

To: Cabinet

Date: 11 December 2024

Report of: Peter Matthew, Executive Director - Communities and People

Title of Report: Housing Revenue Account (HRA): Asset Management Strategy, and 5-Year Investment Programmes

Summary and recommendations	
Purpose of report:	Presents the Housing Revenue Account (HRA) Asset Management Strategy and 5-Year Investment Programmes for adoption and approval.
Key decision:	Yes
Cabinet Member:	Cllr. Linda Smith, Cabinet Member for Housing and Communities
Corporate Priority:	Housing
Policy Framework:	Corporate Business Plan priorities for Housing

Recommendation(s): That Cabinet resolves to:

1. Adopt the Housing Revenue Account (HRA) Asset Management Strategy plan for 2025-28, a draft for which is attached at *Appendix A*.
2. Approve the HRA Investment Programmes of up to £250m over the next 5 years. The programmes are summarised at **Appendix B**, and comprise:
 - a. HRA 5-year Capital Programme (planned works) totalling up to £177m, which should ensure that OCC meets its landlord obligations including new safety, quality and decent home standards; and
 - b. annual demand led revenue works for responsive repairs and services of up to £14m for 2025/26 (up to £70m over 5 years).
3. Approve the commissioning of the following sub programmes to Oxford Direct Services Ltd (ODS) through current HRA direct award arrangements:
 - a. capital programme and projects valued at up to £77m over the next 5 years; and
 - b. responsive repairs (revenue) programme for 2025/26 valued at up to £12m (£60m).

4. Approve the commissioning, clienting and financial management arrangements at **Appendix C and D** for effectively implementing the recommendations above and enable the development of annual Delivery Plan by ODS for 2025/26
5. Delegate authority to the Executive Director for Communities and People, in consultation with the lead member for housing, to:
 - a. agree annual capital plans and programmes that are in line with the approved 5-year capital programme; and
 - b. make minor modifications to the specifications at **Appendix C and D**
 - c. delegate/decision to commence procurement activities to ensure delivery of capital and revenue works as required

Introduction and background

1. The Council's 40 Year HRA Business Plan sets out how we will best use the resources of the Council's HRA to maximise our role as an ambitious local authority and social housing landlord. It frames the council's long-term investment strategy for being a *high-performing landlord, enhancing the quality of our housing stock and providing good quality homes*.
2. The Plan recognises the changing landscape for housing and the significant challenges faced going forward, including impacts of national housing, immigration and welfare legislation, policies and a new inspection regime. It confirms that the HRA is capable of affording all currently planned expenditure over the next 5 years, but in doing so it will experience a steep increase in its debt levels in order to fund the new homes programmes and acquisitions through OX Place. Consequently, there is little scope for new additional HRA expenditure over the medium term.
3. To improve Oxford City Council's long-term planning and investment in its housing stock of over 8,000 homes, this report introduces:
 - i). **three year Asset Management Plan** that should help with the foundations and enable the Council to take a long term approach to planning, investing, and improving its homes, focusing on priorities that are most important to tenants; and
 - ii). new **HRA 5-Year Investment Programme** that sets out the planned delivery of works for the next five years,
4. Taken with the 40 Year HRA Business Plan these two programmes enable the Council to consider the choices it will need to make to maintain and enhance its housing stock ensuring they are safe for tenants now and for the longer term.

