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| <b>LONDON BOROUGH OF CAMDEN</b>  | <b>WARDS:</b> All                                  |
| <b>REPORT TITLE</b><br>Housing Investment Strategy (SC/2024/40)  |  |
| <b>REPORT OF</b><br>Cabinet Member for Better Homes  |  |
| <b>FOR SUBMISSION TO:</b><br>Housing Scrutiny Committee<br>Cabinet   | <b>DATE:</b><br>13 January 2025<br>15 January 2025 |
| <b>STRATEGIC CONTEXT</b><br><br>We Make Camden is our joint vision for the borough, developed in partnership with our community. Its ambition is that everyone in Camden should have a place they call home Camden should be a green, clean, vibrant, accessible, and sustainable place with everyone empowered to contribute to tackling the climate emergency.<br><br>This strategy sets out how the Council will meet this ambition for the homes it owns and manages. It will also contribute greatly to the delivery of the Estates Mission as it will consider the investment needed and the options available to either reduce investment need or generate resources for investment.<br><br>The Way We Work is the Council’s response to We Make Camden and the development and delivery of the Housing Investment Strategy is closely aligned to the housing and repairs transformation programme which looks at how services and outcomes can be improved for residents.  |  |
| <b>SUMMARY OF REPORT</b><br><br>The Council’s ambition is to be an excellent social landlord that places its tenants at the top of its priorities and provides quality housing that meets, and where possible, exceeds regulatory requirements. We aim to deliver services to residents that are easy to access and are underpinned by open and transparent communication. This ambition includes work to make our estates more pleasant places to live, and our homes much more energy efficient, and ultimately zero-carbon. The Council is also committed to increasing the supply of good quality, energy efficient, family friendly homes through its Community Investment Programme, through its Registered Provider Camden Living, and through its acquisition programmes.<br><br>This report responds to two key challenges which the Council faces: an urgent need to address the local housing crisis through the development and acquisition of good quality homes, and a significant shortfall in its finances to maintain its |  |

existing portfolio to the necessary standards to ensure regulatory compliance and the safety of residents. These are not independent challenges; and it is therefore essential that the Council takes a holistic approach in its response.

Within this context the report sets out the Council's Housing Investment Strategy and how it will add to and adapt its housing stock through the Community Investment Programme, Camden Living and acquisition programmes. To support the ambitions of the Housing Investment Strategy, the report also details a 5-year investment strategy for the Council's current homes, to improve their quality and make sure residents are safe, warm and dry. The strategy responds to significant change nationally in social housing regulation, especially the Social Housing (Regulation) Act 2023 and Building Safety Act 2022 and embeds their requirements in the specific context of Camden. It details investment priorities, funding arrangements and the proposed capital works to be delivered.

The report also considers the outcomes for residents and how some of the Council's homes are not at the standard they should be, either because of how they are built or because of the investment they need.

The report is coming to Cabinet because it has significant implications for investment in the Council's homes across all wards, requires the allocation of significant capital budgets, and recommends an active approach to managing the Council's housing stock, which is focused on securing better homes for Council residents and actively addressing poor quality or high-cost homes.

### **Local Government Act 1972 – Access to Information**

No documents that require listing were used in the preparation of this report.

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### **RECOMMENDATIONS**

The Housing Scrutiny Committee is asked to consider the report and make any recommendations to Cabinet.

Cabinet is asked, having considered the results of the Equalities Impact Assessment (Appendix C), and having due regard to the obligations set out in the Equality Act 2010, to:

1. Agree the new Housing Investment Strategy (Appendix A), which incorporates the new Housing Asset Management Strategy (Appendix B), the Capital Programme 2025-2030 (Appendix B1) and the Asset Feasibility

Study (Appendix B2). The Housing Investment Strategy will be implemented through:

- the Community Investment Programme (CIP),
- acquisition of properties by Camden Living Group Ltd,
- the Temporary Accommodation Purchasing Programme
- the Family Friendly Housing Purchase Programme, and
- the new Housing Asset Management Strategy.

2. Agree in relation to the Housing Asset Management Strategy 2025-2030 (Appendix B):

2.1 Investment of an additional circa £350m in the maintenance of the housing stock over the next 5 years (including up to circa £265m to be raised through proactive asset management to ensure homes are safe warm and dry), as set out in Section 4;

2.2 To delegate decisions relating to the implementation of the Quality Homes Programme in accordance with the principles and processes set out in Section 5, and in particular section 5.6,

(i) to the Director of Property Management (in relation to individual or street properties)

(ii) to the Executive Director of Supporting Communities following consultation with the Cabinet Member for Better Homes (in relation to purpose-built blocks)

Signed:



