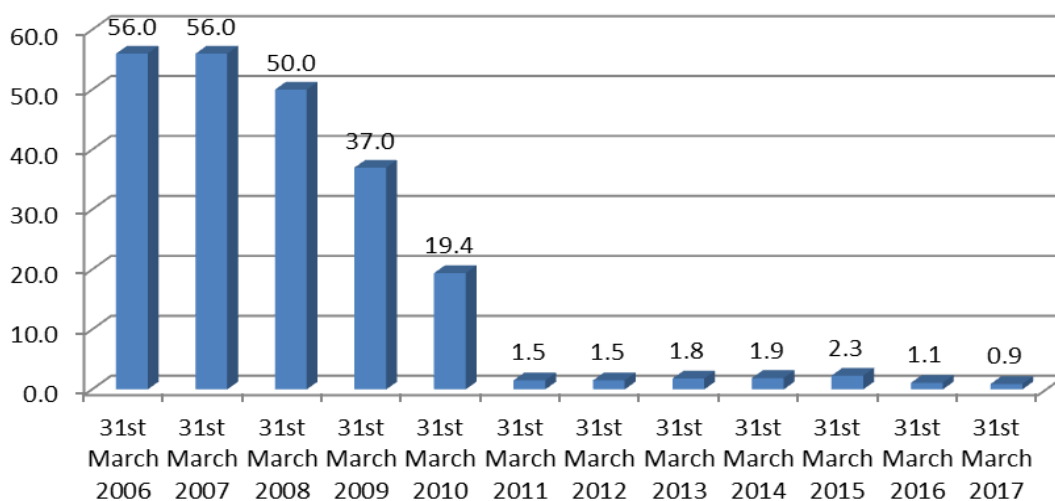


**Overview of Stock Condition**

Hull invested over £155m to between April 2005 and March 2011 to bring all properties up to decency and make required improvements. The first year of significant levels of DHS investment in the stock was 2005/2006. Decency was achieved by March 2011 with the exception of a small number of void properties at the end of the year with outstanding works. The graph below indicates the level of progress since the start of the programme when 56% of Hull's housing was non decent. We have continued to maintain our overall decency position through targeted planned work programmes.

**Figure 4**

**% Non Decent Stock**



Hull has delivered the DHS on an elemental basis taking into consideration the age and condition of individual elements before replacement. The current DHS delivery standard is set out in **Appendix 1**.

### **Traditional Housing Stock**

Pre-war housing is mainly traditionally built stock situated on large estates across the city but there are also a small number of traditional pre-war flats in smaller pockets within the estates.

The traditional pre-war estates received significant levels of improvement in the 1980s and early 90s through extensive whole house refurbishment schemes including re-roofing. This stock is generally in good condition and required minor investment under the current Decent Homes to 2011. However some cyclical replacements of elements replaced during the initial refurbishment are now being picked up again for replacement over the next few years. These properties are of solid wall construction and while most received some level of internal insulation during whole house improvement programmes, would benefit from additional wall insulation. These properties have received loft insulation to current standards where it has been possible to gain access and install.

Damp problems which relate to the original construction have recently been identified in a number of 3 storey walk up blocks of flats built in the 1920's. Solutions are currently being investigated and will be costed in to option appraisals to determine the long term sustainability of the blocks.

Early post war traditional stock remains popular. This is predominantly estate based traditional stock which is generally in high demand, supported by the high proportion of Right to Buy's (RTB's) in these areas. These properties are generally in a good structural condition and a reroofing programme for most early post war properties will be completed by March 2019. These properties benefited from the Councils Housing Energy Project which ran from late 1999 to 2004 and invested approximately £50m (city wide) in replacing external doors and installing PVCu windows, gas central heating and rewiring. The stock had further internal updating of kitchens through the Decent Homes programme and continues to receive cyclical elemental replacements. Unlike pre-war properties, where we have been able to install, these properties have received both cavity wall and loft insulation.

### **Non Traditional Housing Stock**

Hull has a high proportion of non-traditional housing. Many of these properties are more problematic in terms of construction with poor thermal efficiency and costing more to maintain. Demolition programmes in current renewal areas have targeted demolition at non-traditional housing reducing overall numbers but 18% of Hull's low rise stock is still non-traditional increasing to 25% when high rise blocks are included. A summary of all non- traditional properties is given in table 1. below.

**Table 1****Non Traditional Stock**

| CONSTRUCTION TYPE | AGE RANGE   | CATEGORY        | NUMBER      | %             |
|-------------------|-------------|-----------------|-------------|---------------|
| 5M                | 1965 - 1980 | House           | 53          | 0.22%         |
| Beals             | 1965 - 1980 | Flat 10+ Storey | 356         | 1.46%         |
| BISF              | 1945 - 1964 | House           | 61          | 0.25%         |
| Calder            | 1965 - 1980 | House           | 58          | 0.24%         |
| Caspon            | 1945 - 1964 | House           | 3           | 0.01%         |
|                   | 1965 - 1980 | Bungalow        | 21          | 0.09%         |
|                   |             | Flat 2 Storey   | 12          | 0.05%         |
|                   |             | House           | 551         | 2.26%         |
|                   |             | Link Flat       | 14          | 0.06%         |
| Kingston          | 1945 - 1964 | House           | 89          | 0.36%         |
| Newland           | 1945 - 1964 | House           | 77          | 0.32%         |
| Other MS Blocks   | 1945 - 1964 | Flat 10+ Storey | 653         | 2.68%         |
|                   |             | Flat 6-9 Storey | 165         | 0.68%         |
|                   |             | Flat 10+ Storey | 430         | 1.76%         |
|                   | 1965 - 1980 | Flat 6-9 Storey | 30          | 0.12%         |
|                   |             |                 |             |               |
| Spooner           | 1945 - 1964 | Bungalow        | 57          | 0.23%         |
|                   | 1965 - 1980 | House           | 194         | 0.80%         |
|                   |             | Bungalow        | 12          | 0.05%         |
|                   |             | Flat 2 Storey   | 8           | 0.03%         |
|                   |             | House           | 9           | 0.04%         |
| Unity             | 1945 - 1964 | House           | 5           | 0.02%         |
| Wild              | 1919 - 1944 | House           | 12          | 0.05%         |
| Wimpey No Fines   | 1945 - 1964 | Bungalow        | 29          | 0.12%         |
|                   |             | Flat 2 Storey   | 20          | 0.08%         |
|                   |             | House           | 218         | 0.89%         |
|                   | 1965 - 1980 | Bungalow        | 238         | 0.98%         |
|                   |             | Flat 2 Storey   | 157         | 0.64%         |
|                   |             | House           | 1865        | 7.65%         |
|                   |             | Link Bedsit     | 2           | 0.01%         |
| Winget            | 1919 - 1944 | House           | 598         | 2.45%         |
| <b>Total</b>      |             |                 | <b>6005</b> | <b>24.63%</b> |

All retained low rise non-traditional properties received works to bring them up to decency by March 2011 but had limited structural works.

Specialist surveys commissioned in 2011 confirmed that some groups of non-traditional properties required over cladding to prevent long term structural deterioration as a result of water penetration and all non-traditional properties had poor thermal insulation standards which would be improved by cladding.

In response to this report the Council commenced a programme of external cladding in 2012/13. The properties identified as requiring cladding for structural purposes were prioritised and have now been completed. The programme to improve thermal efficiency is continuing and 1600 of 2900 non-traditional properties still in Council ownership will be completed by March 2018. Design solutions are currently being sort for a couple of the more problematic construction types but the target is to complete all low rise non-traditional properties by March 2021.

## **High Rise Blocks**

Hull has 26 high rise blocks (6 storeys and higher). All blocks have received some level of external refurbishment and repair since the early 1990s. 14 blocks received aluminium rain screen cladding systems and new windows during the 1990s with the last block completed in 2004. A further 3 blocks have had thermal render systems installed with the last 2 blocks completed in 2010. All blocks have had window replacements and a number have local district heating systems. Additional internal upgrade work has taken place as part of the Decent Homes works programme.

We have recently completed surveys looking at communal plumbing and electrical equipment and funding has been allocated for upgrade works over the next 5 years.

A number of the blocks are facing demand issues and are currently subject to full option appraisals which may identify other spending requirements.

## **Safety in High Rise Blocks**

The tragic fire at Grenfell Towers in Kensington & Chelsea on 14th June 2017, has led to a national review of all aspects of fire safety in high rise blocks over 6 storeys high. None of Hull's blocks with aluminium rain screen cladding are of the same type of materials as those used at Grenfell Towers.

At the time of drafting this investment strategy the outcome and full recommendations of the public enquiry at Grenfell are unknown but we have completed an extensive review of the fire protection safety of our blocks. While our review has not identified any fundamental issues, known remedial actions are being addressed and we have agreed an interim investment strategy in conjunction with Humberside Fire and Rescue Service.

Agreed works include the replacement of the insulation systems to curtain walling panels around enclosed balcony windows to 2 blocks, the replacement of feature curtain walling panels and insulation to 1 block and the upgrading of fire doors to all blocks over a five year period to meet the current British Standard BS476. The budget process has so far has identified £1.4m of required works in 2018/2019 and a further £2.4m over the subsequent four years.

Dependent upon future decisions taken by Hull City Council and potential changes to legislation following the findings of the Grenfell Tower investigation on a range of more fundamental issues, for example the installation of sprinkler systems in individual flats and communal areas, further blocks being upgraded to dry riser firefighting systems and more compartmentation/ separation works within flats these costs could rise to several million

pounds. Such costs have not been included in the short term capital programme but high level assumptions have been factored into medium term financial options.

Health and Safety of course remains the highest priority with regard to stock investment and management and our compliance to other key areas of Health and Safety are covered in section 12.

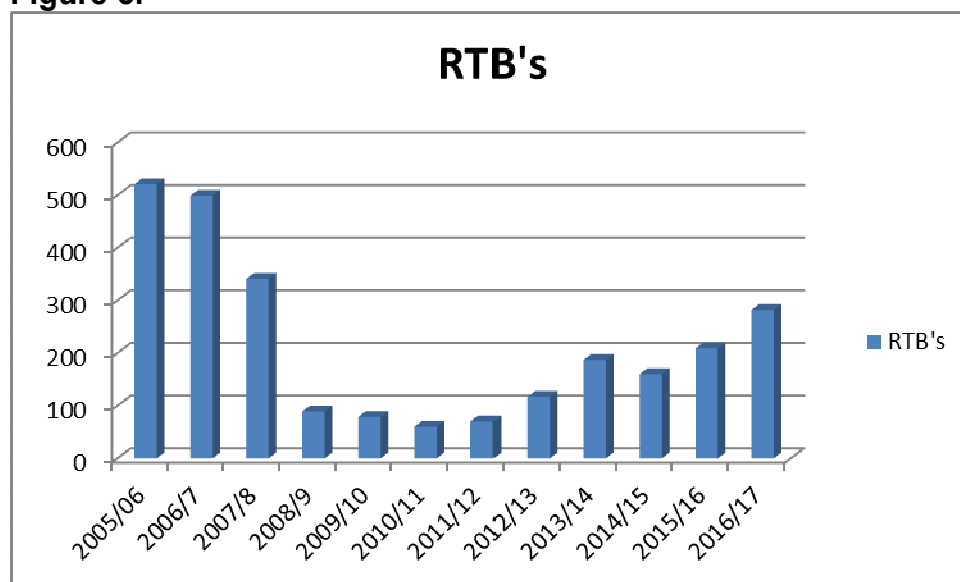
## Stock Projections

Hull's council housing stock has reduced by over 3,000 properties since the last Strategy was drafted in April 2010. Over 1,200 homes at North Bransholme were transferred to Riverside Housing in November 2010 and the rest have been through demolitions in the regeneration areas and through ongoing Right to Buy (RTB) applications.

Demolition schemes are well advanced in the regeneration areas and 1,016 Council properties were demolished between March 2010 and March 2017. A further 348 properties in the last phases at Ings and Preston Road will be cleared in the next 2 years from April 2017.

Right to Buy sales have received a boost from recent Government policy and we are already seeing an increase from a 30 year low in 2010/2011. Financial projections are based on increasing numbers of RTB's with an estimated 1,300 being sold over the period of the Strategy. The financial impact of increasing RTB's and availability of receipts is detailed in section 10.

**Figure 5.**



## Garage Strategy

A comprehensive garage survey was completed in September 2010 at which time over 30% of our garage stock of 6,136 garages were empty and many in a poor state of repair. The report looked at the condition, cost of repairs and identified a backlog of repairs to the value of around £650k.

There was a recognised need to reduce the overall number of garages and reduce pressure on the repairs budget and option appraisals were undertaken on the worst garage sites working with area based staff, tenants and members to look at options around demolition and disposal with a view to possible marketing and redevelopment.

The first phase of the garage demolition programme ran from the 11 September 2013 and was completed on the 11 January 2014 and resulted in 1141 garages being demolished (162 blocks of garages demolished). The first phase reduced the Council's stock of garages from 6136 to 5005 garages (984 garages blocks reduced to 822 blocks).

The second phase of the demolition programme is ongoing and focuses on any blocks of garages which have a high number of voids or which require extensive repairs. To date an additional 232 garages have been demolished (39 blocks) leaving a remaining stock 4773 garages. Despite the level of reduction current void levels remain extremely high with around 40% of our remaining stock empty. A further 63 blocks have been identified and sent to the Area Teams to obtain approval from residents and members to demolish.

The garage appraisal also considered options for the vacant site, to date the preferred option has been to use the site as open parking for residents but some may be used for residential development if they need to be incorporated into a future development site.

We will continue to review the viability of garages across the city. Until a comprehensive plan for the sites has been developed a responsive repair provision will be maintained, but further investment will be kept to a minimum.

