



Asset Management Strategy 2020-2024

Provide affordable, safe, well maintained homes to a consistent standard

Purpose

Our Plan (2020 – 2023) defines our corporate vision and ambitions. Our three corporate ambitions are to;

1. Build more homes to meet the needs and aspirations of our local communities
2. Provide affordable, safe, well maintained homes to a consistent standard
3. Help customers thrive in their homes and communities

While this asset management strategy (AMS) focuses on ambition two, there are clear links to the others and of course the enablers. Ultimately, this strategy is designed to align all key asset management activities in a direction that moves towards meeting our vision of **More homes, bright futures**. It covers our residential accommodation (all tenures), as well as management and maintenance of other assets such as estates, garages, small areas of land, community buildings and commercial property.

The purpose of the AMS (2020 – 2024) is to be a critical business tool that ensures performance is measurable and acts as a framework for medium to long term decisions. Specific tasks and activities that we will undertake through the life of the AMS are not detailed here but are contained within the workplans for the Property & Strategic Services Directorate. To give clear focus, we've identified four headline objectives which cover most of these workplan activities. It is these which will be monitored through the Executive and the Board.

Our objectives

Our four objectives are;

1. Landlord Compliance

Strong, effective, and consistent adherence to landlord compliance is essential to meeting the expectation of our customers and the Regulator. As a minimum, we will consistently deliver 100% compliance on the “Big-6” (gas, electricity, water, fire, asbestos and lifts). We'll also seek to be innovative in considering digital solutions, automation and using technology where it's safe and reliable to do so.

2. Zero Carbon

We've previously identified a link between rent arrears and properties with poor energy performance. The government's Clean Growth Strategy announced a new target in March 2020 to get all housing up to an energy performance certificate (EPC) band C by 2030, and consequently we've focussed our objectives through the life of this AMS towards improvements in SAP ratings. In the longer term, we will target for each individual property to be zero carbon by 2050, rather than using carbon off-set to achieve this ambition.

3. Property Standards

Engaging with our customers is key to ensuring the quality of the home meets both today's standard and evolves as customer requirements change. Through VIVID Impact, engaged residents and the Customer Services Committee we'll update our existing standards which will define what the customer should expect and how they can evaluate the effectiveness of the services we offer. It is equally important that our estates and communities are improving too; from improving the overall appearance from kerb to doorstep, right through to people being proud of where they live.

4. Financial Performance

We recognise that our housing stock has a multitude of perceived values depending on how each unit, block or scheme is analysed. We also believe that having greater clarity and timely (live) information will lead to smarter asset management decisions. While we'll use net present value (NPV) calculations as a can-opener to assess the future of our stock, the use of other key measures such as the deprivation index, economic data, local social and health indices will also be used to ensure all factors are considered.

Our Plan (2020 – 2023)

Ambition two from Our Plan is detailed as follows, with the corresponding AMS objective noted against each.

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- a. Planning for each property to be zero carbon by 2050 (**Objective 2**)
- b. Our homes have an EPC rating of D or above for energy efficiency within the life of the plan (**Objective 2**)
- c. Achieve an average customer satisfaction score of 8.5* out of 10 for repairs and other services (**Objective 3**) *this target comes from Our Plan. This AMS will target customer satisfaction of 9.0 out of 10.
- d. Our appointment times and repair priorities will better meet customer expectations as measured by customer satisfaction (**Objective 3**)
- e. Customers know that their homes are safe and can easily access relevant information about them (**Objective 1**)
- f. A year on year reduction in our environmental footprint in the delivery of our repair's services (**Objective 2**)
- g. We'll achieve top quartile for CPP (cost per property) (**Objective 4**)
- h. Through the better use of "smart technology" and customer insight we'll make the home and community a better place to live (**Objective 3**)
- i. To prepare for the implementation of the draft Building Safety Bill (BSB) and the Fire Safety Order 2020 (FSO) (**Objective 1**)

The AMS should always be considered alongside our Fire Safety Strategy. Between these two documents, we will ensure that we target the delivery of requirements from the new Fire Safety Bill (2019-21), the draft Building Safety Bill (June 2020), changes to the building regulations and other important legislative changes to ensure the safety of our customers and fulfil our obligations as a building owner.