Date: 31<sup>st</sup> December 2024

## **1. CONTEXT AND BACKGROUND**

- 1.1 The Council is committed to increasing the supply of good quality, energy efficient, family friendly homes through its Community Investment Programme, its Registered Provider - Camden Living, and its acquisition programmes. The Council's ambition is also to be a good social landlord that fully discharges its landlord obligations, meets regulatory requirements, and delivers services to residents that are easy to access and underpinned by open and transparent communication. This ambition includes work to make our homes much more energy efficient, and ultimately zero-carbon, and our estates more pleasant places to live
- 1.2 This report considers the immediate priorities and sets out the programme for the building of new high-quality homes through the Community Investment Programme. It will also outline the Council's other programmes of acquisitions, including through its Registered Provider, Camden Living. Finally, it sets out a 5-year investment strategy for the maintenance of existing stock ensuring it meets regulatory requirements. Together these programmes will aim to achieve long term growth in the housing stock, improvements in the quality of homes, and enable the Council to better respond to local housing needs.
- 1.3 It proposes the adoption of the new overarching Housing Investment Strategy which establishes a consolidated approach to the Council's various programmes which together will deliver on the Council's strategic Housing Pledges. The overarching Housing Investment Strategy (Appendix A) incorporates the new Housing Asset Management Strategy (Appendix B) which details investment priorities for the existing Council homes, funding arrangements, the Capital Programme 2025-2030 (Appendix B1) and the Asset Feasibility Study (Appendix B2).
- 1.4 The report also considers the outcomes for residents and how some of the Council's homes are not the standard they should be, either because of how they are built or because of the investment they need.
- 1.5 The report is coming to the Cabinet because it has significant implications for investment in the Council's homes across all wards, requires the allocation of significant capital budgets, and recommends an active approach to managing the Council's housing stock, which is focused on securing better homes for Council residents and actively addressing poor quality or high-cost homes.

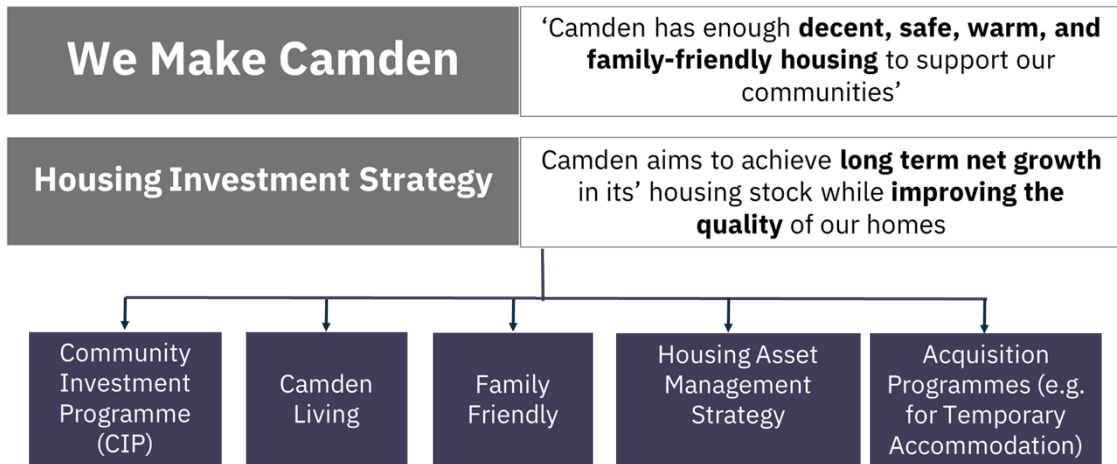
## **2. PROPOSAL AND REASONS**

- 2.1. We are building the next generation of Council homes, building on the legacy of the innovative Camden architect's department in the 1960's and 1970's and its previous acquisition programmes. The Community Investment Programme will deliver 1,800 high quality social rented homes (1,300 replacement homes and 500 additional homes), Camden Living is anticipated to add a further 200 social rented homes as a Registered Provider, and an additional 50 homes

are being acquired through the third round of the Council's Temporary Accommodation Purchasing Programme (TAPP). We also need to acknowledge the challenges of our existing stock and how we can actively manage this to ensure that Camden can adapt its stock to meet the changing needs of residents in the borough. This work has started through the Council's Family Friendly Programme which will provide 280 additional bedspaces through the purchase of family sized homes, funded through the release of smaller homes. As this report will set out, there is a need to build on the successes of this programme to ensure Camden can provide quality homes for its residents. Taken together, the Council expects these programmes to deliver net growth in the stock over the next five years, and crucially to deliver substantial increases in the quality.

