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**FINANCE AND RESOURCES
OVERVIEW AND SCRUTINY
AGENDA**

Scrutiny making a positive difference: Member led and independent, Overview & Scrutiny Committees promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.

MONDAY 15 JULY 2024 AT 7.30 PM

COUNCIL CHAMBER, THE FORUM

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Freedman (Chair)
Councillor Gale
Councillor Reynolds
Councillor Santamaria
Councillor Stewart
Councillor Adeleke
Councillor Elliot (Vice-Chair)

Councillor Guest
Councillor Pound
Councillor Hannell
Councillor S Hobson
Councillor A Williams
Councillor Deacon
Councillor Stevens

For further information, please contact Corporate and Democratic Support on 01442 228209 or email member.support@dacorum.gov.uk

AGENDA

- 9. STRATEGIC ASSET REVIEW PROGRAMME UPDATE (Pages 2 - 10)**



Finance and Resources Overview and Scrutiny Committee

Report for:	Finance and Resources Overview and Scrutiny Committee
Title of report:	Strategic Asset Review (SAR) Update
Date:	15 th July 2024
Report on behalf of:	Councillor Michela Capozzi, Portfolio Holder for Corporate and Commercial
Part:	I
If Part II, reason:	N/A
Appendices:	
Background papers:	SAR F&R OSC Report June 2023 SAR Cabinet Report June 2023
Glossary of acronyms and any other abbreviations used in this report:	SAR: Strategic Asset Review BAU: Business As Usual DeVO: Delivery Vehicle Options Review IP: Investment Partnership HRA: Housing Revenue Account ASAP: ARK's Strategic Asset Performance tool

Report Author / Responsible Officer

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Corporate Priorities	A clean, safe and enjoyable environment Building strong and vibrant communities Ensuring economic growth and prosperity Providing good quality affordable homes, in particular for those most in need Ensuring efficient, effective and modern service delivery Climate and ecological emergency
Wards affected	All
Purpose of the report:	1. To provide an update on the progress on the Council's Strategic Asset Review programme
Recommendation (s) to the decision maker (s):	None, for information only
Period for post policy/project review:	n/a

1 Introduction/Background:

This report provides a progress update on the Strategic Asset Review (SAR) programme since Cabinet approved proposals in June 2023.

Context

The Borough of Dacorum is ambitious for growth and transformation. In June 2023, Cabinet approved a proposed programme of work to undertake a Strategic Asset Review, which will support the Council's ambitions to deliver housing growth and regeneration throughout Dacorum. The review aims to ensure we make best use of Council assets to address place-related issues, support housing growth and shape new development to support the Council, and the Borough's, longer term economic growth and residents' wellbeing. The Strategic Asset Review also acknowledges that we are operating in an increasingly financially challenging environment, needing to ensure we are making best use of Council assets to support the Council's longer term financial sustainability, generate long-term income streams, and delivery of our strategic objectives.

The emerging Hemel Place Strategy (www.thinkhemel.com) is forming a coherent plan and compelling offer to the investment market to develop. Over the next 30 years, Hemel Hempstead's population is projected to rise by 50% to approximately 150,000 providing 11,000 new homes and 10,000 new jobs; and ambitious regeneration in the town centre and along the line of the Grand Union Canal to the south. Furthermore, the Council is progressing with place strategies for the three towns – Hemel Hempstead, Berkhamsted, and Tring.

The Strategic Asset Review supports the 5 commitments in our Housing Strategy for 2024/29. Like many local authorities across the country, Dacorum has an immediate and longer-term need for new homes, particularly affordable housing. The Strategic Asset Review provides a timely opportunity to formally review the data, condition and performance of existing HRA and General Fund assets, giving us a better understanding of our portfolio in one place, improving the management of asset data, and identifying opportunities for development or re-purposing of assets to support the Council's objectives.

Anticipated Outcomes

The Strategic Asset Review (SAR) programme will inform decision-making about future opportunities to pursue across the HRA and General Fund portfolios to ensure our assets support delivery of strategic objectives and long term financial sustainability. It will allow development of plans for delivery vehicles that could support our objectives, and will inform the development of a corporate Asset Management Strategy. It will also support the work to develop and review related strategies and plans, such as the Housing Strategy, the interim Housing Asset Management Strategy, and the HRA Business Plan.

2 Key Issues/proposals/main body of the report:

2.1 General Progress to Date

Programme governance is in place, with a Steering Group consisting of senior officers, including four Strategic Directors. Portfolio Holders are kept regularly updated. Each project within the programme also has its own project Board and associated governance, reporting into the Programme Steering Group.