### **3. Government Policy –Financial Implications for the HRA**

#### **Hulls Position Under Self-Financing Rules**

Hull City Council with 24,384 homes is the 10<sup>th</sup> largest local authority housing business in the country with an annual turnover from rents and other sources of approaching £95 million per annum

In April 2012 (Localism Act 2011) the HRA subsidy system was replaced with a devolved 'self-financing' model in which local authorities can only spend resources generated through rent or existing reserves. The simplified model aims to encourage more efficient and effective financial planning as authorities have more visibility and control over their own funding.

Under Self Financing rules we are subject to an absolute cap on borrowing and national implementation of this cap was based on estimated debt. The last HSIAMS was produced at a time of uncertainty about Hull's financial settlement under the Localism Act 2011 but as our actual debt levels were lower than the original estimate the local settlement was beneficial to Hull and has allowed a small amount of borrowing headroom to support the capital programme in future years.

Since 2011 spending plans have projected that decency can be maintained going forward whilst retaining sufficient balances on the HRA to ensure investment can be sustained over the 30 year business plan period.

#### **Welfare Reform and National Housing Policy**

Recent years have seen the most significant changes to national housing policy in many decades. Along with the impact of welfare reforms these changes will inevitably and fundamentally change the HRA financially with a knock on effect on the standards of housing and our levels of service to tenants.

Rent income remains the single most important variant for budget projections. The review of the strategy is taking place at a time when we are again facing major uncertainties around the impact of welfare reform on rent collection levels and property demand.

#### **Welfare Reform**

The initial effects of the Governments Welfare Reform, particularly the introduction of the 'bedroom tax' have already been seen through changing patterns of demand for different property types.

Rent collection rates have already fallen since the implementation of bedroom tax and the benefit cap. Hull currently has under 400 households on Universal Credit (UC) and of these 84% (& rising) are in arrears at the time of drafting the Strategy. Full Digital roll out in Hull is expected to commence in December 2018. Despite mechanisms in place to limit bad debt this further roll out remains the biggest risk to rent collection levels making budgeting of the Housing Revenue Account (HRA) difficult over the first years of the strategy period.



Increasing levels of rent arrears can also be compounded by increasing rent collection costs – there will be 10,000 more tenants paying rent directly (or potentially half a million more transactions each year). A service review is currently underway to ensure that efficient ways of working are in place to deal with the challenges of welfare reform and universal credit and to ensure that the Council can maximise rental income whilst at the same time supporting the most vulnerable households.

Some headroom has been built into HRA modelling to allow for the impact of Welfare Reform but even minor variations around assumptions on rent levels and rent collection rates will have an impact on the ability to deliver on priorities outlined in this strategy document.

More detailed monitoring is required over the early years of implementation for the impact on rent payment levels, property turnover and collection costs, before more accurate estimates can be built into the business planning process giving confidence to release resources to target priorities.

### **National Rent Policy - Hulls Position on Affordable Rents**

National Rent restructuring introduced in 2002 was an attempt to develop a fairer system of affordable rents in the social housing sector and to end the inconsistency in rents being charged by different landlords for similar properties of a similar size, location and condition.

Hull adopted the national rent restructuring formula in 2004 with the aim moving toward formula rents initially by 2012. Subsequent changes to Government rent policy meant the convergence date changed with regularity.

The need to maximise income through rent increases has to be balanced against setting affordable rents for tenants. As rent restructuring guidelines were flexible enough to allow authorities to hold down annual rent increase in the knowledge that rent loss could be made up in subsequent years many of Hulls properties had not achieved the formula rent by March 2016 when the system was finally abandoned.

### **Welfare Reform and Work Act 2016 - social rent reduction**

The sudden change in direction in 2016/17 which required social landlords to reduce social housing rents by 1% a year for 4 years from the 2015/16 baseline had an enormous impact on the HRA costing us £15m per annum compared to previous business plan assumptions.

As one of the announcements in The Housing White Paper 2017 the Government has recently confirmed that following the end of the 4 year period of imposed rent reductions we will be allowed to increase rents by Consumer Price Index (CPI)+1% for the following 5 years. Previous years assumptions had, in line with the bulk of the sector, assumed increases of CPI only going forward. This has a benefit of c£0.9m per annum from 2020/21 onwards.

The lifting of restriction of benefits to the Local Housing Allowance rates is also a significant change that will alleviate potential future pressure on our ability to increase

rents and for housing benefit to provide enough money to the tenant to pay it, although this needs to be seen in conjunction with Universal Credit, the Bedroom Tax, and the Benefits Cap.

Both changes remove some of the financial uncertainty post 2020 but Universal Credit still remains the biggest threat to income collection.

### **Changes to Right to Buy**

The Governments continued push to support home ownership has seen an increase in available discount in order to kick start a resurgence of RTB sales. Since the change Hull has seen an increase in the number of properties sold under RTB. Changes to RTB rules now also allow previously pooled receipts to be used by an authority to support up to 30% of the scheme costs of one to one replacement of new affordable rented housing within their area or long term empties brought back into use. The Council has committed to using these surplus receipts to fund our own schemes where possible or for schemes undertaken in the City led by Partner organisations.

### **Housing Association RTB's**

At present there is a pilot scheme in the West Midlands evaluating this scheme and a voluntary arrangement with a number of HAs is in place. Tied to this was the Sale of Higher Value Properties Levy, which has been delayed. At the moment we await further announcements from Central Government as to how or whether this scheme will be extended and how it will be financed nationally. The HRA budget assumes that this levy will not be collected although until it is formally abandoned this remains a risk.

### **The Housing White Paper 2017**

The White Paper "Fixing our broken housing market" was published on 7<sup>th</sup> February 2017 and has 4 main themes

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now

A future Green Paper announced in September 2017 promises a "wide-ranging, top to bottom review" of the issues facing the social housing but the full implications for the housing market including any provision for the financing of new Council provision have yet to be seen.

#### **4. Strategy Development - Local Priorities and Strategy Framework**

Hull's Housing Investment and Asset Management Strategy supports the delivery of a number of the City's key strategic objectives.

##### **The City Plan and Hull's Health and Wellbeing Strategy 2014-2020**

The City Plan recognizes that employment is key to the future prosperity of the City and its ambition is to create and sustain over 7,500 new jobs for local people. Action needs to be taken to remove the barriers to sustainable employment including food or fuel poverty, poor health, low skills or families not getting the help they need early enough.

The Health and Wellbeing Strategy themes are to ensure residents in Hull get 'The best start in life; Healthier, longer, happy lives; Safe and independent lives'

Investment to improve the City's offer of 24,000 Council homes to provide decent, warm and affordable homes in desirable neighbourhoods is critical to overcoming exclusion from education and work and making Hull a place where people choose to live and work.

Supporting local labour is central to all contract procurement. Hull's partnership approach to delivery has seen the creation of hundreds of local jobs. The Council's partner contractor for Housing Repairs and Maintenance and Planned works Kingstown Works Ltd.(KWL) currently employ over 72% of their workforce from within the city boundary. Our recent partnership to deliver wall insulation works to over 3,000 Council properties is one of the largest Energy Company Obligation (ECO) schemes in the country and the contractors have consistently met employment targets with over 75% of the local workforce from the Hull area. The project has also created 14 apprenticeships for local young people.

##### **Hulls Housing Strategy 2017-2020**

Hull' Housing Strategy reflects the aims of the City Plan and The Health and Well Being Strategy with its vision that;

**'Much more than bricks and mortar, housing in Hull provides people with a solid foundation on which to build healthy happy and fulfilling lives. Housing here creates opportunities for anyone to succeed and supports the development of mixed and inclusive neighbourhoods'**

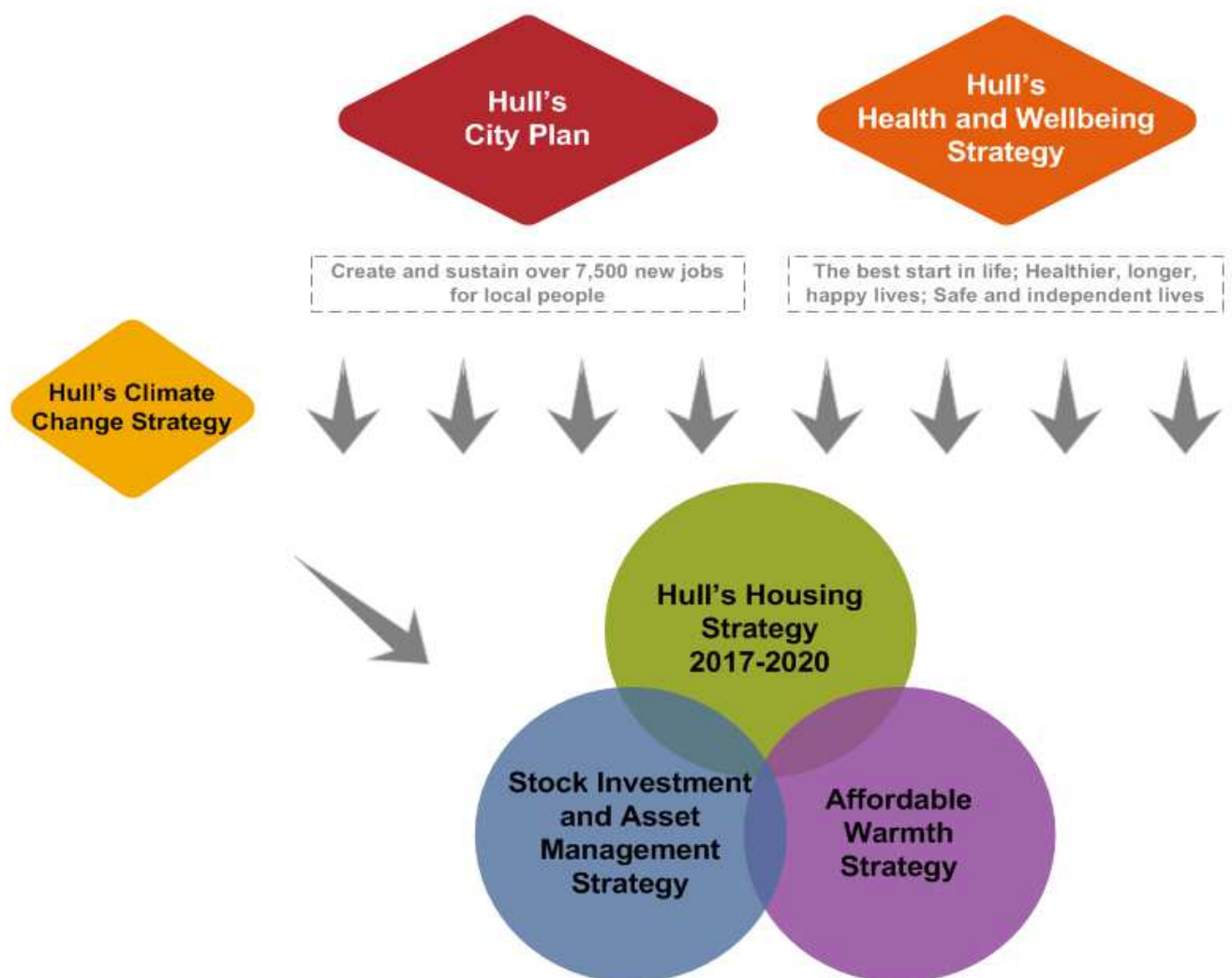
The Housing Strategy sets out interlinked themes and priorities which serve to direct housing investment and project development in Hull at a time of increasing challenge in Hull's housing market. These priorities are to;

- Deliver better use of housing across the existing stock
- Consider how existing stock can be remodeled or used differently to meet current and projected need
- Build more quality homes in well designed neighbourhoods
- Reduce the number of empty properties across the city
- Increase the energy efficiency of existing homes and reduce fuel poverty
- Improve existing neighbourhoods through the delivery of renewal works and integrated interventions

This current strategy outlines how these priorities will be delivered through HRA investment in existing and new Council homes over the next 5 years.

The HIAMS also supports the delivery of outcomes for other local strategies including Hull's The Affordable Warmth Strategy and Hull's Environment and Climate Change Strategy 2010 -2020.

**Figure 6.**



## 6. Quality Housing

The links between health and housing are well established and through investment and management of its Council stock the Council aims to provide safe, warm affordable homes that meet individual needs.

### Decent Homes

Major investment was delivered across our housing stock through the Decent Homes Programme (DHS) delivered between 2006 and 2011. By March 2011 98.5 % of Council homes achieved the Governments Decent Homes Standard. The residual level of non-decency was due to outstanding remedial work for properties becoming void at the end of the year.

Since 2011 planned work programmes have continued to maintain the level of decency across the stock. This has included demolition programmes where properties could not be brought up to standard cost effectively. At March 2017 decency was at 99.1% with the balance again reflecting outstanding void works and a small level of planned work.

In approving The Stock Investment and Asset Management Strategy 2010-2015 the Council adopted the Governments DHS as the base delivery standard for Halls council homes. Annual reviews of affordability take place as part of the HRA Business Plan process and where budgets allow the delivery of 'Homes Standard' has been increased in line with agreed investment priorities. The current delivery standard is shown in **Appendix 1**. This standard is delivered across all work streams including planned void and repairs.

However the overall standard of delivery has been at a level that whilst keeping properties in a reasonable state of repair does not meet more aspirational standards above decent homes and is unlikely to prevent further decline of the stock in some areas without additional targeted investment.

A drop in demand for certain property types suggests that as a housing provider we are failing to adapt to the challenges of an increasingly complex and competitive housing market with increasing tenant expectations.

For example our current delivery standard excludes;

- Modern bathrooms with showers - bathroom elements are only replaced when they fail on condition there is no planned programme of renewal on the basis of age.
- General environmental improvements

These are factors which would generally be expected as part of a modern property standard and the absence of which is likely to affect lettable.

To respond to increasing demands and to safeguard long term income streams, the HRA needs the financial flexibility to undertake additional improvements across the stock. Failure to provide an attractive 'modern' offer will ultimately impact on the overall viability of the HRA.