- 2.2. The Council is one of London's largest providers of social housing, with an existing stock of approximately 23,000 social rented homes and 10,000 leasehold homes making up about a third of all homes in the borough. It has a very diverse portfolio with many homes in conservation areas that were built over 100 years ago, iconic estates developed by Camden architects, and those acquired over the years from the Greater London Council and on the open market when the Council stepped in to purchase and convert street properties that needed investment. In recent years, the Council's Community Investment Programme has added a range of high-quality, energy efficient homes that meet modern standards and respond to current housing needs.
- 2.3. This report responds to two key challenges which the Council faces: an urgent need to respond to the local housing crisis through the delivery of more secure housing, and a significant shortfall in its finances to maintain its existing portfolio to the necessary standards to ensure regulatory compliance and the safety of residents. These are not independent challenges; failure to secure compliance by the Social Housing Regulator may put grant funding for new homes at risk, and a failure to maintain existing homes undermines community support for prioritising investment in new developments. Equally failure to provide new homes to meet housing needs puts ever increasing pressure on strained temporary accommodation services and likely result in an increase in overcrowded homes. It is essential that the Council takes a holistic approach in its response.
- 2.4. As this report will explore, for the Council's wide-ranging portfolio of homes to be well maintained, the Council needs to urgently generate additional resources. Also, it needs to make sure that homes which provide poor accommodation, or have very high investment costs, are proactively managed so that the Council can meet its obligations and achieve its ambition of being an excellent landlord. That needs to be achieved through careful consideration of the Council's wider programmes which deliver stock changes.
- 2.5. The Housing Investment Strategy is proposed as an overarching strategy which establishes a common set of Housing Pledges across the Community Investment Programme, Camden Living, various existing disposal and buyback programmes. The Housing Investment Strategy (Appendix A) incorporates the new Housing Asset Management Strategy (Appendix B), the

Capital Programme 2025-2030 (Appendix B2) and the Asset Feasibility Study (Appendix B2).



- 2.6. The following Housing Pledges are proposed within the Housing Investment Strategy. These will guide the detailed implementation of all housing programmes:
- We will drive long term growth in Council owned housing
  - We will improve the overall quality of the Council's homes, so they are modern, accessible and energy efficient
  - We will actively manage and adapt our housing stock to respond to local housing needs
- 2.7. The Council recognises that the severity of the housing crises is changing the way it needs to provide housing. The long waiting lists for social housing means that newer tenants present with a far greater range and severity of complex needs and vulnerabilities, while the high cost of housing in the borough means that key workers in good employment are priced out of private ownership or rental. The Council needs to continue its active work to ensure that it is providing a service which responds to these challenges. It also needs to ensure that its homes meet the increasingly complex and diverse needs of residents in terms of affordability, size, and accessibility. This will require pragmatic decisions across all programmes to ensure the Council's housing stock is changing to meet the needs of residents.
- 2.8. The Housing Asset Management Strategy's scope is the investment and management of the existing stock over the period 2025 to 2030. The specific objectives of the strategy are set out in detail in Section 3 of Appendix B, but can be summarised as:
- Make sure the Council can meet regulatory requirements
  - Generating resources for investment in Council homes
  - Identifying the best option for homes that provide poor accommodation or have very high investment costs
  - Increasing the number of better-quality homes for residents and meeting priority needs on the waiting list

### *Meeting regulatory requirements*

- 2.9. From a regulatory perspective, the social housing sector has changed enormously in the past few years, driven by the Grenfell tragedy in 2017 and the tragic death of Awaab Ishak in 2020. This has been against the backdrop of challenging financial constraints. After a period of change and some uncertainty, the implementation of the Social Housing (Regulation) Act in 2023 and the Building Safety Act in 2022 provides an opportunity to plan more clearly for the future. The need for additional social housing is more important than ever, but the Council must also make sure it can clearly honour its obligations to all tenants and leaseholders.
- 2.10. The Council's engagement with the Regulator of Social Housing has highlighted that having a credible and clear asset investment and management strategy which is funded, is central to securing a compliant rating against its consumer standards. This is because without a funded investment strategy in place the Council will not be able to demonstrate it can maintain its homes to the decent homes standard. It is also the case, as demonstrated by the Housing Ombudsman's report, that some of the Council's homes are challenging and costly to maintain, particularly when structural works are required, their recent report cited property condition a frequent factor in the complaints they received.
- 2.11. A further consideration is that if the Council has a non-compliant rating from the Regulator for Social Housing it would be less likely to access grant for new-build homes from the Greater London Authority. A funded investment strategy is therefore essential if the Council is going to secure additional better homes for its residents.
- 2.12. A chief goal of the strategy will be to secure a "C1" compliant rating from the Regulator for Social Housing, and secure and maintain 100% compliance with the decent homes standard.

### *Generate resources for investment in Council homes*

- 2.13. The Council has a growing gap between the investment it would like to make and the resources it has available. This is due to a wide range of factors:
- The rent reductions mandated by Government between 2016/17- 2019/20, under the Welfare Reform and Work Act 2016, whereby social rents were reduced by 1% each year followed by the cap on rent increases in 2023/24 - a cumulative loss in rental income by 2024/25 of £168m
  - Allocating £200m of Council capital resources to fire safety works
  - Increased regulatory burdens meaning revenue funding of £4.5m has been diverted away from repairs each year to implementing the Building Safety Act 2022
  - Jumps in inflation which have been particularly pronounced for construction costs
- 2.14. The above factors have placed acute pressure on the repairs service as fewer resources are available for building components such as roofs and windows. It