The projects/ workstreams are as follows:

1. High-level strategic review of General Fund assets
2. Housing Estates Review
3. Supported Housing Review
4. Garage Portfolio Review
5. Delivery Vehicle Options Review (DeVO)

Project Initiation Documents outlining the objectives, scope and project plan of each workstream have been drawn up and approved by the Project Boards and SAR Steering Group.

The DeVO assessment has concluded and a follow-on work stream to investigate the setting up of a Dacorum Investment Partnership is underway. Each project has its own programme and timeline, and the majority of work for the initial reviews is anticipated to be completed by the end of 2024. Further reports on key findings will be brought to this Committee at appropriate times within the respective programmes.

2.2 Project updates

2.2.1 High-Level SAR

Objectives

The objective of the high-level Strategic Asset Review is to provide an overarching review of the Council's overall General Fund asset portfolio. It will assess how the portfolio supports the Council's priorities and objectives for regeneration, Place, economic development and housing delivery, as well as the contribution to the Council's financial sustainability and net zero considerations.

This workstream will also assess the categorisation of the portfolio, consolidate available data, create a performance profile and provide recommendations on improvements that will allow better strategic oversight of the portfolio, highlight opportunities, and aid future decision-making and management.

Progress to date

The workstream has been divided into the following phases:

- Phase A – Initial stakeholder engagement, site visits, GIS mapping, and determination of current capability v desired.
- Phase B – Data cleanse and categorisation, determine asset performance framework, map asset performance review against council priorities.
- Phase C – Performance assessment, benchmarking, assessment of performance, opportunities and risks, and production of final report

Phase A and B have progressed well and the Asset Performance Framework is now being populated with data that has been cleansed and categorised to align with the Councils reporting systems. The data cleanse exercise in particular has been extremely resource intensive taking information from numerous sources, however there is now a consolidated asset register. Internal stakeholder meetings have provided the real time narrative to bring the data to life, to ensure a comprehensive understanding to inform subsequent stages.

The GIS mapping system has been appraised to understand current use and future capability and the project is in the process of identifying a road map of what system improvements are achievable over what timeline and what resources will be required. This work is pivotal to ensure our mapping system not only provides the information required by internal and external stakeholders, but also to ensure the system is kept up to date via robust links to other associated systems.

Phase C of the high level review will commence once the outcomes of the Asset Performance review have been realised, verified and presented for approval.

2.2.2 Housing Estate Review

The Council owns just over 10,000 rented properties, as well as around 1800 leasehold flats.

Objective

The purpose of the Housing Estate Review is to allow the Council to understand how the existing HRA housing estates are performing and where there is greatest benefit and opportunity for estate regeneration – to increase housing supply, provide better quality and more environmentally friendly homes and to increase revenue for the HRA.

Progress to date

The workstream is divided into three phases, with the first phase now complete and the second phase underway.

- Phase A – Understanding Current Asset Performance – *this phase is complete*
The ARK Strategic Asset Performance model provides a ranking of estates' performance from those that require the minimum upkeep expense and are easily let, through to those where properties are hard to let, lose money or would cost a prohibitive amount to update to carbon neutral & meeting modern standards. This gives a good understanding of our current assets, and their NPV, and will inform where regeneration is likely to have the biggest impact. This data modelling has been used to shape and inform the Council's Interim Housing Asset Management Strategy for our HRA assets.
- Phase B – Desktop Review of entire housing portfolio to identify / shortlist sites with greatest potential for regeneration – *commenced May 2024*
A shortlist of estates will be created to put forward for capacity studies, making use of Phase A outputs

but also having regard for 'good performing estates' with high development potential (i.e. infill opportunity, availability of adjacent land, local plan status etc.) The Council is currently sharing the requested data with the appointed consultants and finalising the assessment methodology.

- Phase C – Site visits, capacity studies, feasibility, and options for specific sites. Capacity and Options studies (accompanied by high-level appraisal) will be conducted for the sites shortlisted from phase B. Following this, a number will be confirmed as the DBC pipeline and to be taken forward for detailed design and Planning. This work will include financial feasibilities and consultation with residents and members.

2.2.3. Supported Housing Review

The Council provides independent living support services to tenants living in 29 supported housing schemes (all of whom hold secure tenancies). Of the 29 schemes, 1 is a Flexi Care Scheme where tenants can access onsite care support. These assets are held within the Housing Revenue Account.

Objective

To evaluate the Council's current supported housing assets and understand the current condition of them and how they meet defined industry standards and to assess the long-term financial viability of schemes - i.e. rental income against future repair and maintenance costs.

To provide options for change where it is deemed that accommodation is not fit for purpose; including making linkages to the wider aims and objectives of the Strategic Asset Review.

The outcome of the Supported Housing Review will be options and feasibility appraisals for individual sites, establishing which best meets the evidenced demand / need, as well as supports the objectives of the wider Strategic Asset Review programme.