HRA Asset Management Strategy – 2025/2028

5. The HRA Asset Management Strategy (AMS) supports the long-term planning and maintenance of the Council's homes. It focuses on actions that will lead to the Council achieving its overriding objective of becoming a high performing landlord and improving living standards for Council tenants.
6. The role of the AMS, as seen in the new Social Housing Regulation and Consumer Standards, is to build our knowledge and intelligence about our assets in order to make better informed investment decisions and optimise the life of the Council's housing stock.
7. The AMS, attached at Appendix A, provides the basis for improving how we govern, decide, and carry out actions to ensure well managed and maintained HRA homes and assets. This includes how we will listen and engage with tenants to ensure that our homes are in good repair and safe, and how we will invest wisely to ensure our homes are 'fit for the future'.
8. The AMS sets out six priority areas for actions, focused around stronger governance, and informed by feedback from over 500 tenants' who responded to our survey carried out in the summer. The strategic HRA asset management priority actions are:
 - a) Ensuring every tenant and leaseholder's voices matter.
 - b) Establishing the right governance arrangements for effective decision making.
 - c) Providing great homes that are fit for the future.
 - d) Working towards a net zero carbon future.
 - e) Supporting thriving places and communities.
 - f) Delivering an efficient and well-run service
9. By building the governance and foundations for effective asset management the Asset Management Plan will help us put in place effective plans for effectively managing and minimising risks for Council and tenants, as well as meet our regulatory requirements and standards as a registered social housing landlord. Regulatory standards for landlords - GOV.UK (www.gov.uk)
10. The AMS is an evolving and iterative process that should be regularly reviewed and updated to ensure it remains fit for purpose. This includes assessing its resilience to future legislative and regulatory requirements, and recommendations that may arise as a result of a regulatory inspection.

HRA 5 Year Investment Programmes – 2025/2030

11. The new OCC HRA 5 Year investment Programme, which is summarised at **Appendix B**, introduces a new basis in how the council plans, invests and maintains the Council's housing stock in the future. It is a basis for providing value for money and services to tenants and leaseholders.

12. The new 5-year approach will predominantly be data driven. It is intended to improve the overall commissioning of works to ODS and other contractors, and strengthen the Council's role as a commissioner and client for the planned works programmes over the next 5 years. The approach will ensure that works are delivered to agreed standards and specifications that reflect the asset needs and tenants' priorities; and ensure that the Council meets its compliance requirements as a landlord.
13. A pragmatic approach has also been taken in assessing delivery cost assumptions, which accepts there is scope for HRA to secure greater value for money from its total investments and including those delivered through ODS.
14. It will also be necessary for 5 Year Programme reviews to take place at the end of the period to help understand the effects of the planned maintenance works and make better informed decisions for future planned and demand led works.

Building the 5 Year Investment Programme:

15. The new investment programme reflects what tenants told us, on our drive to meet the Decent Homes, Safety and Quality Standard requirements, and on our move to being driven by knowing our stock. It is based on our assessments and analysis of a number of data and information sources, including:
 - **Stock condition Survey** – up to date stock condition data is available on 40% of the stock. Further stock condition surveys are currently underway and we expect to have completed the full condition survey by March 2025. Once complete, this will enable the Council to demonstrate a key regulatory requirement - understand how the stock is performing - when it comes to refreshing the programme on an annual basis.
 - **Existing housing data** contained within the Property Service data system (QL) – helped to inform the different existing components of the Council's housing stock with care to ensure that out of date stock data, superseded by the stock condition survey was discounted.
 - **Resident survey** – a tenant's survey was conducted, involving extensive engagement and consultation with tenants to help us understand their priorities. The survey yielded over 550 responses. The responding tenants told us their top 5 priorities for investment, in order of priority are:
 - i). Getting repairs done
 - ii). Keeping people safe in their homes
 - iii). Investing in kitchens and bathrooms
 - iv). Improving the energy of homes
 - v). and improving external areas

The tenant consultation responses have helped to structure the investment programme around these 5 customer priorities.

- **Cross cutting services data** – complaints and cross service data was also considered to determine whether there were any operational hotspots arising

out of either the testing, inspection, and serving of components or the replacement of components that needed investment.

- **Energy efficiency** – improving the energy efficiency of existing homes is a key priority for the Council. The key locations and the stock condition data associated with these locations have been placed into a separate group to reflect this priority.

16. Our analysis also determined volumes of components and works needed and those that are due to be replaced within the next five years or where the next renewal date was in the past. The proposed programme therefore prioritises delivery of:

- i). core works to ensure homes are safe and well maintained; and
- ii). enhancement works to facilitate improvements, such as decarbonising the stock, improvements in and outside the homes, etc.

The 5-year Investment Programmes

17. For the financial constraints and reasons explained in the HRA Business Plan, there is a duty and necessity to seek better value and returns for HRA investments. The programme therefore looks to balance the needs of tenants whilst seeking to improve the client and contractual arrangements to ensure that, irrespective of the delivery route, works to the Council's housing stock achieves the best efficiencies and value for the HRA.