The Decent Homes Standard remains the base standard for Hull but where affordability allows planned works programmes above the standard in line with identified priorities will be introduced. Short term delivery plans are reviewed annually and balanced according to

agreed priorities and forecast funding. The current 5 year investment programme is outlined in section 10.

### **Newbuild Provision**

**‘Building more quality homes in well designed neighbourhoods’** remains a key aim of the Hull’s Housing Strategy.

The City’s Local Plan, to be adopted in 2017, identifies the need for around a net increase of around 100 new affordable homes per annum to 2032.

Hull has taken full advantage of recent financial and legislative changes to deliver its first major programme of new Council homes since the late 1980’s. Funding from the Government’s Affordable Homes Programme has been used along with the reinvestment of RTB receipts to continue new build programmes in existing regeneration areas and fill the gap resulting from the withdrawal of Gateway funding in 2010.

113 new homes were completed between April 2014 and March 2016 and HRA capital budget provision has been made to deliver a further 221 council homes at Orchard Park and Preston Road up to March 2018 supported by £10.4m of HCA Affordable Homes grant funding.

Recent shifts in the political climate, with a recognition of the role of new council housing provision in addressing the national shortfall of affordable housing, allows us to be optimistic with regard to continued investment in new council properties.

The proposal to expand the new build programme by a further 400 properties over the medium term has been incorporated in to our medium term financial plans This rolling programme of new build properties will be focussed on smaller sites across the city with the aim of boosting investment in neighbourhoods outside of the main regeneration areas.

The HRA will continue to maximise funding opportunities by using RTB receipts to lever in HCA grant and any other funding that might become available.

As well as funding our own newbuild programme we will subsidise partner organisations from our RTB Replacement Fund, in order promote the development of additional affordable homes. Grants for 19 properties have already been allocated to Habinteg and Pickering and Ferens Housing Associations in the 2018/2019 to 2022/2023 capital programme

### **Empty Homes**

Concentrations of long term empty properties can be a major blight in residential streets across the city. Often linked with high levels of crime and anti-social behaviour which if not contained in turn can spiral out of control resulting in further abandonment.

In early 2017 around 2,500 properties in Hull had been empty for over 6 months most of these properties are in the private sector.

Bringing empty homes back into use was a priority for the previous Coalition Government and capital funding from within the Affordable Homes Programme was initially set aside to

tackle long-term empty properties. Hull has been highly successful in successive HCA Empty Homes bidding rounds and from 2012 to 2018 has secured just under £6m of grant funding bringing around 230 properties back into use as council homes and provision has been made to bring back a further 50 empty properties over the next 5 to 6 years continue the programme.

Between 2012 and 2015 we have supported our partners in bringing over 240 empty homes back into use. Further recent approvals have included RTB grant funding for 'Gyroscope' a local community based organisation to purchase and refurbish 8 empty properties.

The empty homes programme has supported neighbourhood renewal in some of the poorest residential areas of the city as well as increasing the supply of decent affordable housing. Other benefits include increased training and employment opportunities.

We will continue to look for ways to reduce the number of empty homes across the city maximising all funding opportunities including the provision of financial support to housing partners.

## **Neighbourhood Quality**

Improving neighbourhoods through the delivery of renewal works and integrated interventions remains a key theme of the Housing Strategy 2017 to 2020. Physical neighbourhood renewal will continue to be focused in priority areas formalised by Area Action Plans (AAP) i.e. Holderness Road Corridor and St Andrews. The main areas of council housing covered by the AAP's are Ing's and Preston Road. Orchard Park also remains a priority area. Targeted investment in these areas is based on a robust evidence base which provides a detailed understanding of the social, economic and environmental makeup of the areas.

While it is recognised that physical renewal works, including general environmental improvements and security works, can have a positive impact improving neighbourhoods, funding even for smaller schemes outside of the main regeneration areas has been limited by affordability over recent years whilst delivering the main DHS catch up programme.

Emerging sustainability issues in particular neighbourhoods or groups of properties means that there is increasing pressure to adopt a targeted spend to save approach. For example tackling anti-social behaviour by implementing small scale improvements and alleviating problems for residents can stabilise turnover, improve demand and in turn reduce financial losses.

Effective solutions require a full understanding of the local factors at play in an area. As part of overall approach to sustainability modelling we undertake detailed options appraisals which involve consultation with area based staff and residents to ensure we have full picture of all the issues before any solutions are implemented (see section 9).

While large scale regeneration cannot be supported by the HRA outside current renewal areas we will prioritise the funding of local solutions resulting from option appraisals which alongside targeted management initiatives aim to improve the overall performance of our stock.

## **7. Energy Efficiency- Addressing Fuel Poverty and Environmental Targets**

Hull is committed to tackling fuel poverty, providing affordable thermal comfort for tenants, and reducing carbon emissions. Energy use in housing is a significant contributor to climate change, with 26% of all carbon emissions deriving from the domestic housing sector. The retrofit of existing homes to improve their energy efficiency and resilience to climate change impacts is an important government policy objective.

### **Fuel Poverty and Affordable Warmth**

National predictions are for energy prices to continue to rise increasing pressure on household energy bills and forcing more households into fuel poverty.

The 'Low Income High Cost' (LIHC) 'indicator of households in fuel poverty is used to identify and target low income households in the poorest housing with disproportionately high energy bills. DECC official statistics confirm that 13.8% of Hull's households are in fuel poverty according to the LIHC measure. Many of Hull's housing estates fall within areas of multiple deprivation (Lower Super Output Areas or LOSA's). Areas of low income and high deprivation also have high levels of fuel poverty. Targeted action to improve the energy efficiency of our stock remains one of the most important ways to reduce levels of fuel poverty in the city and for our tenants.

The standards selected for Government targets around fuel poverty are based on research that shows that by improving the energy efficiency of properties to band B and C SAP (energy efficiency) rating would ensure the vast majority of households could afford to heat their homes and take them out of fuel poverty. While the impact of any physical improvements will always be constrained by energy costs this property targeted approach is referred to as 'fuel poverty proofing homes'.

The Hull Affordable Warmth Strategy outlines Hulls overall approach to tackling fuel poverty and sets targets for the city's housing stock. In line with Government targets, set out in 'Cutting the Cost of Keeping Warm – a Fuel Poverty Strategy for England' March 2015, we aim to ensure that 'as many homes as reasonably practicable achieve a minimum energy efficiency target standard of B and C by 2030'.

### **Current SAP Position**

Since the mid 1990's energy efficiency schemes targeted the poorest properties delivering district heating schemes and cladding to a number of high rise blocks. Major investment in double glazing, gas central heating and insulation packages commenced through the Housing Energy Project in 2000 and has continued through decent homes. Our current delivery standard includes the upgrading of all low-rise heating to full gas central heating, double glazing, and topping up current loft insulation to 280mm and cavity wall insulation where possible. Where tenants refuse upgrades work is undertaken on void. We also take a proactive approach to encourage households who have previously refused energy efficiency upgrades.

There are a number of key measures that impact on an individual properties SAP rating. **Appendix 2** outlines the relative impact of improvement measures on the SAP rating of a property. Hull has prioritised these measures and currently;



- 93% of homes have full gas central heating
- Of these heating systems 40% have 'A' rated boilers and 33% 'B' rated boilers
- 99% of homes are double glazed
- 89% of stock where it is possible to insulate (73% of total stock) has loft insulation over 280mm
- 76% of post war traditional stock that can be insulated have cavity wall insulation
- 18 out of 26 high rise blocks have had external cladding or insulating render installed and the remaining blocks are traditional construction with some level of cavity insulation

In April 2015 the council appointed Wilmot Dixon, now Fortem, as our principal contractor to deliver citywide improvement schemes including an initial programme targeting around 2,900 poorly performing non-traditional or hard to treat Council homes. 1600 non-traditional homes will have been improved with external cladding to March 2018.

All energy efficiency related improvement works are entered into Hull Warm Zone's UNO data base on completion which allows us to calculate an average SAP (energy efficiency) rating, CO2 emissions and average running costs per property, for the whole of the housing stock enabling targeted programmes to be developed

Hull Council stock already meets Government interim targets with all Council homes meeting EPC rating D as a minimum and will use this position as a baseline for further targeted improvements.

### **Future Programmes**

Currently funded programmes in the 5 year capital programme 2018 to 2022 include;

- A lifecycle boiler replacement programme which will upgrade a further 8,300 boilers to A rated by 2020. At the rate of current installations we aim to have all gas heating systems with A rated condensing boilers by 2027
- The external cladding of all of the Council's remaining 1350 non-traditional low rise properties through the Fortem partnership by 2020/2021. As part of this programme we will also seek alternative streams of funding to assist private owners adjoining our properties to benefit from improvements.
- Improved insulation to a further 1200 rationalised traditional properties which are currently partially insulated but have storey height frames which are poorly insulated
- Small residual programmes targeting properties where tenants have previously refused heating and loft insulation as these are often elderly vulnerable households. All previous refusals are improved to the Hull Homes standard including heating and insulation upgrades when they become void.

Government targets are 'for as many homes as possible to achieve a minimum energy efficiency standard of B and C by 2030, will not be met solely by delivering the currently

funded boiler upgrades and non-traditional wall insulation programme. Other areas of work are currently being investigated but are as yet unfunded.

Hull has around 5,500 low rise pre-war solid wall traditional properties. Many of these properties have already received some level of internal wall insulation during improvement programmes in the 1980s and early 1990s but not up to current standards. Further surveys will be required to establish what level of insulation properties already have and what the cost benefit is in terms of improved SAP ratings of adding external insulation.

A feasibility is currently being undertaken to assess the potential for the development of District Heating schemes across the city. The study is being undertaken with the support of the Heat Networks Delivery Unit of the Department of Business, Energy and Industrial Strategy (DBEIS). An initial study for the Orchard Park area of the city identified that a network was determined as technically feasible but at this time it is commercially unattractive. A full feasibility is being undertaken for a more extensive area covering the city centre, old town and Hull Royal Infirmary which has the potential to include some of our remaining high rise blocks which still have electric storage heating.

Option appraisals for smaller scale district heating systems will continue to be undertaken for groups of properties as current systems are due for renewal.

The HSIAMS priorities will continue to contribute to the low carbon agenda at the same time as reducing the impact of rising fuel bills for tenants.

## **Funding Opportunities**

Through its established strategic partnership with Hull Warm Zone, a Community Interest Company, the Council has accessed funding from successive Government schemes to support the delivery of major energy efficiency improvements across Hulls housing stock.

Large scale cavity wall and loft insulation programmes were completed with Carbon Emissions Target (CERT) and Community Energy Savings Programme (CESP) funding as part of Decent Homes programme delivery to 2012. More recently between January 2013 and March 2017 Hull Warm Zone has enabled the Council to access over £3.5m of Energy Company Obligation (ECO) funding from Npower of which around a £1m was used for insulation measures in Council homes. A further £1.4m Re-dressing the Balance funding was secured of which around £900k supported the delivery of wall insulation programmes to non-traditional Council properties.

In it's Clean Growth Strategy published in October 2017 the Government has committed to extending support for home energy efficiency improvements until 2028 at the same levels of ECO funding. Hull will continue to maximise funding opportunities to deliver energy efficiency improvement programmes including increased take up of feed in tariffs where schemes are assessed as financially viable.

We will also ensure that energy efficiency is a consideration through the delivery of all general planned maintenance and other work programmes. However without additional sources of external funding further major improvements to energy efficiency levels of the stock will have to compete for resources with other work programmes.

## **Renewables**

Hull installed solar photovoltaic panels to 130 individual homes in 20011/2012 when tariffs meant that the scheme was wholly self-funded. Installations were halted with the reduction in tariffs however we are regularly reassessing the viability of recommencing a programme of installations in parallel with our ongoing reroofing programme. We currently receive an annual income of circa £90k.

## **Newbuild Standard**

The Council's new homes are to be built to what was the Code for Sustainable Homes Level Three which is slightly higher in respect of thermal efficiency and sustainability than the current Building Regulations.

In line with planning policy 10% of the energy consumed by the new development must be from a renewable source. The Council also adopt a fabric first approach to achieve high levels of thermal performance. This is achieved by low U values for building components and high air tightness levels to avoid loss of energy.

## **Information and Energy Advice**

It is widely recognised that changing behaviour and promoting effective energy use can mean significant savings for households and increased carbon savings.

Advice on energy use is an important tool in tackling fuel poverty. Hull Warm Zone, part of Warm Zones CIC has been in partnership with the council since 2001 supporting delivery of the Halls Affordable Warmth Strategy. Warm Zone operate the Hot Spots scheme which is a referral network for frontline organisations to refer clients to Hull Warm zone who will then undertake a home assessment providing energy and benefit advice.

Warm Zone are working with our ECO contractor to undertake initial household assessments for all public and private sector households in the Councils ECO programme. The visits include general advice about changing behaviour to optimise efficiency savings following installation along with benefit advice. The opportunity will also be taken to gather baseline information on pre installation energy consumption, health issue etc for post programme monitoring.

## **8. Adapting Existing Supply to Meet Demand**

### **Hull's Changing Housing Market**

Hull remains a low wage economy and with high levels of unemployment home ownership is still unattainable and insecure for many households across the City.

The updated Strategic Housing Market Assessment (SHMA)\* confirms that the low incomes of many households in Hull means that there is a 'notable' ongoing need for affordable housing provision in Hull.

The SHMA's assessment of affordable housing suggests that while a small increase in the overall level of affordable housing is required the main need is for re-provision, replacing poorer quality stock with more suitable affordable rented accommodation

SHMA projections also show that household size is falling and an increasing proportion of affordable housing should be for 1 and 2 bedroomed homes as households look to down size. An increase in specialist housing may also be required to meet the needs of the growing number of older and disabled households.

Another change in Hull's housing market which directly impacts on the type and level of future council provision has been the substantial increase in the private rented sector which since the early 1990's has doubled and now makes up 20% of Hull's housing market. The SHMA identifies that the private rented sector will contribute to meeting part of this identified affordable housing need

Increasing demand for smaller properties is already reflected in the Housing Register. Currently 48% of applicants on the housing registers are single person households. At the beginning of November 2017 there were 2,548 single households under the age of 60 on the register (around 631 of which are new applications in this financial year).

