



Asset Management Strategy

2016 - 19



This strategy represents one of the methods by which we will deliver our Vision 2025 and strategic plan 2016-19. We can expect changes along the way and must therefore incorporate flexibility into all that we plan.

This strategy describes how we plan to manage and make best use of our assets ensuring they contribute to the delivery of our agreed aims and objectives.

1. Aims

1.1 The specific aims of the strategy are to:

- Ensure our assets are legally and regulatory compliant
- Ensure we provide an efficient and effective maintenance service
- Optimise the value of assets

2. Legal & Regulatory compliance

2.1 It is essential to ensure our assets are compliant with relevant legislation and regulatory requirements. Failure to do so can result in sanctions which can have cost and reputational consequences. Ensuring residents and staff remain safe is our priority.

3. Legal Responsibilities

3.1 To be legally compliant we will maintain up to date knowledge of all relevant legislation and what we have to do to comply with it. There are a variety of responsibilities associated with asset management and these can range from gas servicing to how we procure works packages.

3.2 Legal compliance is achieved by ensuring specialist technical staff are suitably qualified and competent in their field of expertise. Staff are provided with access to updates in legislation and good practice, as well as training where appropriate and are obliged to ensure they remain suitably informed of such. Records and other documentation are produced by staff to evidence compliance with legislation.

3.3 To support specialist knowledge we have policies, procedures and resources to undertake management, inspection, servicing and repair.

3.4 In addition, we will ensure we have sufficient financial resources to commission external consultancy services as necessary where in-house knowledge is lacking.

4. Regulatory Responsibilities

4.1 To ensure we remain compliant with our regulatory responsibilities, we will understand the specific requirements of the regulator in respect of standards of property, value for money and tenant involvement. The standards are set out in the Homes and Communities Agency's Regulatory Framework.

4.2 We will ascertain what investment is necessary (in the short and longer term) to maintain and manage our properties to comply with regulatory standards. This will ensure we have the capability to deliver responsive, cyclical and planned works packages.

4.3 We will report on operational performance through our governance structure, for example in relation to gas safety and decent homes compliance. We are also subject to periodic audit and scrutiny from independent bodies as well as internal management scrutiny, oversight and support.

5. An efficient and effective maintenance service

5.1 An efficient and effective maintenance service is one that undertakes work when it's needed, achieves high levels of resident satisfaction and at a cost that offers value for money.

5.2 We are responsible for a stock of around 19,000 homes and 2,200 non-housing assets across the south of England. We have a legal and regulatory responsibility to maintain the stock to basic standards, however, we want to provide a maintenance service that our residents, stakeholders and staff can be proud of and can rely upon.

5.3 Our vision is to double in size by 2025 and a high quality maintenance service aligned with desirable stock in good condition will position us well should a merger opportunity arise.

6. Maintenance

6.1 We have explored options around reducing the scope of works we provide for residents in order to cut costs but have not, as yet, chosen to alter either the scope of the work we do or the quality of the service we provide. However, our strategic plan calls for us to revise standards and adopt a more contractual relationship with residents by only undertaking works that are required under tenancy agreements. A more contractual relationship will reduce costs and alongside this we will continue to seek to reduce cost by becoming more efficient and securing the most favourable terms with suppliers.

6.2 We currently undertake more than 90% of maintenance works in-house having grown capacity since merger. This is because of the economic and quality advantages that in-house services can offer. Our satisfaction surveys tell us our directly employed staff are popular with residents and deliver a high quality service.

6.3 The successful growth of in-house services has led to expansion into a new build capability which will, under the direction of our growth strategy, provide 25% of the development programme by 2020. This will ensure new stock constructed in-house will be more efficient to maintain, by virtue of standardisation, and of proven quality and design.

6.4 During 2012/13 we undertook a thorough value for money review of our Planned and Responsive Services and will continue to scrutinise costs by repeating this exercise to be confident these services remain cost efficient.