Progress to date

The Supported Housing Review has been divided into the following stages:

1. A summary of current scheme performance, having regard to previously instructed reports
2. A shortlist of Council supported schemes to go forward for options studies and viability appraisals.
3. Capacity and Options studies (accompanied by high-level appraisal) for a number of sites – to be confirmed as part of a development / capital programme pipeline.

The first phase of the Supported Housing Review workstream has been completed. This has involved reviewing the ARK Asset Performance (ASAP) model for the Council's Supported Housing schemes, as well as an assessment report. This provides a baseline of the current performance of all supported schemes, and their suitability as supported housing. Early analysis has indicated that there are very few (if any) viable options for redevelopment of the supported housing portfolio – on their own. Across many sites, potential is limited by the surrounding properties, site constraints, or location

This review is based on the understanding, as outlined in the Older Persons and Adult Disability Care Housing Need Model produced by Icenl on behalf of the South West Herts consortium of local authorities that there is an increased need for flexicare (or extra care) accommodation which provides a higher level of support for older people. This understanding is important in informing development proposals to be taken forward.

As a result, the Council's supported housing assets are being incorporated as part of the housing estates review workstream; to look for wider regeneration opportunities to include general needs and supported

tenures together. This approach offers greater potential to unlock viability. In certain areas within the borough, in Hemel Hempstead in particular, Council ownership occupies a significant footprint, and if packaged together could present an opportunity for redevelopment and regeneration of the area.

It also provides the opportunity to consolidate the provision of supported housing in the area. Doing so would allow the Council to utilise the land freed up to deliver other types of housing, including general needs and market housing to subsidise the redevelopment. This approach would also allow for the possibility of phasing the redevelopment, decanting residents from one site to the other while work is underway. Alternatively, the scale of the site could mean it is suitable for flexicare, which requires a larger area.

2.2.4. Garage Portfolio Review

The Garage Portfolio is a key revenue stream for the Council. Approximately 7000 garage assets contribute £3.6m gross income p/a to the general fund, which accounts for 18% of total commercial income.

Objective

The purpose of the review is to examine the existing garage portfolio with the aim of identifying opportunities to grow General Fund income. The project also focuses on analysing the current management, utilisation and pricing structure, and developing recommendations to maximise income generation from the existing garage portfolio.

Progress to date

The current review focuses on an initial Phase 1 which has the following scope:

Performance Assessment and Initial Commercial Review – to assess performance of current garage assets using a performance model (Ark ASAP) and wider service assessments; in order to identify a target occupancy for the existing portfolio and identify the sites most suitable to be re-purposed. To also improve data collection and analysis to better inform successful 'Business As Usual' for the commercial portfolio.

A second, future phase will further review sites that could be repurposed.

The outcomes for Phase 1 are:

Garage Performance Assessment to inform plans to maximize income generation from the Portfolio.

Including:

- A performance assessment of the portfolio as a whole, using the Ark ASAP Model and wider service assessments.
- Proposals for assets to remain within the portfolio for garage use, including proposed target occupancy levels and information on voids.
- Proposals for sites considered most suitable for alternative use.
- Initial review of potential commercial demand & opportunities for re-purposed sites
- Review of available information from other SAR work streams –
- Assessment of performance and opportunities from Cushman & Wakefield within the high-level SAR workstream
- Updated housing reviews and housing need identified through other SAR workstreams.
- Recommendations of what could be considered for a Phase 2 review of sites that could be re-purposed.

Garage Management Strategy recommendations, focusing on:

- Ongoing BAU delivery - proposed improvements to drive performance of the retained portfolio, actions plans and ongoing performance monitoring
- Improvements and analysis to inform an updated Garage Management Strategy and updated Business Plan to be developed by the Garage service.

2.2.5. Assessment of Delivery Vehicles (DeVO)

Objective

The purpose of the DeVO workstream was to identify and assess a range of delivery vehicle options that might support the Council's housing, commercial, regeneration and place-making objectives, including generation of additional long-term income streams.

Generally, the Strategic Asset Review will help the Council understand 'what' could be delivered in terms of types and quantum of new development and regeneration. The DeVO workstream helps inform the Council determine an appropriate framework of 'how' it might deliver future plans.

Progress to date

The project was delivered in conjunction with specialist consultants Altair and the initial phase/ scope is now complete. It involved a critical assessment of potential delivery routes, a range of case study examples for various delivery routes and emerging conclusions and recommendations of a potential framework for delivery.

Dacorum Delivery/ Investment Partnership (DDP/DIP)

A key conclusion of the review is that a form of partnership working could allow the Council to utilise external expertise and capacity to help develop plans and deliver housing and regeneration across a programme of sites.