Failure to react to these changes in the housing market will create a mismatch of demand and supply across our stock and we must look to realign Council stock provision to meet these changing needs, particularly for single and elderly households.

Investment plans must also be directed at improving the quality of offer across the stock to ensure that the Council sector becomes the sector of choice in an increasingly diverse housing market.

\*(Headline figures for future housing projections, published in Hulls Local Plan 2016 to 2032 (consultation document December 2016) and taking data from Strategic Housing Market Assessment 2013(SHMA) can be found in appendix 3)

## **Adapting Stock to Demand – Single Persons Housing**

Hull has just over 5,600 flats and maisonettes of which 3368 are 1 bedroomed flats or bedsits. Combined with the restrictions of the 'bedroom tax' this has resulted in an increased demand for 1 bedroomed flats and a consequent fall in demand for larger flats and maisonettes which for single households on benefits are now unaffordable. For some large flats, particularly those in high rise blocks, turnover has reached unsustainable rates.

This pattern of demand is likely to remain as long as the restrictions on benefit payments are in place and highlights the need to adapt or realign our housing offer in line to reflect these changes.

Hull has been successful in obtaining funding from the Homes and Communities Agency (HCA) Empty Homes Fund to increase provision for single person households. Since the start of the programme in 2013, 76x1 bed flats have been converted and bought back into use.

We are also currently investigating changes to lettings criteria and more innovative models including shared tenancies to ensure we can provide for people otherwise excluded from independent housing and which makes optimal use of some larger flats which are becoming more difficult to let.

Investment in remodeling in some cases can offer an appropriate solution. A number of schemes have already been delivered where properties have been remodeled to suit demand.

We will continue to look at adapting existing provision where possible to make it more suitable and affordable for single person households

Uncertainty around the full impact of welfare reform makes accurate prediction of future demand difficult over the medium to longer term but we will continue to monitor and review the viability of all properties and undertake sustainability assessments as issues arise which may lead to further small scale demolition and re-provision of particular blocks of flats across the city.

## **Sheltered and Elderly Housing**

The need to plan for an increasing elderly population is confirmed by current projections from Hull's SHMA (see appendix 3).

While the aging population and changes to social care mean the demand for suitable elderly housing is still likely to grow, the correct type and balance of future Council provision is more difficult to predict.

Despite the ageing population demand for some of our elderly provision is variable. The housing register reflects a disproportionately low demand for our elderly provision when compared with the city wide age profile.

Demand for some sheltered schemes has fallen significantly with some flats and bedsits in sheltered blocks now hard to let. This could reflect increasing aspirations in terms of both level of care and accommodation from elderly households.

Action to address this has already been taken with 3 sheltered blocks of bedsits and flats experiencing high levels of voids and low demand, (Whitelees Court, Enfield Court and Cherry Hinton Court), being converted to 1 bedroomed flats following option appraisals. Work on the last block is planned for completion by the end of 2018.

Further sheltered blocks are currently undergoing option appraisals and have been highlighted as having variable demand levels over the last few years. Demand in these blocks will be closely monitored especially for the impact of new Extra care provision as it comes on stream across the city.

The demand for bungalows overall has remained reasonably constant although 2 bedroom properties are more popular than one bedroom and there is variation in different areas across the city. Two bedroom bungalows will form the basis of any new build provision increasing flexibility of letting to different household types. We are currently planning additional bungalow provision with available capital receipts.

Further qualitative research is planned in order to better understand the housing aspirations of older people in the city; initial scoping work (and previous appraisal activity which has identified low demand for existing older people's housing set out above) suggests that the existing, cross tenure offer does not meet current aspirations and expectations. This compounds pressure in this area and population projections and the older people's housing requirements set out in the SHMA and Joint Housing Need Study do not take into account the issue of large amounts of existing stock being unattractive to older people. Understanding all of this, alongside planning for the national policy changes in respect of rent setting for sheltered and extra care housing and the implications this has for new build in the city will be explored in the Older People's Housing Plan.

Future actions include;

- Continue to review demand for remaining sheltered schemes to determine long term viability
- Directing HRA investment for the conversion or removal of unviable sheltered stock
- Following further research targeted capital investment to improve the offer/provision of remaining properties to elderly and disabled households

### **Adapted Housing**

The Housing Strategy 2017-2020 identifies the need to ensure that existing housing is accessible, enabling people to live independently in their own homes by way of adaptation.

Hull has a high proportion of properties that are already adapted. Current records show that nearly 25% of properties now have one or more major adaptations (i.e. ramp, stair lift,

level access shower). There is significant annual investment from the HRA Capital programme to install new adaptations, over £11m since 2013.

Re-letting adapted properties is however problematic. Average void period (including major repairs) for adapted properties is significantly higher than non-adapted properties, 80 days during 2016/17, representing significant rent loss over the period.

With continuing financial pressures on the Housing Revenue Account, it is imperative that housing stock is effectively managed and properties are matched to meet need/disability. An ageing population and growing number of residents wanting to remain living independently will lead to the continuing increased demand for major and minor adaptations.

While we will continue enable independent living within our council housing stock we need to develop a fair but more cost effective policy to meet customer's disability needs and make the best use of the council's adapted housing stock.

We are looking to introduce changes to the existing allocations policy which allocate existing stock more efficiently supporting people who need adaptations to move to already adapted properties. A new policy on Aids and Adaptations is currently in the process of approval.

## **9. Sustainable Investment – Making the Most of Our Assets**

Providing the right type of home in the right place where people want to live is not only our overarching strategic objective but it is also fundamental to ensuring a financially buoyant HRA. In turn ensuring limited resources are targeted at sustainable stock is central to delivering an effective HSIAMS.

Self- financing has increased pressure on local authorities to ensure the financial viability of their stock and take more targeted and commercial decisions around general standards of investment or more radical decisions to remodel or demolish.

Under the previous HSIAMS 2010 to 2015, affordability restrained the overall stock investment strategy to delivering the regulatory requirement to maintain all retained stock to the Decent Homes Standard. Any additional investment in terms of newbuild, remodelling, demolition or stock disposal has been focused on the approved Holderness Road Action Plan areas at Ings and Preston Road or the Orchard regeneration area with the consequence that there has been limited flexibility to address poorly performing stock outside of these areas beyond ensuring homes were brought up to decency.

Welfare reform will exacerbate demand issues in particular types of properties, and require a different approach to managing stock investment outside of approved regeneration areas in order to maximise HRA income.

Evidence already shows that letting larger 2 or 3 bedroomed flats and maisonettes are becoming more difficult since the introduction of the 'bedroom tax'. Many of these properties already place a financial strain on the overall stock portfolio and as such just ensuring they are maintained at DHS becomes unsustainable and alternative solutions to address low demand must be sought.

Delivery in regeneration areas is also well advanced which allows a little more flexibility to target investment outside of these areas to improve or optimise the financial performance of currently struggling properties to provide homes that people can afford and want to live in.

Moving forward the 2018-2022 HSIAMS will deliver a more commercial targeted approach to investment where no longer one standard fits all but employs a range of options to improve stock viability outside of approved regeneration areas including;

- Investment to improve including remodelling
- Minimal investment to maintain
- Disposal
- Demolition
- Changes to lettings policy
- Differential rents

### **Understanding Stock Performance**

Sound investment decisions must be informed by an understanding of how assets or groups of assets perform in terms of current and future demand, investment required and



their overall financial impact on the HRA. These factors of course are often but not always interlinked.

Some properties are likely to remain popular and in high demand even with very little investment purely due to location and nature of the homes. These properties help build up HRA reserves and can cross subsidise less viable properties in our portfolio. Alternatively some properties will remain difficult to let regardless of substantial improvements due to the size, layout or location of the stock. For these properties robust decisions may have to be made about 'managing decline' and agreeing to maintain to a minimum standard until demolition and remodelling can take place over the longer term.

Decisions around variable levels of investment must be based on a rigorous evidenced based assessment of stock performance to facilitate this. We have developed a two stage assessment framework which evaluates the relative performance of groups of stock. A full stock appraisal is undertaken annually and is built into the annual budget setting process in order to pick up changing patterns of demand across our homes. The appraisal process is outlined below.

### **Sustainability Modelling –Stage 1**

Stage 1 performance modelling takes place at beacon group level. Beacon groups are properties grouped by construction size, type and location that have had similar previous investment patterns, face similar demand issues and make sense in delivering future solutions. The stock is currently divided into around 380 beacon groups.

Stage 1 represents a high level evaluation based on a range of indicators;

- Demand analysis
- Financial performance
- Stock quality and neighbourhood qualitative data
- Housing market analysis- future demand

### **Demand Analysis**

The demand data analysed and aggregated into group performance includes;

- % voids over last 3 years
- Average length of void period over last 3 years
- Average number of offers per void for last 3 years
- Average number of bids per property for last 3 years

Modelling has shown that high turnover and subsequent loss of rental income is a key determinant in terms of financial viability of asset groups. High turnover rates combined with lengthy void periods are also a clear indication that properties are not satisfying customer needs.

### **Financial Performance - Net Present Value Modelling (NPV)**

An in-house model has been developed which outputs a 30 year cash flow with an annual surplus/deficit for each asset group and to calculate the NPV. A range of data feeds into the NPV calculations;

- Rent income projections
- Current property void rates
- Analysis of revenue expenditure over 5 years projected forward
- Capital spend projections over 30 years (modelled at different standards)
- Projected average management costs
- Bad debt

Capital expenditure projections are modelled at different levels or standards of investment to see how groups of properties continue to perform when investment increases over a 30 year period.

The NPV modelling results look at the relative performance of different property groups and by the identification of stronger and weaker performing groups allows us to consider where performance should be improved

Financial modelling of small groups of properties also enables a proactive rather than reactive approach to investment planning as expenditure profiling identifies at what point in the future groups or blocks of properties may become unsustainable, perhaps due to peaks in required capital investment profiles (e.g. the re cladding of a high rise block) and highlights the optimum time to increase or withdraw financial support for the properties.

Demand scores and NPV results are mapped together. Some properties may have a good demand score but because of construction type and investment needs have a poor NPV. Alternatively properties with a good NPV because of age or construction type may remain unpopular. Mapping in this way helps to highlight these issues.

Properties with below average demand and below average NPV are most at risk of becoming unsustainable.

The April 2017 NPV modelling results are shown in **Appendix 5 and 6**.

### **Area Sustainability Scores**

In order to obtain a balanced view on property performance 1<sup>st</sup> stage modelling includes essential qualitative information. Area based staff responsible for managing the properties complete a score card of weighted indicators for the beacon groups within their area. The indicators were grouped into key themes;

- Housing Management (antisocial behaviour, arrears etc.)
- Demand
- Property Design
- Locality

The qualitative score cards are useful when used as a high level indicator and cross referenced with system data to highlight or confirming property group issues.

The area data on housing management is also used to provide management cost weighting for beacon groups as an alternative to a single average management cost per property across the whole stock. A weighted average is more sensitive to real staff time differences spent on different property groups. The weighted management cost then fed into the NPV calculations for each property group.

## **Sustainability Modelling Stage 2- Option Appraisals**

Stage 1 of the sustainability modelling uses a range of indicators to provide an evidence based analysis of the poorest performing stock. The groups in the low demand and low NPV quartile are considered for a full option appraisal.

Full appraisals are further prioritised for poorly performing property groups where they have significant levels of planned work over the next 2 to 3 years and properties and where it can be anticipated they that welfare reforms will further impact on let- ability.

The 2<sup>nd</sup> stage option appraisal considers a range of costed options for improving performance including; management initiatives, maintaining and remodelling, decanting and demolition or disposal.

This overall approach ensures delivers a proactive approach to managing the changing needs and keeping up with customer demands as well as improving the overall financial viability of the HRA.

The beacon groups identified for a full option appraisal in 2017/2018 are listed in **Appendix 7**. Proposed outcomes from these feasibilities will be incorporated in to the annual planning review process.

## 10. Investment Priorities and Available Funding

### Long term projections and affordability

The 2010/2015 Stock Investment and Asset Management Strategy adopted the Governments Decent Homes Standard as the standard of improvement for all properties but with the proviso that annual reviews of affordability could enable additions or changes to the delivery standard and the programme based around agreed priorities.

A full analysis of stock investment needs is undertaken annually using information held in the councils housing asset management database. A range of modelled options based around increasing delivery standards are costed and the affordable option proposed for approval through the annual business plan review and HRA budget setting process.

Our current delivery or 'Decent Homes Standard' (**Appendix 1**) will maintain the fabric of existing HRA dwellings and is higher than decency requirements but does not meet aspirational standards of a modern home that tenants have identified in consultation.

But individual property requirements in terms of this standard must also be balanced against other funding priorities and the affordability of increasing property improvement standards was considered with other priority programmes, including schemes which lever in external funding, for the 2017/2018 review.

Table 2 below shows the agreed priorities for HRA funding for the period of this Housing Investment and Asset Management Strategy 2018 to 2022. The priorities are identified for delivery according to available funding.

The total value of expenditure for this delivery standard is £879m over 30 years. Past investment patterns mean an uneven profile of investment over the 30 year period. Peaks of expenditure are required around 2024/2026 and again in the early 2030's when elements replaced during the DHS programme will require replacing again.

There are sufficient reserves to support this level of programme and other essential repairs and maintenance going forward over the medium term. The impact on reserves is shown in **Appendix 8**. Reserves are built up in the short to medium term to address the later peaks of expenditure but further resources or savings will have to be found to avoid the HRA falling into deficit by 2034/35.

Other modelled options above this level are considered unaffordable at the time of implementing this strategy. However because of the risks around welfare reform cautious assumptions on income collection rates have been built into the 2017/18 modelling. As the real impact becomes clearer and more reliable income projections can be made, it is hoped that the headroom over a 30 year period may increase to enable the programme to address the emerging longer term priorities.