7. Understanding stock

7.1 To maintain efficiency we need to make sure we only invest in properties when works are needed.

7.2 Our stock condition database, Keystone, is a warehouse of information informing short, medium and long term investment decisions. Good practice suggests 20% of stock data is updated annually to remain current. To achieve this and to ensure our business plan remains accurate, we will:

- Undertake 1,300 targeted stock condition surveys annually
- Undertake a component survey during every void period
- Update component information following planned works on a monthly basis
- Extend component lifecycles following responsive works on a monthly basis
- Periodically undertake desk top assessments to critically appraise data
- Add new property details within 1 month of them coming on stream
- Make due allowance for known high value one off projects not otherwise accounted for in Keystone
- Undertake a review and update of our 30 year business plan annually in line with our business planning cycle

7.3 In addition to the above, we will explore how we can optimise our regular repair visits to resident's homes by using PDA's (Portable Digital Assistant) to highlight properties in poor condition either from wear and tear or misuse. This will allow us to intervene where properties are suffering from abuse or neglect.

8. Looking ahead

8.1 Our 2025 Vision anticipates a broader customer base with differing needs and expectations. We also expect:

- Technology to advance
- The population to increase
- For people to live longer
- The climate to change
- Continued demand for homes

8.2 Our current standard service delivery is generally of a high standard compared to that of the private market. Whilst we offer a similar service to our private market tenants we must develop a clear understanding of how a change in service delivery could contribute to profit margins for our market rent portfolio. This will allow us to better cater for the needs of different customers with the overall principle being to subsidise below market rental activity by maximising income from the private market.

8.3 We must communicate our differing service offers to the relevant client and staff groups to provide clarity and manage expectations.

8.4 We do not plan to become a pioneer of technology as experience has shown this comes with increased risk and higher cost. We will carefully consider the relative advantages and disadvantages of emerging technology and make investment decisions based on pragmatic assessment of the associated risks and rewards.

- 8.5 We expect demand for housing to continue to rise, although if current government policy persists, the focus will be on home ownership which does not place demand on landlord maintenance services. This creates an opportunity to sell maintenance services to owners and we will carefully consider the viability and risks of any such venture.
- 8.6 The tenures we construct for in the future are likely to provide more flexibility in relation to asset management as we will develop increasing numbers of 'untainted' stock.
- 8.7 We expect people to live longer and we have already seen how an aging population can increase our costs as properties are adapted and long term tenancies have ended. We will continue to support those in need of our aids and adaptations service (a regulatory requirement) and seek to match people to properties already adapted. We remain committed to our in house Occupational Therapy service as this has vastly improved residents comfort and also begun to forge mutually beneficial links with the health sector.
- 8.8 Our plan to respond to climate change is to make sure basic but effective works that contribute to carbon reduction are carried out first. This includes insulation upgrades, boiler replacements and monitoring the output of our PV portfolio. We will continue to provide advice and assistance to residents to assist them with behaviour change which is a key factor in reducing energy consumption.
- 8.9 Our maintenance operations have an impact on the environment and we will continue to adopt practices designed to reduce cost and reduce our carbon footprint. Recent examples of this approach include our vans being fitted with speed limiters and satellite navigation. Other examples include segregation of waste and recycling in our yard premises.

9. Optimise the Value of Assets

- 9.1 85% of our stock is less than 60 years old, 48% being less than 25 years old. The stock is concentrated in three main local authority areas with the remaining stock generally within 45 minutes travelling time of a main office.
- 9.2 Our assets represent the foundation of our business and if carefully managed present benefits and opportunities:
- Investment in assets ensures resident comfort and safety
 - Investment in assets retains values which we can borrow against to fund development
 - Single asset disposals can generate income to increase development capacity
 - Well maintained assets backed up by good investment plans make managing them more efficient
- 9.3 Assets also present liabilities which include:
- They cost significant sums to maintain and modernise
 - They must remain legally and regulatory compliant
 - They can become outdated and unpopular with residents