- The Council aims to shift to a more strategic and holistic approach to new development and regeneration / placemaking activities.
- A form of partnership working could align to this desired shift and would access capacity and expertise, as opposed to the Council looking to deliver individual sites directly on a project-by-project basis.
- Collaborating with an experienced private developer that has worked with other local authorities in similar arrangements has the potential to bring benefits in terms of the sharing of skills, experience, risk and a ready-made supply chain.
- The ability to access external expertise and capacity was one of the key reasons why other local authorities have opted for forms of partnership working.
- A programme approach could support development of more complex, resource intensive sites as well as smaller sites, potentially allowing cross-subsidy across sites, to support delivery of affordable housing.
- A partnership arrangement is likely to be some form of Investment Partnership specifically tailored to the Dacorum context.
- The Council should ensure clarity on:
 - Its delivery objectives & strategic priorities (regeneration/ placemaking/ commercial aspirations)
 - The potential pipeline of opportunity sites and assets
 - Its housing need (quantum, type, tenure etc);

- What it wants to achieve from any form of partnership working, and type of partnership sought

Further Exploring Partnership Working

A follow on workstream has been established to explore this further through Soft Market Testing, which will inform proposals to be developed around a potential Investment Partnership. This will:

- Seek to understand potential market interest – on partnership and scale of opportunity.
- Inform planning of the pipeline and shaping information for the market on housing need and regeneration/ placemaking/ commercial aspirations
- Inform plans for the structure & terms of a potential partnership.
- Inform plans for appropriate route to market.

While partnership working is being explored as an immediate next step, it is acknowledged that the approach adopted to future delivery should and will be more nuanced and flexible, with a framework approach to delivery. A further report will be brought to this Committee and Cabinet relating to partnership proposals in the autumn of 2024.

Other delivery routes considered within this framework approach include:

- Direct Delivery
 - There could be benefits of continuing in-house direct delivery for appropriate projects if these are not of interest to the potential partnership or considered to be more appropriate for direct delivery.
 - Can be considered on an ad hoc basis, responding to opportunities that arise.
 - Further work to be done to consider timing & implications of gap in housing provision following conclusion of current Council delivery projects
 - It is acknowledged however that HRA financial challenges mean there are significant constraints on the Council's ability to continue to subsidise the cost and delivery of new build activities, even net of any external grant funding. Hence the investigation of alternative viable models for delivery, such as exploration of an Investment Partnership. This will, however, be kept under regular review through the development of the HRA Business Plan in the light of changes to the national policy landscape.
- Land Disposal
 - This may be an appropriate option in certain limited circumstances and the capital receipts generated could be reinvested into future new development and regeneration projects.
 - However, straight forward disposal does not allow for shaping development &/ or generating ongoing income streams
- Wholly Owned Company (WOC)
 - Reviews carried out into a potential Dacorum housing WOC showed development viability to be challenging in current market conditions.
 - Various examples exist of Local Authority partnerships working in conjunction with a WOC to approach development, delivery and management of assets
 - A WOC could potentially acquire developed homes from a partnership
 - Retaining homes through a Council WOC structure could:
 - Allow for greater flexibility in terms of the types of tenures that could be delivered
 - Allow for specific Council intervention in the local housing market (e.g. private rent)

- Generate surpluses over the longer term which could be fed back to support wider Council services
- Delivery via a WOC is not without risk, and a WOC has substantial set-up resource & cost implications
- Careful consideration needed of an appropriate strategy and business model, to agree a viable business plan
- The business case for a WOC will be kept under review and revisited at a later time; in light of evolving market conditions, and developing plans for a partnership
- This could allow a clearer picture to develop of a viable strategy and business model for a future WOC, potentially aligned with a future partnership for development and delivery

3 Consultation

Portfolio Holders and other key stakeholders have been consulted as appropriate in the development of this proposed review. Consultation with other Local Authorities and the wider market has also been carried out and will continue.

4 Financial and value for money implications:

Financial and value for money implications are considered as part of each project, and by the programme overall, and the Council's finance team are actively involved in the reviews.

5 Legal Implications:

The Council's legal team will be involved in the reviews where required to ensure legal implications are being fully considered before final recommendations are proposed.

6 Risk implications:

The reviews will include a rigorous risk identification and assessment process before any recommendations are proposed.

7 Equalities, Community Impact and Human Rights:

Community Impact Assessment – There are a range of reviews planned. No positive or negative impacts on the protective characteristic groups have been identified at this point, and this will be further considered as part of each review.

Human Rights – There are no Human Rights Implications arising from this report.

8 Sustainability implications (including climate change, health and wellbeing, community safety)

Any sustainability implications will be considered as part of each review.

9 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

Any infrastructure implications will be considered as part of each review.

10 Conclusions:

Work continues on the Strategic Asset Review and further updates will be provided on the projects within the programme at key milestones and on completion.