**Table 2. Housing Strategic Priorities – HRA Investment Priorities 2018 to 2022**

| <b>Strategic Priority</b>   | <b>Investment Priority</b>                                       |  |
|---|--|--|
| Quality Homes   | 1.Health and Safety (Compliance)                                 | Ensuring residents safety by addressing all identified health and safety issues and removing any identified Category 1 hazards including high rise remedial works following the Grenfell fire disaster |
| Quality Homes   | 2.Maintaining Decency (Compliance)                               | Ensuring all stock is maintained to the Decent Homes Standard. Funding allows for the continuation of the current delivery standard  |
| Neighbourhood Renewal   | 3.Support for existing Renewal Areas (Approved area action )     | To complete approved demolition and new build programmes in existing Renewal Areas   |
| Reducing Fuel Poverty/ Improving Energy Efficiency/Climate Change | 4.Energy Efficiency Improvements (Supporting Government targets) | To continue with the ECO External Cladding Programme to all low rise non-traditional homes and progress schemes that can lever in energy funding   |
| Enabling Access   | 5.Disabled Adaptations Improvements                              | Continue to fund adaptations to enable tenants to remain independent in line with agreed policy  |
| Better Use of Existing Stock /Enabling Access                     | 6.Remodelling / Sustainability Schemes Improvements              | Maintaining a healthy HRA by targeted schemes to address sustainability issues. Schemes may include remodelling, environmental improvements or demolition.   |
| Quality Homes/ Enabling Access                                    | 7.New build (subject to affordability/grant funding)             | Increase the supply of new affordable Council homes and in particular elderly persons housing through new build subject to available funding   |
| Reducing Empty Homes  | 8.Empty Homes Programme  | To continue support for the Empty Homes Programme where financially viable and to maximise grant funding through the Affordable Homes Programme  |
| Quality Homes   | 9.Planned Renewals above Current Decent Homes                    | Planned renewals that meets raising tenant expectations and that people want to live in (Decent Homes +) subject to available funding  |

## **Short Term Investment Programme**

The short term 5 year investment programme is attached at **Appendix 9**.

Funding of the 5 year capital programme is shown at **Appendix 10**.

Additional schemes in line with priorities will be added where they can demonstrate that they have a neutral or beneficial impact on the HRA. These include self-financing schemes or projects where early expenditure is required to prevent a group of properties becoming unsustainable and having a negative long term impact on the HRA.

Over the next 5 years we aim to secure additional resources through efficiency savings, effective procurement and income generation through grants and where funding allows investment plans will be reworked and new schemes funded that support delivery of strategic objectives.

Business cases are submitted for any additional in year schemes in the capital programme, regardless of how funded, to show they deliver on priorities and add value to the programme.

## **11. Maintaining Our Homes**

### **Responsive Repairs**

The delivery of an effective and efficient repairs service which is easy to access for tenants is core to the housing service. Approximately 85,000 repairs annually come through the Councils Contact Centre resulting in expenditure of around £5.8m per annum.

Tenants can order repairs by contacting the Call Centre where advisors utilise the Councils repair diagnostic tool “Repair Finder”. Tenants can also report repairs on-line as well as view individual order progress and repairs history of their property. Tenants are offered a 9am to 5pm repairs service, with all non-emergency orders being undertaken via an appointment. The service also offers the ability to have a late evening appointment on two weekdays. An out-of-hours service is available covering evening and weekends for tenants who require emergencies to be dealt with. Tenants are sent a text message or voice message reminder the day before for all appointments and contractors are encouraged to ‘ring ahead’ for all repairs to ensure access is achieved.

Approximately 15,000 appointed inspection are undertaken each year who to ensure quality standards are being achieved and payments are accurate. Inspections also include for full technical assessment of damp and advice on reducing condensation. Technical assistance is also provided for mutual exchanges, cleared for transfer and recoverable orders.

Larger works are ordered for key repair elements including kitchens/ bathroom/ external doors and windows etc. This work is delivered more cost effectively by utilising a planned approach rather than responsive rates.

Service performance is managed via a number of key indicators against which information is gathered on a monthly basis and shared with all stakeholders. The performance information gathered is used to challenge contractors and to identify service delivery issues that need to be resolved and to drive continuous improvement.

## Empty Properties

In 2016/17 the service turned around 1,770 void properties, which represents around 7.5% of the total housing stock. However, in 2017/18 to date, there is a 13 % increase in void properties when compared to the previous year.

Recent performance:

| Average Relet Times (in calendar days) |                        |                   |                        |                   |                      |
|--|------------------------|-------------------|------------------------|-------------------|----------------------|
| 2014/15<br>Target                      | 2014/15<br>Out<br>Turn | 2015/16<br>Target | 2015/06<br>Out<br>Turn | 2016/17<br>Target | 20016/17<br>Out Turn |
| 23                                     | 30                     | 23                | 28                     | 23                | 34                   |

| Contractor Repair Times (in calendar days) |                     |                   |                     |                   |                     |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|
| 2014/15<br>Target                          | 2014/15<br>Out Turn | 2015/16<br>Target | 2015/16<br>Out Turn | 2016/17<br>Target | 2016/17<br>Out Turn |
| 19   | 19.1                | 19                | 18.3                | 19                | 18.8                |

Any outstanding improvement work due to previous tenant refusals is identified when a property becomes empty and delivered via a programmed approach in order to obtain value for money. These works are fed into a planned work scheme and undertaken after the property is let to a new customer. This has assisted in minimising the overall time taken to repair properties, reduce the time a customer is waiting for their property and gives the customer an element of tenant choice regarding kitchens colour and design suitable to meet the customer's needs.

All void properties are repaired in line with the Council's Home Standard which was introduced in 2012. In 2017/18, Housing Investment Services (HIS) have developed the Home Standard Scope of Works. The document details all works that are required to an empty property, specification and quality levels supported by photographs.

In January 2017, the service took the decision to undertake an asbestos survey of every empty property in order to inform and improve the level of information contained within the asbestos register.



## **External Cyclical Planned Maintenance**

Before undertaking any external cyclical maintenance works, a combination of cross checking takes place that includes for the planning of larger planned works (external cladding and roofing replacements) and stock sustainability checking.

## **External Cyclical Repairs and Painting**

An annual external repair and painting programme is in place that forms part of a larger cyclical maintenance schedule. Traditionally, tenants and residents do not focus on reporting external repairs until the repairs are adversely affecting the interior of the property.

A pre-estimate survey is undertaken 6-12 months before planned delivery that assists in capturing the existing external condition of the housing stock and improves the ability to estimate the cost of revenue and potential capital repair costs moving forward. The cyclical external repairs and painting works cover all external repair requirements and on completion of the works, leaves customer's homes in a correct level of repair for a further 5-7 years.

Typical repairs covered by the external repairs programme include:

- Repair and replacement of guttering, fascia and soffit boards
- Repointing of external brickwork
- Repair of chimney stacks
- Roofing repairs
- Concrete repairs to paths
- Door repairs to houses, flat and sheds
- Window repairs
- Render repairs
- Garage repairs
- Communal fencing repairs
- Communal fire retardant painting and protection works
- Repair and replacement of railings /bungalows /communal
- Repair of cladding systems

By taking this proactive approach, potential disrepair, third party and physical injury claims that could be made against the authority are reduced, whilst also minimising potentially more costly reactive repairs, disruption to our customers but as important, keeping up the aesthetic appeal of the estates citywide.

## **Window and Door Replacement**

A combination of pre-estimate surveys information and existing asset data is utilised to determine when windows and doors are to the end of their serviceable lifespan.

This approach allows the installation of new doors and windows to be planned. The opportunity is also taken to improve home security for our customers whilst reducing maintenance costs by utilising more efficient modern materials.

Reactive window and door repairs are regularly monitored and where appropriate, properties are added to the planned programmes as this is more cost effective.

### **External Renewals**

The annual pre-estimate survey regularly highlights items that require whole replacement and cannot wait for a longer term solution. The external renewals area is designed to capture these items.

Typical external renewal replacements covered by this programme may include:

- Balcony renewals including structural works and railing replacements
- Chimney stack rebuilding
- Replacements of porches
- Whole garden path replacements
- Full garage door replacements as part of the scheme
- Replacements of brick /concrete sheds
- Full house render replacements

### **Communal Maintenance and Safety Inspection / Works**

Annual fire safety inspections to high-rise, low-rise and sheltered accommodation are undertaken to comply with the Regulatory Reform (Fire Safety) Order 2005 regulations.

These inspection works cover 452 low-rise blocks, 26 high-rise locks and 6 sheltered blocks, which generate both repairs and actions for the Area Housing Teams when enforcement is required. Details of these findings and actions are shared transparently with Humberside Fire and Rescue Service (HFRS) as part of our joint partnering approach.

Works are ordered based on the level of risk found, varying from emergency works to fully planned works.

### **High-rise external cleaning of cladding**

The Service has a comprehensive cyclical cleaning programme for external cladding to the high-rise blocks, which is undertaken on a 3 year cycle.

The benefits of the high-rise cyclical cleaning is that it keep the blocks in a presentable condition, thus improving their letting appeal, as well as affording the opportunity to feedback on the condition of the cladding. Due to financial pressures, the programme is currently under review to determine if there are any opportunities to extend the timescales.

### **Annual Inspection and Cleaning of Gullies**

An annual inspection and clearance of all Housing Service gullies takes place to the paths serving Council owned properties throughout the city. A monthly report is submitted detailing the works taking place and associated cost.

### **Housing Footway repairs and replacements**

The HIS is responsible for maintaining 197km of footways serving HCC owned properties throughout the city. These include paths outside of the fence boundary of the property, on housing land that links to the adopted highway paths under the control of Hull City Council Network Management.

The HIS manages the arrangement with the Network Management Team that results with the annual inspection of the housing footways and subsequent repairs highlighted. Inspection, repairs and capital works programmes are reported monthly to the HIS for ratification. Capital replacement programmes are also developed to include for the whole replacement of footways that have reach the end of their life cycle.

This process helps to reduce third part and physical injury claims that could be made against the authority.

### **Cyclical Maintenance, Repair and Replacements of Housing Street Lighting**

HIS is responsible for maintaining the street lighting on the 197km of footways serving Council owned properties throughout the city.

HIS manages the arrangement with the Network Management Team that results with the inspection and repair of the housing street lighting throughout the year. Inspection, repairs and capital works programmes are reported monthly to the Housing Service for ratification. Capital replacement programmes are also developed to include for the replacement of lighting columns that have reach the end of their life cycle.

This process helps to reduce third part and physical injury claims that could be made against the authority.

### **Specialist Works Communal Buildings**

The specialist servicing and maintenance of equipment in communal areas such as high-rise sheltered and boiler houses are delivered through a number of specialist contracts managed by the Mechanical and Electrical client team within the Housing Investment Service.

Communal lighting and distribution.  
Building plant (water pumps, dry risers, fans etc.)  
CCTV.

KWL  
SR Black Plumbing and  
Heating Ltd.  
J Moore's

These contracts are currently let on contract's up to 5 year's where possible. Current contracts are reviewed and when they require retendering then best value is sort through the most appropriate route in accordance with Council Policy.

## **12. Compliance**

### **Health and Safety- HHSRS**

#### Housing Act 2004 (Housing Health & Safety Rating System) -HHSRS

The main provisions are that:

- Any residential premises should provide a safe and healthy environment for any potential occupier or visitor.
- To satisfy this principle, a dwelling should be designed, constructed and maintained with non-hazardous materials and should be free from both unnecessary and avoidable hazards.

HHSRS provides a risk based assessment tool to assess 29 hazards within a property. The DHS incorporates the HHSRS as the statutory minimum for housing and DHS guidance states that a Category 1 Hazard will render a property non decent.

The commonest hazards across all sectors are excess cold and condensation. Our current DHS delivery standard has ensured that these hazards have been systematically addressed across the Council stock. For example The DHS programme of installing full gas central heating, ventilation and loft and cavity wall insulation where possible aimed to eliminate the risk of a cold or condensation hazard occurring in Council properties.

Individual hazards may still exist within individual properties, sometimes as consequence of work undertaken by the tenants. The removal of handrails on staircases is a common example.

All Housing Investment Surveyors have had HHSRS training. Once a potential hazard has been identified by Housing Investment Team Surveyors it is scored and appropriate action taken. All category 1 hazards or high scoring category 2 hazards must be actioned.

### **Gas Servicing**

Hull City Council has a duty as a landlord to carry out a Landlords Gas Safety Check at set intervals.

Gas servicing is currently being carried out by Kingstown Works Limited on a citywide basis.

Kingstown Works Limited also undertakes the documented servicing and maintenance of wired smoke alarms and ventilation fans at the same time as the gas service inspection. This enables those elements of work to be completed within gas heated homes at more advantageous rates.

Kingstown works limited also report on the condition of gas appliances during the gas service which allows HIS to more accurately plan its boiler replacement programme.

## **Fire Safety**

Hull City Council aims to provide a safe environment in order to protect and ensure the fire safety of all persons living and working in Council owned housing stock and to ensure that the risk of personal injury or damage to property is minimised in the event of a fire breaking out within the building.

Hull's Fire Risk Management Plan to be approved in January 2018, details out how Hull City Council's Housing team will seek to identify, assess and implement protection and prevention measures to ensure compliance with the Regulatory Reform (Fire Safety) Order 2005 and the Housing Act 2004.

### Regulatory Reform (Fire Safety) Order 2005 (RRO)

The main provisions are to:

- Carry out periodic risk assessments identifying any possible dangers and risks
- Eliminate or reduce the risk from fire as far as is reasonably practicable and provide general fire precautions to deal with fire emergency and record any major findings and action taken
- Review fire risk assessment regularly and make changes where necessary.