- 9.4 Traditionally housing providers have retained assets rather than sell them to generate cash. Our 2016 – 19 strategic plan calls for us to test assumptions that favour stock retention and goes on to set a target of £10m income generated from asset sales. Although we have been actively disposing of selected assets we will invest more resources to test traditional assumptions further.
- 9.5 The proportion of stock we have the unencumbered ability to sell is relatively low at around 30%. The remaining 70% is 'tainted' as we are restricted as to what we can practically or sensibly do with them. Properties we currently consider as 'tainted' include:
- Properties hampered by restrictive covenants
 - Properties restricted under the original Large Scale Voluntary Transfer (LSVT) agreements or Section 106 agreements
 - Flats in blocks where we are freeholder and own the majority of the other flats
- 9.6 Disposals follow a process of appraisal and approval which examine the relative merits of sale, retention, change of use or change of tenure. Other options may be worthy of consideration such as stock swaps or leasing.
- 9.10 Clearly we will only dispose of stock where there is a robust rationale to do so, and therefore we will develop a financial model specifically aligned to existing stock that takes into account the following financial information;
- Income from rents
 - Historic value
 - Current market sale value
 - Recent maintenance costs
 - Future maintenance costs
 - Recent void periods and costs
 - The potential value of alternative uses
- 9.11 As part of the process we will also consider other factors such as:
- It is a flat in a block we don't own
 - It is an exceptionally high value property – usually valued in excess of £450,000
 - Its design or condition is such that it is considered no longer fit for purpose
 - Its geographical location makes management expensive and ineffective
- 9.12 Where we are able to dispose of a single high value property, with the aim of providing more than one replacement home with the capital receipt, we will seek to provide the new properties within the vicinity of the property that has been disposed.
- 9.13 We are reviewing our portfolio of stock with a view to producing an updated schedule of properties that are not 'tainted' and could, should an appraisal recommend it, be sold.

10. Commercial Assets

- 10.1 We also own and manage commercial assets which include garages, offices, shops, pubs and telecom masts.
- 10.2 In recent years we have steadily reviewed our commercial asset portfolio which has led to refurbishment of main offices and the closure of smaller offices including Gilbury Close and Mulvaney Court.
- 10.3 We will continue to review office accommodation which will include an appraisal of Parkside House, Windsor and also a further review of Herbert Collins House, Swaythling. We will also review capacities at Longwood Park office.
- 10.4 We have managed our portfolio of 2,220 garages more effectively in recent years, although they remain an asset that can offer more in terms of income, particularly as they fall outside of regulated rent. We will review garage incomes and expenditures from a more profit centred perspective and explore options to maximise income. We will also ensure that there is clarity with regard to the financial performance of garages through a robust profit centred accounting process.

11. Resourcing the Strategy

- 11.1 To deliver the aims stated within this strategy it is essential to have sufficient resources in place.

12. Financial

- 12.1 On an annual basis we update the business plan using data gathered as described earlier to fully understand the investment requirements of the assets we are responsible for. We have a thirty year investment model describing short, medium and long term investment requirements, although we understand the changing nature of the environment we operate in and must remain agile to change and opportunity.
- 12.2 The table below is an extract of the 2016/17 business plan in relation to responsive, cyclical and planned maintenance for the short term. The costs quoted make no allowance for inflation.

	2017/18	2018/19	2019/20
Responsive Repairs & Voids	£12,755,000	£12,755,000	£12,755,000
Cyclical Works	£4,298,000	£4,075,000	£3,992,000
Planned works	£15,923,000	£15,838,000	£15,403,000
Total	£32,976,000	£32,668,000	£32,150,000

13. People

- 13.1 The initiatives and ideas arising from this strategy will require staff resources. We currently do not have a specific asset management function or team; rather we have staff working on different strands of asset management operating from varying departments or teams. This

has proved successful to date, however an emphasis on improving stock intelligence and developing new models will require specific focus.

- 13.2 We will therefore be exploring the best way of forming an asset management team tasked with delivering the actions described within this strategy in a coordinated and efficient manner.