Objectives
LANDLORD COMPLIANCE
<ul style="list-style-type: none">• To maintain 100% compliance against the "Big-6" landlord compliance measures. The definitions are stipulated within our regular compliance report which are updated as new guidance and legislation is issued. This is the minimum to conform to regulations. This report includes performance against the "Big-6";<ul style="list-style-type: none">○ servicing all gas appliances,○ testing all communal electrical installations,○ checking communal water installations to ensure the absence of legionella bacteria,○ regular undertaking of fire risk assessments and associated actions○ regular checking of asbestos in communal areas○ regular testing and servicing of passenger lifts.• To extend this level of focus to the dwelling (as well as communal areas) to ensure homes are safe – not just satisfying regulations. We refer to this as "beyond compliance" and will aim to apply the same level of rigour to all aspects of landlord compliance.

- To service and maintain a broad range of other assets including playgrounds, air-source heat pumps, domestic electrical installations, private sewerage systems etc. And to achieve 100% compliance across these measures within the budgeted business plan.
- To present our performance to the Executive every quarter and to the Board every year. A summary of this performance will also be included in the monthly KPI Scorecard.
- To ensure compliance with all property related legislation and regulations and maintain our properties in accordance with our responsibilities as a landlord (as set out in our tenancy agreements).
- Hold all the following information and data online in one digital format with a view to making it accessible: all required fire related information such as (but not limited to) Operational and Maintenance (O&M) Manuals, Building Information Modelling (BIM) and Fire Exit Route information, construction specific data and dimensions.
- The data we hold will include the information required to remain compliant with fire safety standards in our processes in the first year of the strategy. We acknowledge the need to note any works performed that may affect the structural integrity of the building from a fire and general safety point of view.

To consider our IT systems and operating structures in line with the evolving requirements of fire safety legislation to ensure we are strongly set up to meet these and the objectives in this strategy.

We will meet this level of compliance to protect our customers, as well as to be a leader in the drive towards zero tolerance of non-compliance across the sector. We'll undertake annual reviews of the key risks and ensure effective management and expedient handling of those risks.

Our focus on property compliance seeks to reduce or remove the risk of failure. We will use several tools to do this;

- ❖ Identify key contractors who deliver compliance related tasks and assurance to our customers. We actively manage these contracts, measuring performance and acting if our needs are not met. Where considered appropriate we will identify contingency plans to mitigate key contract failure. This is in line with our strategic risk register.
- ❖ Value for money will be ensured by working all key contracts through an effective procurement process and actively managing the contract. Benchmarking of the cost of compliance against other organisations to highlight what it costs to maintain an excellent compliance regime.
- ❖ We rely on accurate and pertinent data being held and readily transformed into information. The information needs of the AMS are to become part of our data management framework.
- ❖ The NHF Code of Governance suggests residents should be at the heart of strategic decision making. Major changes or improvements to our compliance approach will be reviewed with the Customer Services Committee and will be scrutinised by our customer scrutiny panel, VIVID Impact. It is with the efficient handling and interpretation of our asset data that we will deliver upon the needs of our customers.
- ❖ The NHF Code of Governance also suggests that there should be “robust oversight measures to keep residents, other customers and staff safe”. We will publish our core compliance performance and review through VIVID Impact.
- ❖ We will deliver this objective through a combination of robust governance, following best practice and remaining agile in the face of rapid change. Compliance is a headline risk in our strategic risk map, and is mitigated in part, but not limited to, by the Health and Safety team assessing, reviewing and evolving controls.