The RRO applies to (in terms of the scope of this management plan):

- The common parts of buildings containing flats
- The common parts of sheltered accommodation
- The common parts of high dependency units

Humberside Fire & Rescue have a statutory duty to enforce the requirements of the RRO (communal areas). This can be by means of notification of deficiencies, formal enforcement notices, prohibition notices and/or ultimately by means of prosecution.

Whilst at this time the RRO 2005 concentrates mainly on the communal areas serving flats and sheltered accommodation, the Grenfell Tower incident of June 2017, its findings and subsequent changes to legislation is highly likely to require landlords to transparently demonstrate more intrusive inspection of individual flats and actions taken in the interest of fire safety.

## **Asbestos Management**

Hull City Council has a duty to manage asbestos within our non-domestic premises/areas as defined in Regulation 4 of the Control of Asbestos Regulations 2012.

In response to these requirements full surveys are been carried out in all our non-domestic areas of the housing stock (low rise, medium rise, high rise and sheltered accommodation) and asbestos registers compiled/amended. The asbestos registers are held on site and within the Councils asset Management system. A re-inspection regime has been implemented to monitor the condition of asbestos found and registers are updated accordingly.

Provisional costs for re-inspection of non-domestic areas are included within the capital budget projections and identified costs for removal have been built into the provisional 5 year capital programme.

To be proactive and ahead of any intrusive capital replacement programmes and to gain a good understanding of our stock in relation to any asbestos content, R&D surveys to individual domestic properties where commissioned on all void's between February 2017 and present day, HIS are to review this information regularly to ascertain consistency within the results across the different archetypes, once consistency has been proven the surveying will reduce per archetype.

Further surveys are being undertaken as required on planned works by our partner KWL. Additionally our partner KWL commissions individual samples where required and these are added to the asset management system Keystone.

All available asbestos information is held on the Keystone asset management system

HIS asbestos information is made available to all HIS contractors as and when required.

HIS are currently reviewing the asbestos information collected and are planning to adopt a hybrid clone system where each and every property within the HCC housing stock will have an asbestos survey either an actual survey or a cloned survey from a number of actual asbestos surveys of the same archetype.

Training has been commissioned and completed for a large number of employees across the Housing Investment section and other housing staff. This training has been targeted to reflect the roles and responsibilities of the individuals and posts. Regular refresher and update sessions will be introduced or as and when new staff join the service.

### **Legionella Prevention**

To comply with the legislation Hull City Council has undertaken a process of risk assessment and inspection to our high rise and sheltered accommodation. This takes in all communal areas and shared water services within blocks looking at the service demand and temperatures of both stored hot and cold water systems.

The risk assessments have been completed by Integrated Water Services. These risk assessment have been used to formulate a weekly monitoring and flushing regime. This is currently been undertaken by IWS and will be re tendered in 2018.

HCC are also compiling risk assessments for a proportion of the housing stock, this sample will be spread across all archetypes and water systems within the stock.

A comprehensive legionella management plan including a fully documented monitoring regime that covers weekly, monthly, six monthly and yearly visits is being developed this will also document specific arrangements for when properties are void, the plan will be in place within the next 6 months. Provisional sums have been built into the 5 year programme for ongoing risk assessments and identified remedial actions.

### **Electrical Testing and Ventilation in Flats**

Since March 2008 most domestic properties receiving work in the DHS programme have received an electrical check and test. Following the completion of the DHS programme in March 2011 we have introduced a 5 year periodic testing regime. This will cover around 5,000 properties per annum and is delivered on a 5 year rolling contract by our main contractor KWL.

Following the testing where a dwelling has been identify for a rewire, we still have refusals there remains a backlog of properties. An ongoing planned programme will take place tackling the oldest first based on a 30 year lifecycle.

Over the last 5 years we have also completed a full inspection of all communal areas city wide and are again delivering a 5 year testing regime.

All smoke detection systems within dwellings are inspected annual, either as part of the gas service contract or the smoke detection inspection programme for non-gas dwellings.

All ventilation within flats are being inspected ever 4 years, these are due to start again 2018/2019.

### **Refusals**

A recent review of the tenancy agreement includes tighter restrictions on tenants refusing work considered to have health and safety implications. This aims to reduce the number of refusals in future years. Dwellings where work has been refused are being completed if the dwelling becomes void.



### **13. Value For Money and Contract Management**

#### **Housing Repairs/Maintenance and Capital Works Procurement**

The Councils Housing Service has a partnership contract for our properties for Repairs/Maintenance and Capital Planned Works with Kingstown Works Limited (KWL), with an annual value in excess of £32m. The contract was awarded by the Cabinet after an internal best value assessment in September 2011 and commenced in April 2012. The contract is for 10 years with a comprehensive review after five years which includes completion of (a) a satisfactory value for money assessment; (b) assessment of the suitability of the contract for the needs of the service, and (c) assessment of the sustainability of the HRA.

The review commenced on the 24<sup>th</sup> August 2017 and is ongoing. Details of the review are contained within the contract Agreement and include;

- (i) Benchmarking information from Housemark and other sector specific sources external to the Council; and;
- (ii) A report from KWL setting out its business performance and including such propositions as it may wish to put forward to change such performance

The contract between the Council and KWL is underpinned by a signed Agreement and 20 schedules that provide detail on the day to day management requirements of the work. There is a rigorous governance structure in place and tenants attend the Tenants Liaison meeting with the Housing City Manager and Business Leader from KWL.

The HRA also has successful contracts with other suppliers such as Fortum for our cladding schemes and Lovell for our roofing works. Roofing is currently in the process of another tendering project to ensure continued value for money through agreed frameworks the Council is part of. The external cladding contract has resulted in significant benefits to tenants through reduced noise and cheaper energy bills.

#### **Future Procurement**

The results of the KWL 5 year comprehensive review will support work going forward for the next procurement project before contract completion in 2022 of the repairs/maintenance and capital planned works. The outcome of many of the issues raised in the HSIAMS and future HRA Business Plans will also support options moving forward. A paper will be brought to Cabinet in due course for direction on options for future procurement. This will include looking back over the 10 years of the contract in detail and assessing the success of the work delivered for our tenants.

### **Open Book and Value for Money (efficiency savings)**

The housing repairs/maintenance and capital works contract with KWL is underpinned by 20 schedules. One of those is schedule 3 - Payment Mechanism which contains rigorous details on the undertaking of open book assessments. These have mainly being in the area of the overhead that is paid to KWL without profit added, which is separate to the rates paid. Other open book assessments have included doors, repairs, gas, voids, painting and access (scaffold).

In accordance with the schedule the output from open book assessments is presented to the Project Liaison Core Group (PLCG) – this is the senior officer meeting of the partnership.

### **Value for money (efficiency savings)**

This is a high priority for the HRA, maximising each pound spent ensures more capital can be invested to ensure our stock continues to meet decency. The Housing Repairs/Maintenance and Capital Works has a payment mechanism schedule which includes inflation adjusted savings targets that have to be met each year by KWL – to date these have being over achieved. There is also a gain share mechanism in place and to end March 2017 the HRA has benefitted from the return of HRA spend of c£2m from KWL of the total spend value of £170m in the five years of the contract. KWL have also provided dividends of c£4.2m to the Council. The partnership has a joint efficiency log and to March 2017 the total agreed value of savings is in excess of £4.9m - this includes the gain share arrangements that are in place. Cladding and other contracts are generally tendered externally on a shorter term basis to achieve market tested value for money.

## **14. Leasehold Management**

### **Long Leases**

The Council own the freehold interest in a large number of purpose built blocks of flats across the city containing approximately 6000 flats 442 (7%) of which have been bought under long leases. These flats were sold initially through Right to Buy legislation but many have since been sold on through the open market and approximately 37% are now held as buy to let properties by Private Landlords.

Legislation and regulations still refer to leaseholders as 'tenants' but the management of these properties is governed by a lease agreement rather than a tenancy agreement and the income collected is by way of an annual ground rent and variable service charges rather than a fixed weekly rent.

The fundamental objective of both agreements is that the Council as a landlord and its residents are fully aware of their contractual duties and are committed to ensuring a successful landlord and tenant relationship.

However the legislation that governs leasehold tenures is different to mainstream tenures and imposes complex regulations on the Council as landlord, particularly in relation to asset management.

When a flat or maisonette is leased the Council retains ownership of the building and remains responsible for carrying out the investment needs or service provision for the land and building.

The conditions of the lease agreement place a duty on the leaseholder to pay towards the cost of any services or work to the building, communal areas and gardens. These contributions are collected as variable service charges. Therefore leaseholders understandably have high expectations that all repairs and services carried out at their buildings will be to a good standard, be 'reasonably' priced (open to challenge) and accurately recharged.

In order that the Council are open and transparent in procuring works and services it is required to comply with section 20 of the Landlord & Tenant Act 1985 which requires the Council to consult with leaseholders before doing the following:

- Carrying out work that costs any one leaseholder more than £250. This covers repairs and improvements to the building and surrounding grounds.
- Entering into long term agreements (for more than 12 months) with contractors for work, supplies or services where the cost to any one leaseholder will be more than £100 per year. These include agreements for supplying goods or services (such as building cleaning) and agreements for maintenance work (such as day to day repairs).

Due to the specialist nature of leasehold management and the size of the portfolio in relation to mainstream properties (2%) the Council has a dedicated Leasehold Team within Housing Investment. The team ensures that the Council and its leaseholders comply with the covenants within their lease and statutory requirements and works closely with the relevant Area Housing Teams to ensure successful mixed tenure block management. Leasehold properties are especially challenging to manage when they are owned by Private Landlords who have a management company in place to manage their sub-tenants, meaning there are essentially 4 parties to the property.

In addition the Leasehold Team work closely with Housing Investment colleagues in relation to repairs and improvement to ensure that statutory consultation can be carried out to ensure early leaseholder engagement, particularly in relation to major work schemes, and to maximise income.

The Council has a process in place to offer leaseholders financial assistance to enable them to pay their contribution towards the investment in their buildings.

The Leasehold Team also manage a portfolio of 98 General Fund residential leasehold assets located adjacent to Hull Marina under a Service Level Agreement with Corporate Property & Assets.

### **The Anchorage Housing Estate – Long Leases**

A further 68 flats have been leased under short terms agreements (less than 7 years) in order to provide accommodation for other registered social landlords and registered charities to support wider services that benefit the people of Hull which are not provided by City Neighbourhoods and Housing.

### **Short Term Leases**

Whilst these short term leases attract a weekly rent the landlord and tenant relationship is managed within the Leasehold Team to afford consistency.

The flats are all sub-let by the leaseholder to service users and the leaseholder ensures these sub-tenants remain compliant with the lease terms.

The Council's repair obligations in general mirror those of mainstream properties with the exception of void works and the Landlord & Tenant relationship remains between the Council and the leaseholder.

## Appendix 1. Hull's Decent Homes Delivery Standard

| Included Items   | Excluded  |
|--|---|
| <p>Health and Safety including the removal of identified HHSRS category 1 hazards</p> <p>Work above the DHS include ;</p> <ul style="list-style-type: none"> <li>• 30 year planned kitchens</li> <li>• Full gas heating where possible</li> <li>• Double glazing to all properties then replaced on decency lifecycles</li> <li>• Boiler replacements on lifecycle</li> </ul> <p>Other planned programmes include ;</p> <ul style="list-style-type: none"> <li>• Rewires or electrical upgrade as identified through periodic inspections</li> <li>• Controlled entry renewal and other electrical renewal</li> <li>• Lifts replacement in blocks of flats</li> <li>• Roofing as decency lifecycles (pre-emptive planned programmes 50 years + lifecycle)</li> </ul> | <p>Life cycle planned maintenance for key external/internal elements ;</p> <ul style="list-style-type: none"> <li>• No 40 year planned bathrooms – bathrooms replaced elementally when in disrepair</li> <li>• No other internal upgrades including improvements above DHS</li> <li>• No environmental improvements or work to improve layout and security to individual properties including fencing.</li> <li>• Limited improvements to communal areas although areas are painted and maintained.</li> </ul> <p>Note targeted improvement schemes may result from sustainability assessments.</p> |

## Appendix 2.

### Energy Efficiency Measures and Impact on SAP Ratings and Lifetime Savings

| Measure  | Increase in SAP | Lifetime Saving |
|--|-----------------|-----------------|
| Virgin Loft to 300mm                                   | 13              | £5,580          |
| F/G rated Boiler to A rated Boiler                     | 6               | £2,200          |
| No Central Heating (Direct Heat Only) assume immersion | 12              | £3,500          |
| Electric Heating to A rated Boiler                     | 37              | £6,720          |
| Solid Wall –EWI Installed                              | 16              | £7,488          |
| Empty Cavity to Filled Cavity                          | 7               | £5,250          |
| Solid Wall- Internal Insulation                        | 13              | £7,488          |
| Single Glazing to Double Glazing                       | 4               | £220            |

### **Appendix 3.**

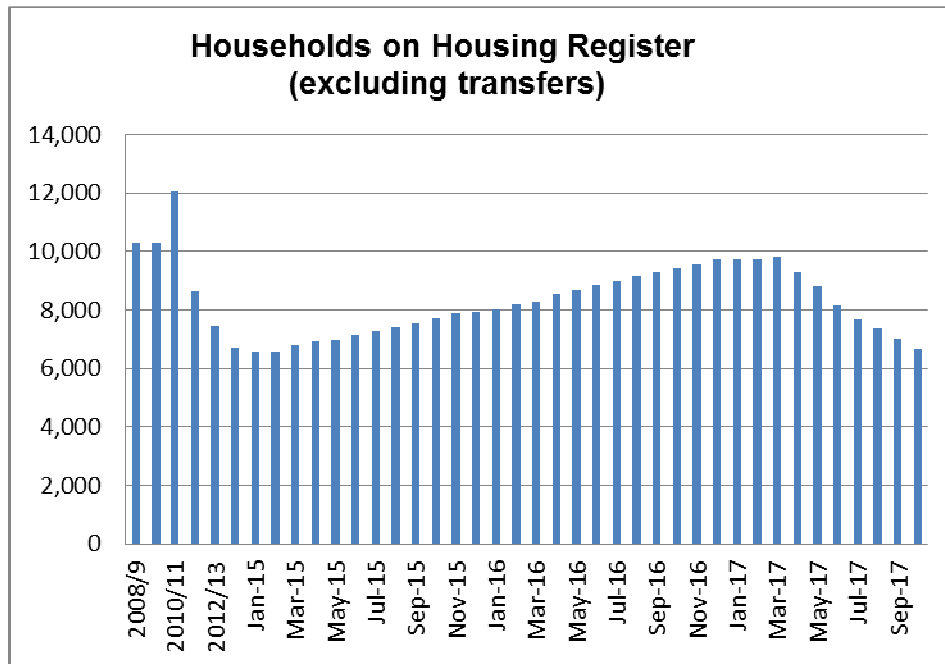
#### **Headline figures published in Hulls Local Plan 2016 to 2032 (consultation document December 2016) and taking data from Strategic Housing Market Assessment 2013**