18. A summary of the overall 5 Year Investment Programme, which includes both revenue-based works and major capital works, and their delivery routes is attached at **Appendix B**.

19. The overall Investment Programme comprises a total of £250m being invested, through capital and revenue services and projects, to maintain and improve Council homes over the next 5 years.

20. The programmes are presented by capital and revenue budgets, and within these, by those that are commissioned through ODS and those that are open to tender processes. The Investment Programmes comprise:

- Capital programme - planned programme of maintenance over 5 years of which:
 - up to £77m to be commissioned directly via ODS as the Council's in-house company service delivery route; and
 - up to £100m to be subject to Council and HRA procurement policy and procedures.
- Revenue programme (demand-led activities) consisting of responsive repairs, voids, adaptations, etc:
 - up to £12m to be commissioned annually over the next five years directly via ODS as the Council's in-house company service delivery route; and
 - up to £2m to be contracted out annually over the next five years through the Council's procurement policy and procedures.

21. Early identification of the proportion of capital and revenue programmes that are to be commissioned through ODS will be vital in ensuring clarity and certainty with regards to expected work volumes and indicative costs of the services. Where for procurement, legal or best value reasons the Council is required to competitively procure services, ODS are still open to bid for projects.

Capital programmes and works

22. The Programme will see £177m investment and improvements being made to over 2,320 council flats, 4,215 street council properties, and 1,700 blocks across all wards across OCC. In summary it will deliver over 3,500 new kitchens and bathrooms, improvements to over 7,500 fire safety, gas, electrical components, improvements around communal and external areas such as roofs, walls, doors across street properties, blocks and flats and energy efficiency improvements to over 350 street properties and flats as well as energy efficiency improvements across communal, blocks and street properties.

23. The core components and workstreams covered by the 5 Year Programme are:

- a. **Safety and compliance works – up to £52m over next 5 years** on works to comply with our legal obligations as a landlord. This includes maintaining compliance on areas such as Fire Safety, Gas, Electrical Safety, lighting and other. It will also ensure we are compliant with the Safety and Quality Standard which requires landlords to provide safe and good-quality homes for their tenants, along with good-quality landlord services.
- b. **Works to street properties – up to £51m over next 5 years** on our cyclical works programmes to ensure we maintain homes to a decent home standard. This includes maintenance to tenants' homes, kitchens and bathrooms, estate improvements works as well as communal areas, garages, storage and other related areas which also ensure that we meet our requirements in ensuring well-maintained homes and neighbourhoods.
- c. **Works to blocks and flats – up to £32m over next 5 years** for consistent maintenance and improvements to street properties as well as blocks and flats and estate improvements works. Priority works in these two areas responds also to what tenants have said are important to them.
- d. **Other Priority Spend areas – up to £1.2m over next 5 years**, including the maintenance and safe upkeep of Play areas, Car Parks for example - so these can be maintained, safe and benefit of tenants or leaseholders of Council Housing
- e. **Works to energy efficiency targets – up to £40m over next 5 years** to improve the energy efficiency of homes that are below an Energy Performance Certificate (EPC) 'C' rating.

Reactive and responsive maintenance – Annual programme 2025/26

24. Reactive repairs works is demand-led and will vary. For planning purpose these include reactive repairs, voids properties, environmental, compliance and adaptations. Reactive repairs demand and workflows should be reviewed annually to reflect the shifting operating context and best determine budgets.
25. The 5-year investment planning approach being introduced should lead for better financial management and mitigate future overspends in works delivery. This approach considers the need to move away from the existing financial “*delegated*” arrangements that adversely limit the Council’s ability to make decisions about works to be undertaken, which is particularly important in relation to voids and demand-led works. The HRA pressures and borderline financial positional facing the HRA highlighted in this report must begin to be addressed through these works by ensuring effective financial monitoring of works delivered and proper budget management, and services that deliver better outcomes for tenants and value for money for the HRA. These financial adjustments are explained further in **Appendix C – Commissioning of Works** document.
26. The annual responsive repairs programme for 2025/26, which is attached at **Appendix B** sets out an investment of up to £12m annually over the next five years. Works in the main will be demand led which will involve making improvements of up to £2m to void decanted properties, up to £6m in responsive repairs as a result of tenant call-outs, emergencies, up to £1.5m on environmental repairs including trees, grounds maintenance, pest control and up to £2m on emergency safety and compliance repair works.