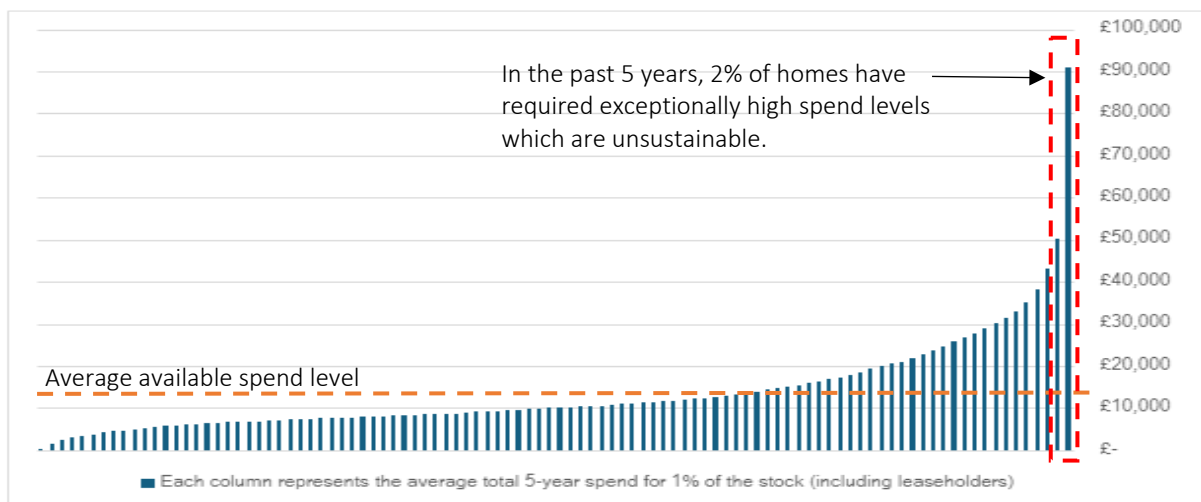
also increases the risk of disrepair claims as works are delayed or done reactively.

- 2.15. To inform this strategy, the Council completed a borough-wide stock condition survey in 2023, along with an up-to-date assessment of other commitments such as fire safety. It shows that ideally the Council would commission £998.7m of works to the housing stock over the next five years. Within this the work on the strategy has identified essential works of £669.8m, of which £320.1m is already commissioned. This strategy looks at how an additional £349.7m of resources can be secured to commission further essential works.

| Requirements 2024/25 – 2029/30               | £m    |
|--|-------|
| All investment needed                        | 998.7 |
| <i>Of which</i>                              |       |
| Essential works to meet regulatory standards | 669.8 |
| <i>Less</i>                                  |       |
| Works already commissioned                   | 320.1 |
| <i>Less</i>                                  |       |
| Capital budgets for 28/29 and 29/30          | 50    |
| Resources gap                                | 299.7 |

*Identifying options for homes that provide poor accommodation or have very high investment costs*

- 2.16. The Council's particular stock profile means that some standards and regulations are particularly difficult to achieve. For example, the Council has a high proportion of high-rise buildings, listed buildings and street properties. In the past 5 years analysis has shown that a small proportion of homes, have required very exceptional levels of investment which are not sustainable. Completing such extensive work diverts limited resources from other homes.
- 2.17. The graph below shows the distribution of spend in the past 5 years across the portfolio. Each column represents 1% of the stock and is a clear peak in investment needs for the top 1-2%. The work required at this level is usually to remediate serious damage (e.g. major structural works) and tend to bring homes back to an acceptable level, rather than long term improvements.



- 2.18. These homes represent poor use of the Council's limited resources, and the approach does not deliver good outcomes for residents. In the long term



there is a small portion of the stock which is not best suited to social housing; the responsible position for the Council is to actively manage its portfolio to ensure it is a good match to resident needs.

- 2.19. The Council has already shown that proactive asset management can bring tangible benefits – in its first two years of operation, the family friendly housing purchase programme has reduced the investment required in the housing stock by £2.63m and secured 11 larger family sized homes in purpose-built blocks.
- 2.20 The strategy therefore needs to help the Council identify which homes can be released from the housing stock so that the level of investment needed in the stock can be reduced and resources can be generated. Options for properties that are released may include disposal to Camden Living, sale on the open market or redevelopment.
- 2.21 The strategy will also need to consider that, in limited circumstances, the Council will need to rehouse existing residents so that very poorly performing homes can be released, with the overall ambition of minimising the numbers of homes sold, and making sure existing residents also benefit from this proactive approach to managing the stock.

*Better quality homes for residents and meeting priority needs*

- 2.22 The Housing Investment Strategy will secure long term growth in the housing stock by making sure the Council makes best use of its resources, and that it is able to secure grant for new homes by being compliant with regulatory standards. The growth in new or more suitable homes will be secured through the Community Investment Programme, the Council's new Registered Provider – Camden Living, and the continued operation of the family friendly purchase programme.
- 2.23 The ultimate goal of both strategies will be to make sure that the Council is reducing the number of unsuitable homes and increasing the number of new homes that meet modern standards, or priority needs on the waiting list.