- A modest growth of household formation to 2030
- Household sizes have been falling and this trend is projected to continue
- There is a notable need for affordable housing which reflects low incomes and levels of worklessness in the City
- There is a need for 620 new homes a year in Hull to 2030 of which 10% to 15% should be affordable homes dependant on the market zone
- The City has a substantial private rented sector which contributes to meeting part of this identified affordable housing need
- There is a need to improve the energy efficiency and the quality of the affordable stock
- At least 70% of new affordable housing should contain no more than 2 bedrooms. The need for 1 or 2 bedrooms is in response to smaller house hold size and will enable down- sizing from existing stock.
- There is a need to plan for an ageing population to 2030. Demographic projections indicate that the population aged over 65 is expected to increase substantially by 39% (14,100) people between 2011 and 2030 compared to an overall population increase of 7.7%.
- Analysis of housing data suggests a requirement for around 144 additional housing units to be specialist accommodation(sheltered and extra care) to 2030

The SHMAs assessment of affordable housing suggests that while a small increase in the overall level of affordable housing is required the main need is for re-provision, replacing poorer quality stock with more suitable affordable rented accommodation. An increase in specialist housing may also be required to meet the needs of the growing number of older and disabled households.

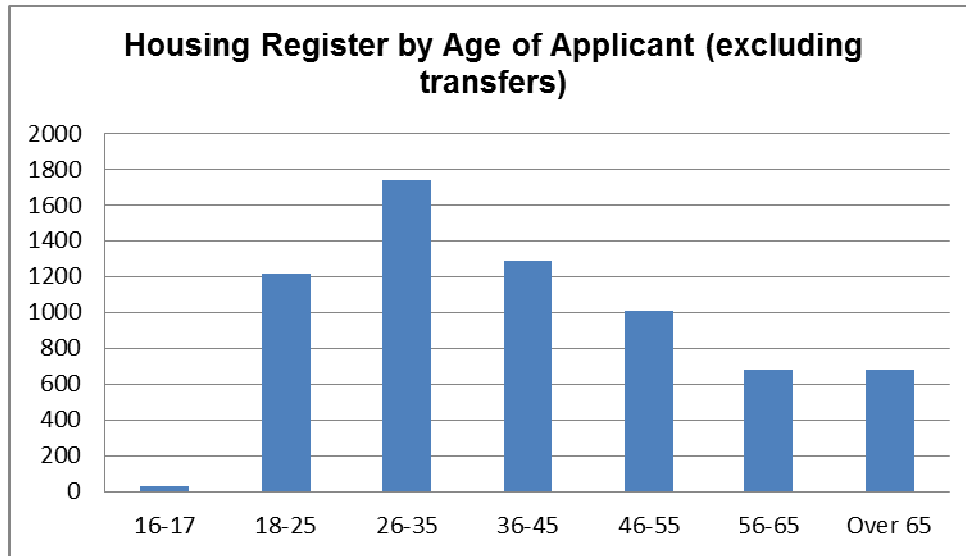
## Appendix 4.

### Housing Register Breakdown (Nov 2017)

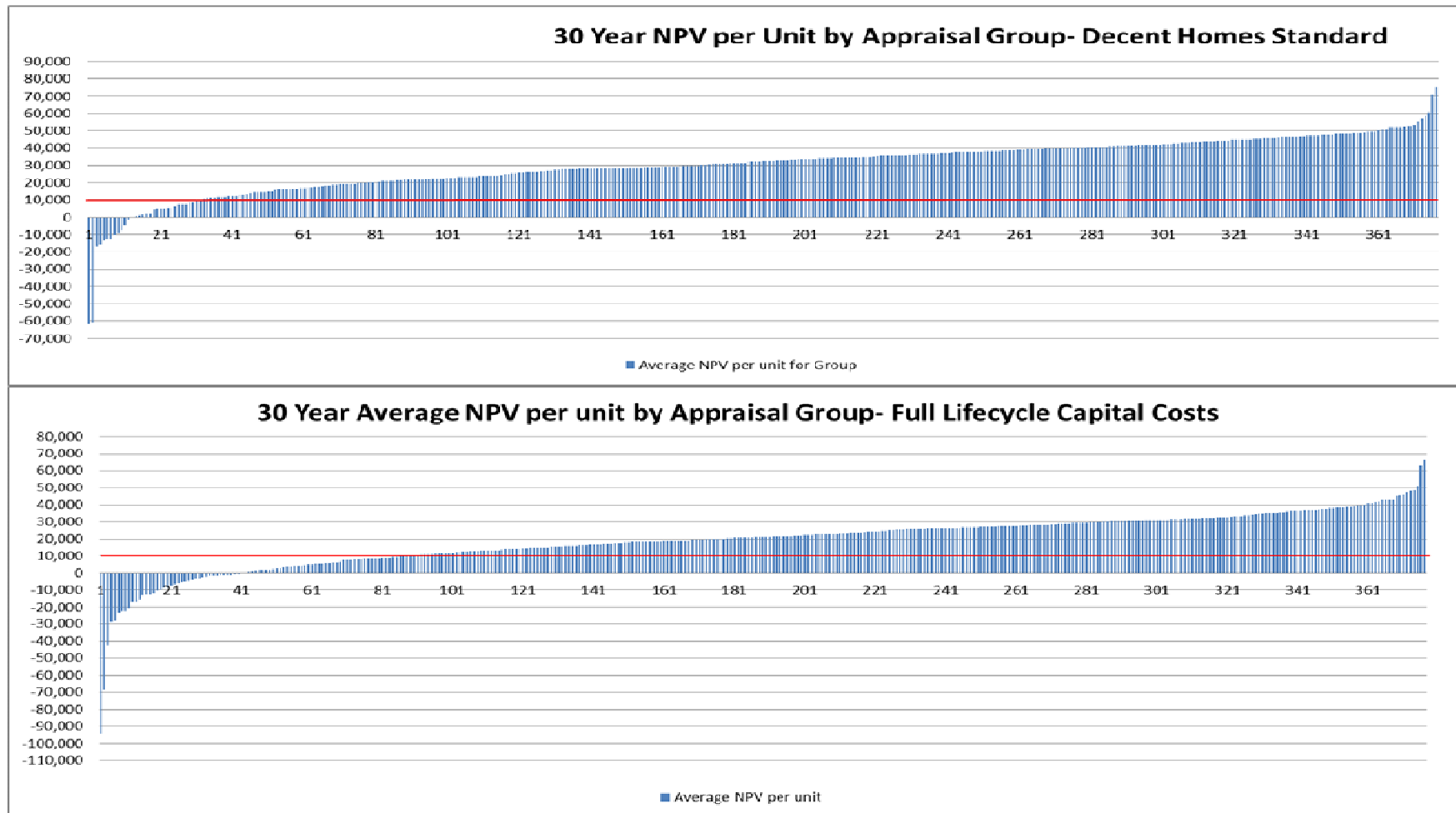


| Household Size | Register - Choice Based Lettings | Transfer - Choice Based Lettings | TOTAL |
|----------------|----------------------------------|----------------------------------|-------|
| One            | 3,194                            | 847                              | 4,041 |
| Two            | 1,630                            | 536                              | 2,166 |
| Three          | 921                              | 320                              | 1,241 |
| Four           | 525                              | 243                              | 768   |
| Five           | 235                              | 163                              | 398   |
| Six            | 99                               | 71                               | 170   |
| Seven          | 26                               | 33                               | 59    |
| Eight          | 10                               | 6                                | 16    |
| Nine           | 4                                | 5                                | 9     |
| Ten            | 0                                | 2                                | 2     |
| More than 10   | 0                                | 0                                | 0     |
| No Data        | 0                                | 0                                | 0     |

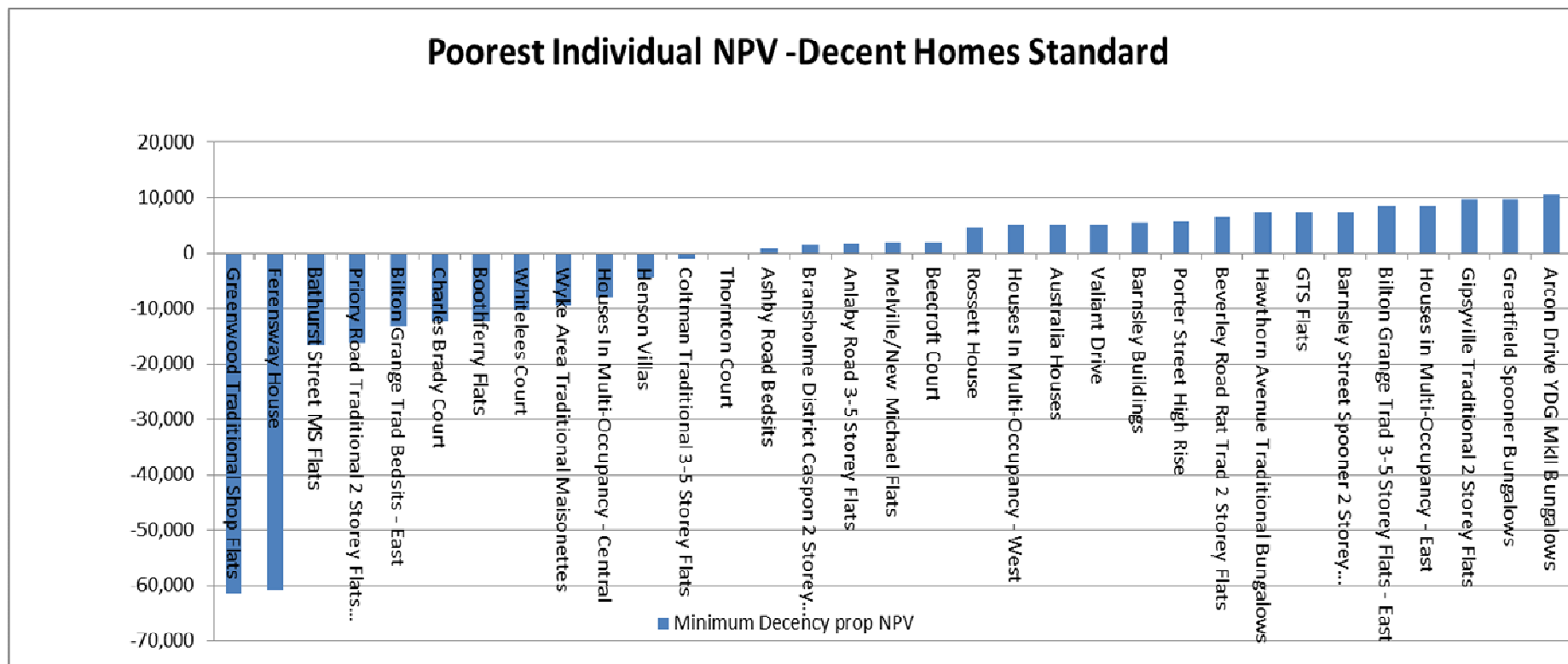




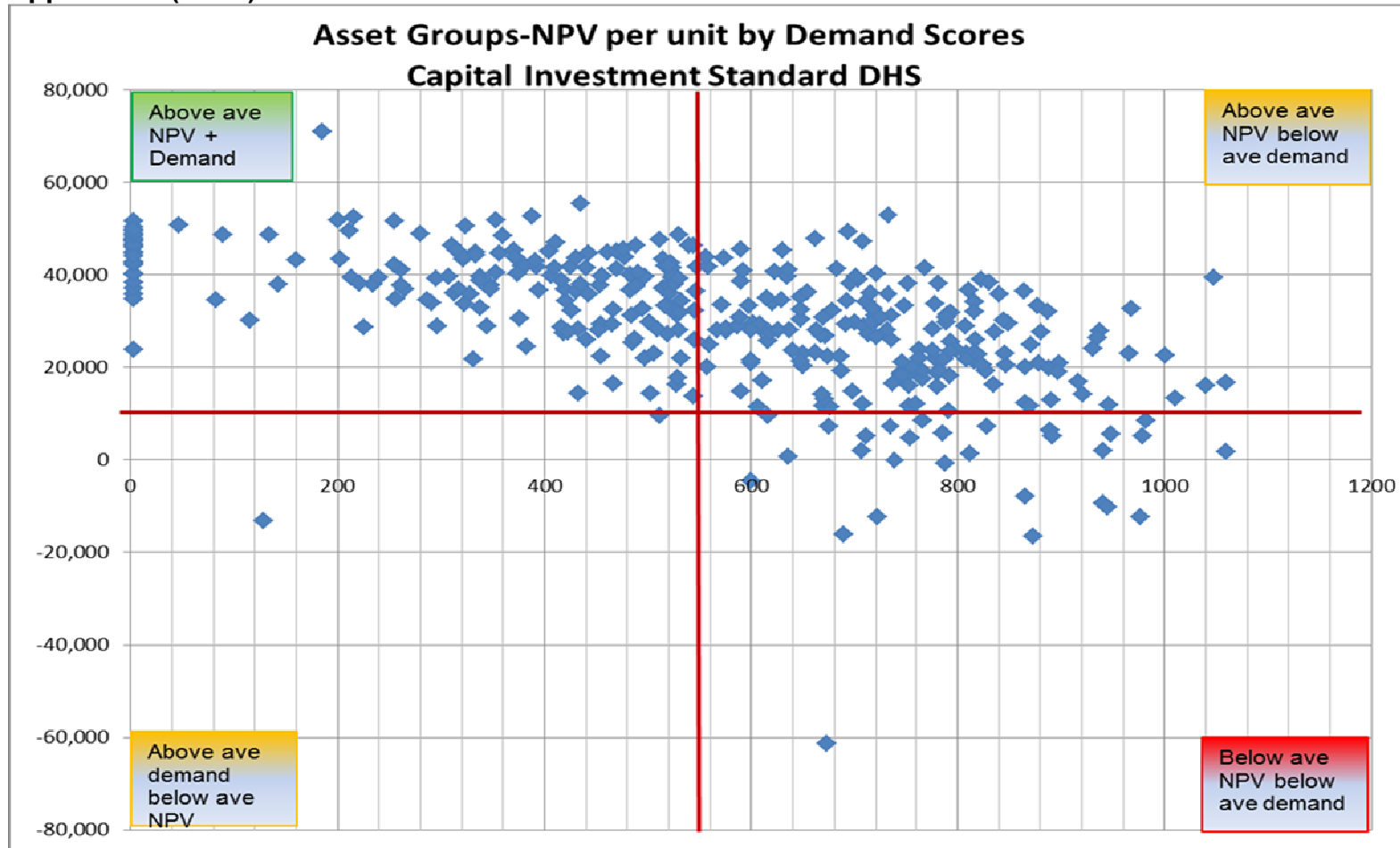
## Appendix 5. Net Present Value Modelling Results April 2017 –All Stock Appraisal Groups