Costs and value for money

27. In establishing the costs of the capital and revenue programmes, we assessed current existing costs and also considered related social landlord pricing benchmarks. In the case of revenue programmes we considered factors influencing demand levels and how works and services are currently specified. We concluded that there is scope for improving value for money of the HRA programmes, in particular, in relation to kitchen, bathrooms, emergency repairs, voids and electrical (wiring) works.
28. In addition, the HRA 40 Year Business Plan explains the tight position of its finances, especially over the next 5 years. In order to improve the financial baseline the Plan in the medium term and going forward, Cabinet agreed to work being carried out to secure efficiencies and savings of approximately £2.5m over the next 5 years on HRA repairs, maintenance and management. These considerations have been taken into account as part of the clienting and financial management arrangements and the Commissioning of works documents (**Appendices C and,D**) which outline the revised client management arrangements and transitional operating approach that will be adopted to support the delivery of financial efficiencies to the HRA and better outcomes for tenants.

29. The annual volumes within the programme should remain consistent year on year, or increase incrementally year on year. Such predictability will enable ODS as the primary provider to plan and then put in place the resources and processes required to deliver each part of the programme to best effect. Similarly, this predictability should help financial planning on the Council client side to be more stable against fluctuations in volumes.

Transition and delivery

30. The improvements we need to see will not come overnight. That is why we are proposing that the first year of the Programme is taken as transitional year. A year that should allow for the actions needed to adopt the new commissioning arrangements to be put in place.

31. To effect the changes during the first year of the programme, the commissioning of ODS will adopt transitional arrangements alongside the delivering year one programmes. The expectation is that throughout year 1 we will be working to introduce the changes as set out in the Commissioning Specification document (see Appendix C). This will include, putting in place the new client management arrangements, revising specifications for commissioned works, and KPIs to monitor programme progress etc.

32. Towards the end of year 1 we will also carry out a first annual review to consider further assumptions, and data arising from the completed stock condition survey to update the remaining four-year programme. It is important to highlight the critical need to embed annual programme reviews as part of the new 5-year programme arrangements. The programme should as far as possibly reflect the latest stock condition data, changes in priority, or the re-profiling of investment into future periods. This approach should also enable services and ODS to forward plan delivery arrangements, and to be flexible to the needs of the services as a whole, and continuously considering tenant's priorities.

33. It is not expected that all transitional actions will be completed within the first year, many should continue, and it will take time for new client and contractor relationships to embed and become fully operational.

Commissioning and client management

34. In developing the revised 5-year long-term approach to investment, we also identified the need to have the right client management structure and resources, to enable the Council to be a better client/commissioner and enable ODS to deliver more efficiently and effectively for Council tenants and better value for money to the HRA. To date, the absence of these functions and relationships has led to lack of clarity across teams in terms of commissioning costs, specification of works, poor value for money and services struggling to maintain good governance, planning and monitoring performance and delivery. This has meant that as we move to better planning and commissioning of works, we have recognised that the successful delivery and failure depends not only on the robustness of the commissioning of

works but also on the client management relationships and engagement arrangements that we establish that will aid good partnership working, communication and relationship building that is focused on delivering the very best for the HRA and tenants.

35. The Commissioning specification, at **Appendix C**, have been devised and aim to assist and guide the Council in preparing the required changes to meet service expectations and standards, and enable ODS to also make necessary adjustments. The specification considers a number of factors including:

- establish arrangements to deliver required standards;
- preparation of clear and agreed works specifications;
- handling of data, Information and systems
- establishing and embedding the “one version of truth” compliance approach;
- financial arrangements and controls;
- handling of tenants and leaseholders, customer service standards;
- procurement, sub-contracting; and
- performance management, risks and audit

36. Naturally, there are actions that will need to be done individually - as a client and a provider - and actions that will be best carried out jointly to also aid the rebuilding of relationships and practices. It is acknowledged that this will take time and in some areas some actions will go beyond the proposed transitional year.