### **3. OPTIONS APPRAISAL**

- 3.1 The options considered during the preparation of this report are set out below. The proposed Housing Asset Management Strategy in Appendix B (incorporated within the Housing Investment Strategy (Appendix A)) contains the details behind the headline figures referenced in various options. The key source is the stock condition survey finalised in 2023; this is supplemented by analysis on retrofit costs, budgets on current work programmes and estimates for possible further fire safety work.
- 3.2 In all options there are a few common points:
  - The Council will always endeavour to make the best use of alternative funding streams, however, the current projections only include current grant funds awarded – resource requirements will be updated over time

- The Cabinet is also progressing its 'Retrofit at Scale' programme which will aim to secure funding for Solar PV installations and storage. This will leverage institutional investment alongside a bid for grant
- That a maximum of £50m will be available in capital resources in the financial years 2028/29 and 2029/30 as part of the current HRA Business Plan

*Option 1: Raise capital funds, through borrowing and grant funding, to cover all investment needs*

- 3.3 As set out in 2.14, the Council has identified £998.7m in investment needed across all work programmes for the period 2024/25 to 2029/30. The detail is available in Section 4.1 of Appendix B.
- 3.4 Of this, £320.1m is funded, and as set out above, within the 30-year HRA business plan, there are further internal capital funds of £10m due in 2028/29 and £40m in 2029/30. This represents a total budget availability of £370m.
- 3.5 Investment of £998.7m will allow the Council to:
- Make provision for further works which we anticipate may be identified in Building Safety Case Files.
  - Achieve 0% non-decency to tenanted homes.
  - Offer tenants renewal of kitchens and bathrooms in accordance with their age, even where this does not cause the home to be non-decent.
  - Carry out communal decorations
  - Make considerable investment in M&E systems, especially communal heating
  - Begin a 20-year programme of improving all homes to a net zero standard; this first phase would target the worst performing homes
  - Attend to capital repair works which put homes at risk of disrepair.
- 3.6 This option requires the Council to secure almost £630m in additional funds. The possibility to secure grant funding in respect of this is probably limited to the retrofit work, and in general schemes have set limits per unit and require Councils to at least match this amount. Based on current experience it's unlikely that more than £40m could be secured in grant funding leaving an estimated £640m to be borrowed. As set out later in 7.4, the Housing Revenue Account does not have capacity for any significant level of additional borrowing.
- 3.7 Consideration also has to be given to how much work can be commissioned to the right quality over a five-year period. A detailed examination of the programme required to deliver Option 1 identified that capacity within the Council, the availability of skilled contractor resources and new processes such as the "Gateway" for certain types of work, meant that this rate of delivery was not likely to be achievable while delivering work to the quality expected.
- 3.8 Ultimately the borrowing levels required for this option does not contribute positively to the long-term sustainability of the HRA, and in fact the analysis suggests that no significant borrowing will be possible. Equally the risks of

compromising on quality cannot be tolerated. For these reasons, this option was rejected.

*Option 2: Do nothing; manage within existing resources*

3.9 If no new funds are raised, repairs and capital works would need to be scaled back immediately to emergency works only. All current programmes would have to be re-evaluated, with priority given to works affecting the immediate safety of residents.

3.10 It is likely that the following consequences would arise:

- Poor outcomes for residents and the condition of their homes
- Some properties would become unsuitable for letting
- Increasing maintenance problems making it harder to recover
- Large communal heating replacement projects would not proceed
- Significant increase in the number of non-decent homes by 2029/30
- Works identified in Building Safety Cases being unfunded
- Regulatory Notice and / or “C3” or “C4” rating from the Regulator of Social Housing – meaning the Council may not be able to access new grant for building homes
- Significantly higher disrepair claims and costs
- Severe criticism from the Housing Ombudsman

3.11 This option would place unsustainable pressure on repairs and housing management revenue budgets. The Council would also need to consider whether the Community Investment Programme could still be supported if revenue budgets could not be made available for feasibility works or to support borrowing. For these reasons, this option was rejected.

*Option 3: Raise funds through asset management of voids and tenanted homes to cover a reduced investment level*

3.12 This option has sought to balance the competing demands of investment needs, funding availability and the capacity to deliver work to the right standard. In doing so it also considers the risks introduced and proposes mitigations.

3.13 A detailed review of the investment needs, which is set out in Section 4.1 of Appendix B, has suggested that the Council can reduce the investment need from £998m to £670m. This is achieved by prioritising work which relates to regulatory requirements, and preventing disrepair, but which makes reductions in directly funded retrofit works, internal works to tenants’ homes, and work which contributes to the look and feel of estates.

3.14 Given total budgets of £370m, this option requires additional funding of £300m. A portion of this additional investment would be recovered from leaseholders as works are delivered, and there may be some opportunity to increase future years capital budgets allocations, however it is estimated that these would only raise c.£25m - £40m. This still leaves a funding gap of about £265m.