ZERO CARBON

The government has committed the UK to achieving net zero carbon by 2050. This requires achieving an overall balance between emissions produced and emissions taken out of the atmosphere. In parallel with the net zero ambition, the government's Clean Growth Strategy will have significant bearing on future investment in our housing stock. Clean Growth implies a shift away from fossil fuels such as gas and a move towards an electric future of which low carbon heating will be a major part. Indeed, the government's advisor to the 'Committee on Climate Change' made headlines when it called for an end to gas heating in all new homes from 2025.

A key aspiration of the Clean Growth Strategy in relation to housing on the trajectory to meeting net zero carbon is, "*We want all fuel poor homes to be upgraded to Energy Performance Certificate (EPC) Band C by 2030 and our aspiration is for as many homes as possible to be EPC Band C by 2035 where practical, cost-effective and affordable*". Given this aspiration, we've focussed our objectives through the life of this AMS towards improvements in SAP ratings.

Our current median SAP rating is 72 (typically well within an average EPC Band-C rating). We currently have c800-1,000 assets with an EPC band of E, F and G (811 confirmed, with an additional proportion presumed of those properties with missing data). We have embarked on a commission to look at options for improving these assets to at least an EPC Band D (and will also look at options to reach Band C by 2030) This includes:

- To gain EPC data for the 25% of properties (c6,000) where data is not held or known over the life of the AMS.
- To develop data capture for monitoring the carbon footprint of our stock and the measures to improve the same.
- To develop a master plan, where each unit has its optimal action noted. These actions maybe to:
 - Follow the EPC guidance – provision of improved insulation, condensing boiler installations, solar panels etc)
 - Do nothing / maintain - This will target resources at those below EPC Band C, and of those, aiming further at the ones that can achieve a Band C. Those already at Band C or above will be maintained as part of the exiting maintenance and repairs programmes.
 - Explore alternatives - We have many homes that are desirable for a multitude of reasons other than their energy efficiency. In certain instances where it is considered appropriate, we will perform works to increase the SAP rating but ultimately note that the property is unlikely to reach Band C but should be retained due to other material factors.
 - Disposal - Options appraisals will be undertaken should a property be deemed un-aligned with our mission of delivering a brighter future for our residents (essentially where we are unable to improve the energy rating of the property, and where there is little or no strategic reason to retain the stock). Affordability is likely to prove an influencing factor.
- To ensure our homes have an EPC rating of D or above for energy efficiency.
- To target a year on year reduction in our environmental footprint in the delivery of our repairs service.
- To develop a plan to move all homes to EPC band C or above by 2030.
- To update the Executive and / or PAC on an annual basis on progress against carbon neutrality.

The cost of retrofitting a home to an ultra-low carbon standard will vary significantly and is heavily influenced by the type, construction, age and the existing energy efficiency performance of the property. Costs could potentially range from anywhere between £10,000 - £40,000 + VAT and may in some cases be even higher. We estimate that the cost to make our stock zero carbon would be £600m, or £20m per annum over the next 30 years. These figures don't take into account expected improvements in

technology that is expected to bring down the cost. Of our current total repairs budget of £66.2m (2020/21), 35% (£24m) is for annual planned maintenance & investment. We'll be considering this longer-term impact during the life of this AMS and look at how our current budgets may be targeted towards an ultra-low carbon standard.

GETTING VALUE FOR MONEY

SAP ratings can be considered a proxy for carbon neutral performance. The macro environment is that where the UK only generates 14% of its energy through renewable means. And electric boilers, an emerging front runner for enabling carbon neutrality, are 43% more expensive to fit. We will focus our programmes on existing mature technologies.

This strategy will deliver increases in SAP ratings as efficiently as possible by focussing on those improvements that deliver the greatest SAP points increase for each pound spent. Where rising to a Band C can't be achieved by a singular improvement, the most efficient combination will be suggested.