37. The transitional process and delivery of programme will require sound and robust client management arrangements to be in place between OCC and ODS. Whilst these arrangements exist they need to be robust and better co-ordinated. Undoubtedly, assurance on programme delivery will require investment of both time and resources and these will be reviewed and strengthen during the transitional period.

38. The right foundations and relationships are essential to delivering the transition and the programmes. The **revised client management arrangements** are outlined in **Appendix D**.

39. In addition to clarity of service specifications, pricing and costs, we will adopt more structured and purposeful arrangements in managing our relationships and delivery. These will involve:

- **annual delivery plan** - based on 5 rolling year investment programme - ODS will be required to submit an annual Business Delivery Plan outlining how it intends to deliver the commissioned programmes, costs, specifications and other details as set out in **Appendix C**. This should include arrangements for delivering annual efficiencies. Subject to these proposals being approved – OCC will initiate this process in order for a delivery programme to be agreed and commence from 1 April – 2025.
- **annual review of performance** and delivery as per the service specification arrangements every October to coincide with the end of financial year Council’s budget setting and Housing Revenue Account (HRA) business planning taking place in February every year.

- **Strategic quarterly meetings** to take place with focus on more strategic matters related to the delivery of the 5 Year Programme Plan requirements and savings and wider strategic matters that may impact on the commissioning of services
- **Operational monthly meetings** - scheduled client-side meetings between OCC Housing and ODS to discuss performance monitoring, service delivery, business planning, health and safety and any other issues of concern to either party on a project area by project area basis relating to the 5 Year Programme Plan.

Financial management and best value

43. The need to review the current financial management arrangements is important to gaining a better understanding of delivery performance and costs, and to improve the client management functions. It is essential to phase out the existing delegated budget approach which significantly impacts on the Council's ability to be a responsible client that can effectively manage delivery and its budgets, hold ODS as a contractor to account, and to take steps to secure better value for money.
44. Revised financial managements arrangements also need to;
- a. maintain a system of internal control within the Council that ensures that a price target model, schedule of works fees and basket rates form part of the financial controls;
 - b. provide financial support, systems and processes to ensure expenditure is logged against jobs in a manner that enables the costs of works to be identified and monitored against budget and where relevant recharged to tenants and leaseholders as appropriate;
 - c. appropriate arrangements for Client approval of works that are carried out in addition to the specification are proposed, or where the costs of a job exceeds an agreed delegation; and
 - d. provision for OCC Housing to agree the re-prioritisation of works in instances where budgets or a planned workstreams are projected by ODS to overspend in order to ensure that total spend for the overall capital or revenue programme remain within available HRA budgets.
45. It is also crucial that work is carried early to establish best value efficiency requirements, and the setting of an annual efficiency targets. In practice these should underpin the ODS Annual Delivery Plan that will be required once the renewed client management arrangements are in place and ODS is issued with an annual programme refresh.
46. Effective financial management arrangements will also require ODS to play its part in securing efficiencies, including through:
- best sourcing of materials and at competitive prices;
 - reduced reliance on external contractors and improved productivity;

- re-organisation of internal resources, better use of trades (multi-trades); and
- understanding of its application of costs to jobs, and steps to mitigate overspends.

47. Together these arrangements should serve to enable both OCC and ODS to put in place the necessary systems and processes required to ensure good governance, best value and financial viability for the HRA. The outcomes of these financial arrangements should lead to:

- a. Ensuring that OCC's Housing Revenue Account (HRA) is sufficiently and financially viable and properly managed and that it performs its functions effectively and economically.
- b. OCC delivers sufficient social housing and reinvestment in services that meet tenants and prospective tenants needs
- c. Best value for money for the HRA is obtained, ensuring capacity in investment and financial planning, in order to secure resilience against any risks

Tenant engagement and involvement

48. Through the tenant survey we have engaged and involved tenants providing them with the opportunity to tell us their investment priorities and their input has been fundamental and has helped us shape the investment plan and priorities.

49. Our engagement journey will continue, and we will seek to not only feedback to tenants on the actions we will be taking in response to their involvement but we will develop a communication plan that will seek to continuously inform tenants and update them on the works planned in their areas and their homes.