- 3.15 In the absence of other funding options, this option proposes that the remaining funds be raised through the disposal of poorly performing properties. The Council would, in so far as possible, seek to target those homes which require investment levels which are in excess of values which are affordable to the Council.
- 3.16 The Council has undertaken a comprehensive review of its portfolio to assess the long-term financial viability of homes; this combines considerations of recent and upcoming investment needs, repairs histories, presence of known investment risks, void levels, property values and rental income. This has identified the homes which are most financially beneficial to the Council to release.
- 3.17 The analysis has revealed that these are usually our older homes. This is generally because they combine having higher than average property values, with high investment needs. Their age and construction mean they have inherent investment risks; they are more challenging to retrofit than newer homes, they are more vulnerable to subsidence, their solid wall construction and lower energy ratings means they are more vulnerable to damp and mould, and many are listed or in conservation areas which increases the cost of works. About one-third of the Council's properties are street properties or mansion blocks.
- 3.18 In limited circumstances, the Council will need to rehouse existing tenants so that unsafe or sub-standard homes can be released, and which require or are likely to require, very high investment levels. This will be done in accordance with the requirements of the Housing Act 1985. The Council would make a rehousing offer to affected tenants; the details of this would be developed in detail subject to the approval of this strategy. They will be informed by other similar approaches in the Council, such as under the Community Investment Programme.
- 3.19 In terms of resident impacts, while this is disruptive, any homes requiring very high investment levels are likely to require a temporary decant anyway, and the condition of the home is likely to be poor. Therefore, the decant will ensure these residents have a better quality home and may avoid the disruption of a temporary decant.
- 3.20 Through targeting homes with high investment needs, including where possible the freehold interest, the Council can minimise the numbers sold. For this reason, it is estimated that the number of homes sold is likely to be up to 60 per year, noting that non-residential assets would also be looked at.
- 3.21 The principles and governance arrangements for this programme are set out in Section 5 of Appendix B. In developing these the Council has given careful consideration to local housing needs to minimise impacts on both existing and prospective tenants.
- 3.22 The decisions to release properties in the Quality Homes programme will be delegated as follows:

- The Director of Property Management will be delegated decisions related to the release of a specific individual property or street property (inclusive of the freehold interest), subject to the principles and processes set out in Section 5 and in particular section 5.6 of the Housing Asset Management Strategy (Appendix B).
- The Executive Director for Supporting Communities, following consultation with the Cabinet Member for Better Homes, will be delegated decisions related to the release of purpose-built blocks, subject to the principles and processes set out in Section 5 and in particular section 5.6 of Appendix B.

3.23 The risks of reduced investment levels are discussed in Section 4 of Appendix B which sets out the proposed capital programme, and in Section 6 which sets out an implementation plan.

3.24 The risks associated with the release of Council homes, has been considered in the wider context of the Council's other programmes which influence stock change, primarily the Community Investment Programme. In particular, consideration is given to ensuring that the Council can achieve overall growth in its housing stock, and that new homes developed or acquired will be of a better quality or more suited to the housing needs within the borough.

3.25 This report therefore proposes the adoption of a Housing Investment Strategy which establishes the Housing Pledges across all the Council's housing programmes to ensure that they are complimentary in their outcomes. These are set out in 2.6. The Housing Investment Strategy serves as an essential framework to ensuring the Council can leverage the best available options to deliver on its ultimate aim within We Make Camden of having 'enough **decent, safe, warm, and family-friendly housing** to support our communities'

3.26 This is the preferred option.

*Summary of Options Considered*

| Option | Investment (£m) | Core Funding Proposal   | Recommendation   |
|--------|-----------------|---|--|
| 1:     | £998.7          | Borrow £640m  | Not recommended as borrowing not affordable and investment level is not deliverable.   |
| 2:     | £320.1          | Current budgets of £320m only   | Not recommended as this would leave the council non-compliant with many legislative requirements as well as causing adverse impacts for residents. |
| 3:     | £669.8          | Dispose of c.290 properties to raise up to £265m (noting that reducing investment need through releasing properties will also help close the gap) | This is the recommended option.  |

#### 4 WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

4.1 In general risk management has been identified as one of three key strands of work to implement this strategy; the others being the need to increase capital delivery and achieve the necessary disposals to raise funds. Consequently, risk management is deeply embedded into the proposed work.