Grant availability will also be monitored. Should grant schemes make certain technologies or solutions effectively offer *the best value for money* for a period of time, we will look to seek approval and implement as soon as possible where deemed appropriate.

SCANNING THE HORIZON:

We're committed to continuously updating our knowledge on the costs and benefits of emerging technologies. We'll deliver this through exploring the market and seeking the (often free) guidance of experts. We'll also foster a culture where information and ideas are shared.

PROPERTY STANDARDS

Through our customer services strategy we have identified 11 core service standards. Seven of these relate directly to the delivery of the AMS;

- Repairs
- Moving (voids, decants and mutual exchanges)
- Neighbourhood (impact on repairs and planned maintenance from estate inspections)
- Paying (service charges and recharges)
- Safety
- Planned Maintenance
- Housing Management (permissions for home improvements)

The new Customer Services Committee will routinely review our core service standards, and the measures of success. As these are developed, we'll ensure that our ambitions of customer satisfaction scores for repairs, appointment times aligned with customer expectations and using smart technologies and customer insight to make their home and community a better place to live (Our Plan 2020-2023) are incorporated.

We aim;

- To continuously review and update our data and stock information, making sure that the stock condition survey is reviewed at least every 5-years, adding new data sources where appropriate to better understand our assets.
- To continuously improve and evolve our service offering, involving customers in reviewing these standards. The AMS will also review if stock is in the right areas, type of home and of the right condition to meet current and future customer's needs.

- To manage and maintain our homes to a good standard. We will set the minimum standard expected of all our homes and review options and choices with customers, with the aim to manage these standards within the same cost per property values.
- To review all our service standards in line with our Customer Services Strategy, ensuring that customer engagement is at the heart of developing these standards.
 - Review our repairs and maintenance aspirations (for example the use of low maintenance products, reducing the environmental footprint of service delivery, adjusting appointment windows).
 - Identify which component attributes, material standards and choices by customers will be recorded, to enable review when undertaking and procuring work.
 - Promoting consistency in service delivery and product selection, with data held and reviewed to inform future decision making.
 - Consider where local policy standards are needed through consultation with customers.
- To continue to meet the Regulator of Social Housing's 'Home Standard' (including Decent Homes); and seek to exceed these standards where it makes financial sense to do so.
- To keep other departments and stakeholders up to date in changes to service standards, while also keeping abreast of new development / regeneration activity which should be influenced by the Asset team.
- To develop and implement an operation guidance manual for asset management
- To shape our Employer Requirements in the Development Strategy as we enhance our knowledge of product selection and ongoing maintenance costs.

FINANCIAL PERFORMANCE

We recognise that our housing stock has a multitude of perceived values depending on how each unit, block or scheme is analysed. We also believe that having greater clarity and timely (live) information will lead to smarter asset management decisions. We will use net present value (NPV) calculations as a can-opener to assess the future of our stock. However, we understand there are many soft factors affecting why we seek to maximise social impact in a manner that embeds VfM as opposed to seeking maximum financial gain. This AMS will incorporate the following goals to ensure we know, trust and use those soft factors when managing our stock.

- **Year1:** Hold accessible, refreshable NPVs for every unit. Agree 1st draft of soft factors and their weighting in active asset management decisions. Have impact of soft factors noted and overlaid within system. Soft factors being considered are social deprivation index, affordability in use (SAP), demand (housing need) and satisfaction with your neighbourhood.
- **Year 2:** Populate gaps in soft factor knowledge. (e.g. EPC data will allow affordability and upgrade costs to be considered and factors like location desirability will take time to populate but can capture why one home can give a "bright future" despite possible other negatives.)
- **Year 3:** Maintain the data and apply decision making

Additionally, we want;

- To be in the top quartile in cost per property benchmarking, while still ensuring we are making the appropriate level of investment and improvement decisions.
- To have an up to date net present value (NPV) calculation for each property within the first year of the strategy. The calculations will include:
 - Present values for all future cash flows
 - Use accurate information to calculate cashflows where it is feasible to do so
 - Include assumptions on whether grant can / would be recycled in the event of disposal
 - Include assumptions on soft factors including
 - +/- weighting assigned to areas that fit our growth strategy

- +/- weighting assigned to the property's ability to meet our view of providing a "bright future" for our customers
This may include a property's ability to attain a desirable energy efficiency rating (SAP score) and / or carbon neutrality score
- To have an NPV for all shared ownership units, complimented by holding carrying cost to value ratios.