## Appendix 6. Poorest Performing Appraisal Groups



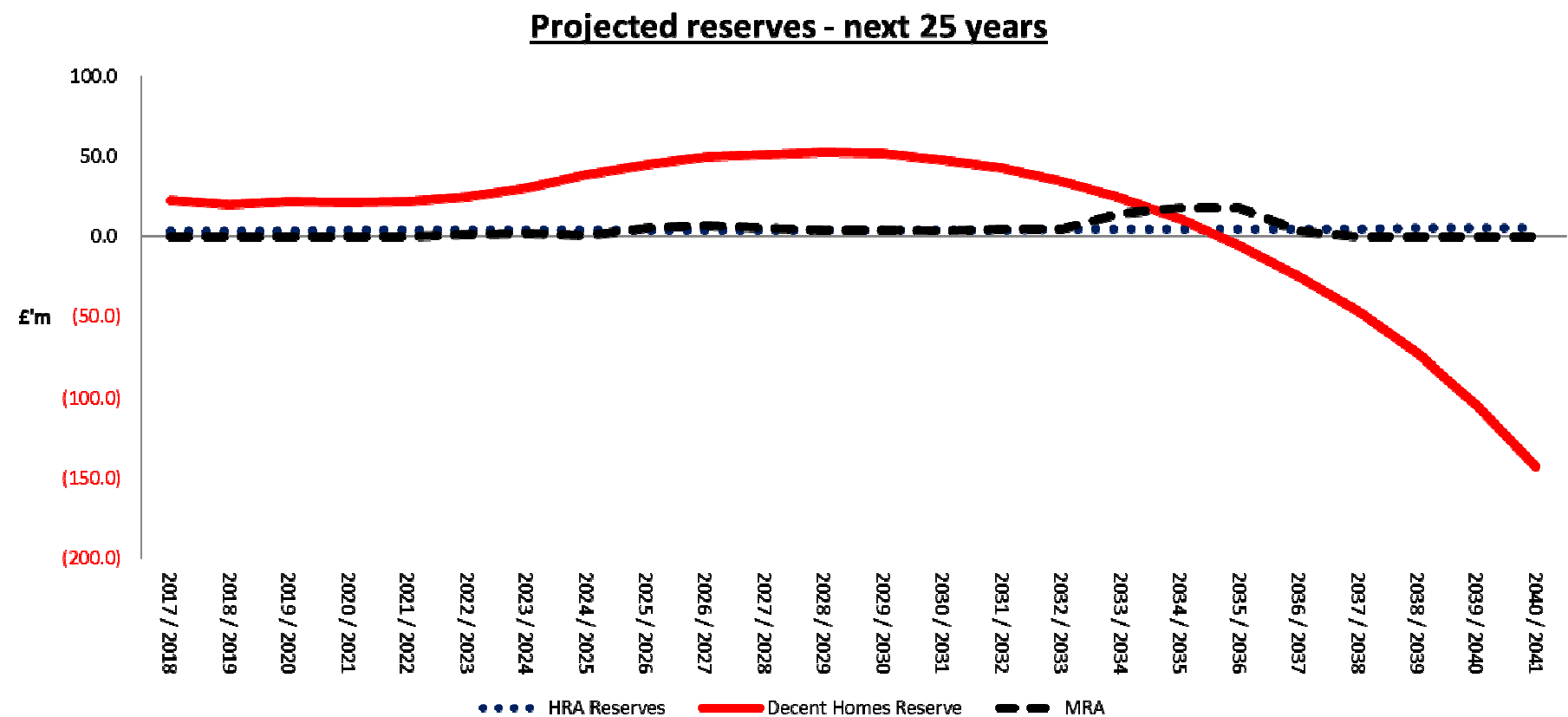
Appendix 6.(cont.)



## Appendix 7. 2<sup>nd</sup> Stage Appraisal List 2017

| Asset Appraisal Group                             | Number of Properties |
|---|----------------------|
| Bransholme District Caspon 2 Storey Flats/Links   | 11                   |
| Beecroft Court                                    | 31                   |
| Bathurst Street MS Flats                          | 95                   |
| Cottman Traditional 3-5 Storey Flats              | 57                   |
| Bilton Grange Trad 3-5 Storey Flats - East        | 62                   |
| Boothferry Flats                                  | 143                  |
| Valiant Drive                                     | 141                  |
| Melville/New Michael Flats                        | 99                   |
| Australia Houses                                  | 142                  |
| Porter Street High Rise                           | 66                   |
| Bransholme Roebank Caspon Bungalows               | 12                   |
| Bransholme Roebank Caspon Link Flats              | 11                   |
| Bransholme District Caspon Houses                 | 158                  |
| Bransholme Roebank Caspon Houses                  | 304                  |
| Anlaby Road 3-5 Storey Flats                      | 5                    |
| Barnsley Street Trad 2 Storey Flats (Pre War)     | 59                   |
| Barnsley Street Trad Bungalows (Post War)         | 11                   |
| Barnsley Buildings                                | 21                   |
| Barnsley Street Trad 2 Storey Flats (Post War)    | 17                   |
| Barnsley Street Spooner 2 Storey Flats/Links      | 10                   |
| Barnsley Street Spooner Bungalows                 | 9                    |
| Denaby Court                                      | 93                   |
| Longhill Traditional 3-5 Storey Flats             | 56                   |
| Bilton Grange Trad Maisonettes - East             | 14                   |
| Bridlington Avenue 3-5 Storey Flats               | 53                   |
| Boothferry Traditional 3-5 Storey Flats           | 10                   |
| Coronation Road Traditional 3-5 Storey Flats      | 28                   |
| Greatfield Traditional 2 Storey Flats             | 24                   |
| Burdale Close 2 Storey Flats                      | 62                   |
| Bilton Grange Trad Maisonettes - Park             | 4                    |
| Bransholme District Rat Trad 2 Storey Flats/Links | 86                   |
| Bilton Grange Trad 3-5 Storey Flats - Park        | 48                   |
| Thornton Area 3-5 Storey Flats                    | 192                  |
| OBG Traditional 3-5 Storey Flats                  | 12                   |
| Henson Villas                                     | 20                   |
| Wyke Area Traditional 3-5 Storey Flats            | 41                   |
| Anlaby Road Acquireds                             | 5                    |
| Wyke Area Acquireds                               | 13                   |
| New George Area 2 Storey Flats                    | 105                  |
| New George Area 3-5 Storey Flats                  | 55                   |
| Thornton Area MBS 2 Storey Flats                  | 11                   |
| GTS Flats   | 323                  |
| Padstow House                                     | 90                   |
| Newtown Court                                     | 139                  |
| Cambridge Street Flats                            | 200                  |
| Garwick House                                     | 90                   |
| Bransholme District YDG MkII 2 Storey Flats/Links | 200                  |
| Longhill Traditional Maisonettes                  | 14                   |
| Wyke Area Traditional Maisonettes                 | 3                    |
| Rossett House                                     | 30                   |
| Houses in Multi-Occupancy - Central               | 6                    |
| Ashby Road Bedsits                                | 7                    |
| Houses in Multi-Occupancy - West                  | 10                   |
| Houses in Multi-Occupancy - East                  | 6                    |
| Dales 3-5 Storey Flats                            | 14                   |
| Total   | 3528                 |

Appendix 8. HRA Projections



## Appendix 9. 5 Year Capital Programme Summary

|   | <u>2018 / 2019</u> | <u>2019 / 2020</u> | <u>2020 / 2021</u> | <u>2021 / 2022</u> | <u>2022 / 2023</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>Capital Spend</u></b>                           |                    |                    |                    |                    |                    |
| Maintaining Decent Homes                              | 9,351              | 11,268             | 10,094             | 10,594             | 11,140             |
| Mechanical & electrical                               | 3,614              | 3,179              | 3,728              | 2,822              | 2,822              |
| KWL overheads   | 2,000              | 2,062              | 2,126              | 2,192              | 2,262              |
| Others (inc. client costs)                            | 1,400              | 1,429              | 1,512              | 1,611              | 1,709              |
| High Rise Fire Protection Works                       | 2,984              | 3,777              | 3,968              | 689                | 719                |
| Council House Adaptations                             | 3,000              | 2,500              | 2,500              | 2,500              | 2,500              |
| Empty Properties                                      | 920                | 0                  | 0                  | 0                  | 0                  |
| Regeneration  | 1,087              | 540                | 108                | 115                | 122                |
| <b>Base Programme</b>                                 | 24,356             | 24,756             | 24,037             | 20,522             | 21,273             |
| Cladding  | 9,920              | 8,885              | 8,836              | 0                  | 0                  |
| New build   | 9,342              | 9,533              | 13,326             | 10,728             | 3,967              |
| New Build/Empty properties – subject to affordability | 0                  | 3,829              | 4,051              | 4,314              | 4,577              |
| RTB grants  | 177                | 1,624              | 1,000              | 1,000              | 1,000              |
| <b>TOTAL EXPENDITURE</b>                              | 43,795             | 48,627             | 51,250             | 36,564             | 30,818             |

## Appendix 10. Capital Programme Funding 2018/19 to 2022/23

|                                 | <u>2018 / 2019</u> | <u>2019 / 2020</u> | <u>2020 / 2021</u> | <u>2021 / 2022</u> | <u>2022 / 2023</u> |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>Capital Financing</u></b> |                    |                    |                    |                    |                    |
| RTB Receipts - new build        | 1,081              | 5,514              | 6,108              | 5,513              | 3,563              |
| RTB Receipts - general          | 1,377              | 682                | 689                | 696                | 703                |
| NAHP                            | 3,138              | 0                  | 0                  | 0                  | 0                  |
| HCA grants - indicative         | 0                  | 0                  | 0                  | 0                  | 0                  |
| ECO                             | 597                | 769                | 122                | 0                  | 0                  |
| Empty Homes Grant               | 0                  | 0                  | 0                  | 0                  | 0                  |
| MRA (general)                   | 25,972             | 26,449             | 27,661             | 29,206             | 26,551             |
| Borrowing                       | 11,631             | 15,212             | 16,670             | 1,149              | 0                  |
| <b>Total</b>                    | <b>43,795</b>      | <b>48,627</b>      | <b>51,250</b>      | <b>36,564</b>      | <b>30,818</b>      |



## Appendix 11. Abbreviations List

|        |   |
|--------|---|
| HSIAMS | Hull Stock Investment and Asset Management Strategy     |
| HRA    | Housing Revenue Account                                 |
| RTB    | Right to Buy  |
| H+S    | Health and Safety                                       |
| UC     | Universal Credit  |
| CPI    | Consumer Price Index                                    |
| ECO    | Energy Company Obligation                               |
| DHS    | Decent Homes Standard                                   |
| LIHC   | Low Income High Cost                                    |
| DECC   | Department of Energy and Climate Change                 |
| SAP    | Standard Assessment Procedure                           |
| AAP    | Area Action Plan  |
| DBEIS  | Department for Business, Energy and Industrial Strategy |
| CERT   | Carbon Emissions Target                                 |
| CESP   | Community Energy Savings Programme                      |
| SHMA   | Strategic Housing Market Assessment                     |
| HCA    | Homes and Community Agency                              |
| KWL    | Kingstown Works Limited                                 |
| PLCG   | Project Liaison Core Group                              |

## Implications Matrix

**This section must be completed and you must ensure that you have fully considered all potential implications**

This matrix provides a simple check list for the things you need to have considered within your report

If there are no implications please state

|  |     |
|--|-----|
| I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc. prior to submitting this report for official comments | Yes |
| I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council  | Yes |
| Value for money considerations have been accounted for within the report   | Yes |
| The report is approved by the relevant City Manager  | Yes |
| I have included any procurement/commercial issues/implications within the report   | Yes |
| I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.  | Yes |
| I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report   | Yes |
| Any Health and Safety implications are included within the report  | Yes |
| Any human rights implications are included within the report   | Yes |
| I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report  | Yes |
| I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report  | Yes |
| I have included information about how this report contributes to the City Plan/ Area priorities within the report  | Yes |