4.2 The table below summarises the key headline risks.

| Risk   | Mitigation   |
|--|--|
| Failure to align with broader Regulatory standards work to achieve C1 rating | Internal regulatory preparation is coordinated via an officer board meeting; this investment strategy is regularly presented at this meeting to ensure it fits within the wider work.  |
| Resident satisfaction  | Undertaking consultation via formal resident groups and ensuring residents are informed via available channels. Ensuring clear messages and dialogue on the reasons and benefits of the strategy and getting feedback on the proposed programme of works.  |
| Failure to raise sufficient funds through sales                              | The Council will ensure appropriate resources are in place to deliver this programme. A set of implementation procedures will be put in place; these will build on the processes of the Family Friendly programme.   |
| Reputational damage through objections to release of Council property.       | The strategy sits within the context of wider programmes which contribute to the growth of the housing stock (e.g. CIP, temporary accommodation acquisition). The Council already has a programme which includes the sale of Council property, Family Friendly. The Council will need to be clear about the benefits of the Investment Strategy and how it will help meet the needs of current and future residents.   |
| Successful delivery of the proposed programmes to achieve stated outcomes    | <p>The Housing Investment Strategy will enable the internal coordination of key work programmes to ensure successful delivery.</p> <p>The Housing Asset Management Strategy contains an implementation plan, and an internal working group is established to put the necessary changes in place.</p>   |
| Implications for Temporary Accommodation (TA)                                | <p>There may be pressures on the TA service due to lower arising voids rates in social housing, however as shown in the Housing Investment Strategy, the Council has identified a strategy to achieve long-term growth which mitigates this risk.</p> <p>Specifically, within the Housing Investment Strategy, the Council has an acquisition programme for temporary accommodation.</p> <p>The strategy also proposes to retain properties within the Council, but for other uses where possible, and one</p> |

|  |   |
|--|---|
|  | of the key possible uses is as temporary accommodation. The use of this option will be used to mitigate impacts on TA provision.  |
| Failure to prepare for long term objectives, especially Net Zero | The cost of fully decarbonising the Council's stock is estimated as being a minimum of £700m. This cannot be delivered through traditional funding arrangements or current grants. The Council is separately developing a 'Retrofit at Scale' project which leverages institutional investment to install Solar PV on up to 3,000 homes; this type of project will help decarbonise Council homes and the Council will continue to deliver its grant supported projects to tackle its least energy efficient homes and renew its heating systems. |

## 5. CONSULTATION/ENGAGEMENT

- 5.1 The Council has begun consultation with resident groups; prior to the Cabinet decision the Council will present a summary of the strategy aims and challenges at the joint meeting of the District Management Committees, the Housing Resident Panel and the Camden Leaseholders' Forum.
- 5.2 It is intended that consultation will continue, with residents consulted on detailed aspects of the proposals. Suggestions have already been received for example in respect of allocating more funds to efficient communal lighting and including some funds to a Net Zero pilot; these have been taken on board in the proposals. Further consultation on the detailed allocation of funds to reflect resident priorities is possible within the work and will be completed in 2025/26. Detailed consultation on proposed works will also remain a key feature of programme delivery.

## 6. LEGAL IMPLICATIONS

- 6.1 The Housing Investment Strategy is a new overarching council strategy and incorporates the new Housing Asset Management Strategy (and other relevant appendices to the Housing Asset Management Strategy). The overarching Housing Investment Strategy provides a framework for the effective use and management of the Council's housing property assets from 2025-2030.
- 6.2 Industry guidance recommends the publication and review of an Asset Management Strategy as good practice and the new overarching Housing Investment Strategy (and related appendices) sets out how the council demonstrates this.
- 6.3 The Social Housing (Regulation) Act 2023 and the Building Safety Act 2022 are just a few of a large number of recent legislative changes which require compliance by the Council. These include new Consumer Standards set out by the Regulator for Social Housing and Building Safety Standards set out by the Building Safety Regulator. The Council must actively demonstrate how it can fund investment and ensure homes are maintained to the right standard.

- 6.4 Section 120 of the Local Government Act 1972 makes clear that the Council may acquire by agreement any land inside or outside its area for the purposes of (a) any of its statutory functions or (b) the benefit, improvement or development of its area. The acquisition will be subject to such detailed terms as may be negotiated with the owner as part of the acquisition process.
- 6.5 The Council has a duty under Section 123 of the Local Government Act 1972 to obtain best consideration when it disposes of or grants leases for over seven years or more of land and property.

## **7. RESOURCE IMPLICATIONS**

- 7.1 This report sets out a Housing Investment Strategy for the Council and incorporates the Housing Asset Management Strategy (Appendix B) and next 5 years of investment need in existing Housing Revenue Account (HRA) residential stock. To fund the proposed additional capital budgets of £350m over 5 years, there needs to be a significant disposals programme of £265m.
- 7.2 The Housing Investment Strategy is an overarching strategy which brings together all of the Council's housing investment programmes. The individual components have all been subject to previous Cabinet decisions – the CIP, the Family Friendly Programme, the TAPP and Camden Living. The financial implications of these programmes were considered at the time of the decision and are kept under review as part of the Council's budget setting and monitoring processes. These decisions and any future decisions about individual programmes within the Housing Investment Strategy are made taking into account the capital resources available to the HRA and General Fund (GF) and the financial sustainability of the Council as a whole.
- 7.3 In terms of Camden Living, the Cabinet has agreed to an implementation strategy which will allow Camden Living Housing Association (CLHA) to acquire 34 units. Any acquisitions beyond this will be subject to detailed due diligence and decision-making on the part of both the Council and CLHA.
- 7.4 As set out in the Housing Asset Management Strategy which is incorporated into and forms part of the overarching Housing Investment Strategy, Cabinet is being asked in this report to agree the broad 5 year investment envelope and the funding strategy. It does not include other significant HRA capital investment which forms part of the broader Housing Investment Strategy - the Community Investment Programme (CIP), acquisition programmes such as Family Friendly and Temporary Accommodation Purchase Programme or investment in HRA commercial sites. The detailed changes to specific better homes, fire safety, M&E, energy efficiency and retrofit budgets will follow as part of the Council's annual review of its overall capital programme which will be presented to Cabinet in July 2025. Between now and then, the capital programme and the disposals programme that will part-fund it will be scoped and phased. The funding of the capital programme is delegated to the Executive Director Corporate Services to ensure compliance with Prudential