The structure of the calculation has elements that are open to a degree of interpretation (Discount factor & more). For consistency, the AMS will reflect the assumptions used within the Development Strategy. The use of NPV calculations will inform our decision-making process in four key areas; value and stock performance, disposal, purchases and regeneration.

- Value & Stock Performance; To provide annual updates to PAC on stock values, timed to complement our annual re-valuation.
- Disposals; To review and recommend disposals to the Executive for initial consideration and then to PAC for final agreement, as required by the Financial Regulations.
- Purchases; To consider the purchase of stock where it facilitates specific growth ambitions (eg stock transfers) or localised ownership for the purpose of gaining control of an asset, future regeneration etc. As with disposals, these will be reviewed by the Executive for initial consideration and the to PAC / Board for final agreement.
- Regeneration; To consider / inform, alongside the development strategy, future regeneration proposals within our existing stock holdings.

WHY NPV?

Including live NPVs for each property will aid us in gaining agility and on occasion facilitate opportunities that deliver the greatest value for money (VfM). These are both highlighted in Our Plan. The NPV calculation is getting smarter, and it is now commonplace to see an amalgamation between a straight NPV and social value indicators. These social value indicators and soft factors will be set by the Executive.

- We will look to improve the social value of our stock, through;
 - smart procurement,
 - measuring affordability for each unit and improving the worst performing,
 - ensuring new units are fit for purpose and are held to high standards of embedding as much social value as possible (including location, build quality and affordability etc)

NPVs are comparable. Knowing an NPV for each unit will enable us to plan a pre-determined path around active asset management whilst remaining up-to-date and flexible. Knowing NPVs will also allow comparisons to other ventures. Specific NPVs (EUV-SH & MVR for example) form valuations that help derive the burn rate of lending capacity. These valuations are used by lenders to establish how much each unit contributes in terms of collateral.

- To support our Treasury Policy by considering the collateral value of our stock and if properties are charged against specific loans. Where appropriate, data will be held at scheme level and / or land title level.

Large scale repairs, maintenance and refurbishment will be assessed in terms of their ability to offer improved performance for the customer, their ability to add social value and their ability to offer value for money. VfM will be easier to ensure by measuring its NPV.

SCHEMES & TENURES:

Some decisions will be taken at a higher hierarchical level than “units”. Some decisions will be made at scheme or tenure level. The AMS strategy works in conjunction with the 3i Team (Intelligence, Insight and Improvement) to deliver data intelligent insight. We aim;

- To let external factors guide us in what to present and how to present it. This may include responding to scheme purchase or disposal queries. It may also include an assessment of large scale, scheme level communal repairs. All results will be presented to the appropriate committee.
- To seek out insight. It is a goal of the AMS to dedicate proportionate resource into researching data, its patterns and its associated value. Skill will be applied in determining what areas to investigate and agreed with the Director of Property & Strategic Services. These may include:
 - Vfm analysis on components or retrofit material (possibly SAP related).
 - Staircasing performance.
 - Average lives of components vs. accounting lives of components.

The Asset Management Strategy should be read alongside other key documents including:

- ❖ Corporate Plan – Our Plan (2020-2023)
- ❖ Business Plan
- ❖ Assets and Liabilities Register
- ❖ Repairs and Maintenance Policy
- ❖ Planned & Cyclical Policy
- ❖ Asset Compliance Policy
- ❖ Development Strategy
- ❖ Fire Strategy.