Next steps

50. Subject to Cabinet approving the recommendations in this report, a comprehensive delivery plan is being prepared to set out the workstreams and actions needed to implement the range of HRA initiatives presented to Cabinet. It will therefore include actions to implement:

- The HRA 40 -Year Business Plan;
- The HRA Asset Management Strategy;
- The 5-Year Capital and Revenue Programmes;
- New commissioning, clienting and financial management arrangements; and
- Safety and compliance monitoring and reporting; and
- Review of the HRA Assets Management Team

Financial implications

51. The 5 Year Investment Programme forms part of the HRA capital programme that is financed via the resources available within the HRA Business Plan. Other financial implications are set out in the body of this report.
52. Furthermore, value for money risk management considerations have been addressed throughout this report and in particular at paragraphs 34-39 of this report.
53. The overall value of works contained within this 5-year plan has not decreased from the previous plan. The aim of this planned approach is to increase the productivity (ie. the quantity of works completed) for the same cost by having a focussed, planned approach to the workstreams.
54. There may be indirect financial consequences to consider, such as implications for the generation of surpluses generated by ODS as a result of this new process. Careful consideration should be taken, and the impacts fully evaluated.

Legal issues

55. In accordance with Part VI of the Local Government and Housing Act 1989 Local Authorities holding housing stock are obliged to maintain a Housing Revenue Account (“HRA”). The HRA documents the revenue expenditure and income in relation to an authority’s own housing stock. The items to be credited and debited to the HRA are prescribed by statute. This is a ringfenced account within the authority’s General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.
56. Capital investment in HRA assets helps to improve the overall sustainability of the HRA and supports the delivery of corporate priorities under the Corporate Plan. Further, the maintenance of dwellings may be considered consistent with the Council’s repairing obligation under Section 11 of the Landlord and Tenant Act 1985.

57. Level of risk

58. Inefficient and ineffective delivery of the programme can prejudice the council’s ability to fulfil its compliance obligations as a landlord and affect the future sustainability of the Council’s housing stock. Equally, reduction in cyclical replacement based on the life expectancy of components, such as heating systems, would result in future increased costs for the Council through increased failures.
59. Tenant satisfaction levels would likely reduce as a result of increased waiting times for replacement, lower heating efficiency would be reported, increased fuel costs would be incurred and an increased risk of tenants falling into fuel poverty would be reported.
60. Any significant slippage in the programme would result in a general extension of delivery timescales for proposed improvement works and a need to revise the 5 year plan.

61. The delivery of the programme will ensure the development of risk register to ensure that the council has mitigating measures in place and secure delivery of the programme.

Carbon and Environmental Considerations

62. An element of the HRA capital programme includes the provision of energy efficiency upgrades for our stock. This benefits our tenants and leaseholders financially and minimises their impact on the environment, as well as funding for the HRA response to the Council’s energy efficiency targets.

Equality and Human Rights Considerations

63. In adopting the HRA Asset Management Strategy Plan and when commissioning the capital and responsive repairs programmes the Council will have due regard to its obligations under the Equality Act 2010 and the Human Rights Act 1998. There are no adverse impacts on the nine protected groups.

64. The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not: and
- (iii) foster good relations between those who have protected characteristics and those who do not.

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Background Papers:	
1	40 Year HRA Business Plan
2	Oxford City Council – Business Plan

Please note in the table below the version number of your report that was finally cleared at each stage

Report Stage	Version Number
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<p>First Draft: deadline xxx 2024</p> <p><i>Commissioned and cleared by Director deadline 2 August (send to Legal and Finance by deadline 9 September)</i></p>	V3
<p>Second Draft:</p> <p><i>Cleared by Legal and Finance deadline 12 September</i></p>	V4
<p>Final Draft: deadline to send to the Cabinet Members 11am on 13 September</p> <p><i>Cleared by the Cabinet Members deadline 18 September</i></p>	
<p>Final approved author draft: deadline 19 September for Labour Group agenda publication 20 September</p> <p><i>Cleared by Labour Group 26 September with 27 September final deadline for cabinet member clearance after any Labour Group amendments</i></p>	