code i.e. that any borrowing is affordable within the HRA and General Fund (GF). This is discussed further in paragraph 7.5 below.

- 7.5 The HRA 30-year plan currently reflects the existing capital programme and has been modelled with the additional need identified in the report. The HRA could not afford to take on £300m-£650m of additional borrowing over the next 5 years. This would be a cost pressure to the HRA of £15m-£33m per annum at the current 5% interest rate. As this investment is in existing stock and unlike CIP which generates income from private sales to repay borrowing, this pressure would remain ad-infinitum in the HRA's (Capital Financing Requirement (CFR)). The HRA does not have a default policy to repay principal debt on loans (unlike the GF which has statutory major repairs provision (MRP)). If this was applied, it would add further budgetary pressure (£10m-£22m additional). For this reason, Option 1 is not affordable as presented.
- 7.6 Option 2 is a do-nothing scenario but given Camden's duties as a social landlord to be compliant with regulations and need to provide safe, warm and dry homes to residents, this is not an option.
- 7.7 The scaled back investment proposal option 3 is the recommended option as it seeks to reduce the investment need to the greatest priority, ensuring that resources are deployed as effectively as possible and providing best value for money. Due to significant pressures in the HRA and current capital commitments, the only funding strategy to add in this scale of new budgets over the next 5 years would be a disposals programme. The disposal of assets with high investment would result in lower rental income for the HRA but would also avoid future revenue and capital expenditure needed to maintain them. In many cases, over the long term this expenditure would exceed the rental income the assets bring in and therefore disposal would contribute to the HRA's financial sustainability. The phasing of investment would need to align with the disposals to avoid temporary need to borrow above current approved and affordable levels. In extremis it may be necessary to slow down or pause less urgent capital expenditure. Therefore, the monitoring of the disposals programme and capital expenditure must be closely aligned.
- 7.8 The Council will always apply for available grant funding, and this would assist with identified pressures. For prudence, grant is only included as a funding source once confirmed.
- 7.9 There remains a significant risk that the capital phasing of the additional works requested is greater than the current teams can deliver and that disposal decisions cannot be made quickly enough to generate the funds. A clear works programme and consultation with tenants and leaseholders plan will need to be formed along with disposals strategy (including decant where relevant) to mitigate or minimise slippage.

## **8. ENVIRONMENTAL IMPLICATIONS**

- 8.1 The recommended programme will improve the energy efficiency of Council homes. It will see windows and roofs replaced and significant investment in

communal heating systems. The Council will also continue delivery of its grant supported retrofit works which tackle some of the Council’s least efficient homes. Construction works undertaken consequent to the investment programmes proposed, will be subject to strict environmental controls as set out in legislation and specific contract terms.

8.2 It is anticipated that homes that require significant investment and are released through the asset review process, will be refurbished and become more energy efficient in doing so. This will help reduce emissions within the borough.

8.3 While the strategy does propose to defer some investment in decarbonisation, the Council is also developing its Retrofit at Scale pilot which is looking at how institutional investment can help meet the cost of decarbonisation. The initial pilot will look at installing solar panels and battery storage in up to 3,000 Council homes, saving 943 tonnes of carbon per annum.

## 8. TIMETABLE FOR IMPLEMENTATION

8.1 The initial milestones for implementing the strategy are set out below.

| Milestone   | Indicative date |
|---|-----------------|
| Further resident consultation on detailed proposals for investment programmes | Early 2025      |
| Asset review process starts, to raise capital funds                           | From April 2025 |
| Detailed ward-level works programmes issued                                   | From April 2025 |
| Commissioning of new capital works projects                                   | From April 2025 |
| Development of decant offer for approval by Cabinet Member                    | By June 2025    |

## 9 APPENDICES

- Appendix A: Housing Investment Strategy
- Appendix B: Housing Asset Management Strategy 2025-2030
- Appendix B1: Capital Programme 2025-2030
- Appendix B2: Asset Feasibility Study Template
- Appendix C: Equalities Impact Assessment

**REPORT ENDS**