

Workshop 3b:

Developing an asset management strategy fit for the future

Speaker: Geoff Prior, Thirteen Group

Chaired by: Paul Wenham, Southern Housing Group

Room: Blenheim Room



National Housing Maintenance Forum

served by



Developing an Asset Management Strategy fit for the future

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Partners in the Thirteen Group

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Care and Support

 **Erimus
Housing**

 **Housing
Hartlepool**

 **Tees Valley
Housing**

 **Tristar
Homes**

“Thirteen says we can all choose to look at things through eyes that are coloured by some form of prejudice, or we can choose to see what’s actually there in front of us.

Thirteen makes a bold challenge about ownership. Thirteen is about taking responsibility and not looking to shift blame to circumstances out of your control.

Thirteen is inspiring in its slightly fearless approach and is in that sense, provocative. Others may choose to apportion superstitious and groundless beliefs, but by claiming Thirteen and owning it, there is a very clear statement that we can all take destiny in our own hands if we choose it to be.”

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Thirteen Group Structure

four stock holding companies + Care and Support

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Thirteen Group Structure

four stock holding companies + Care and Support

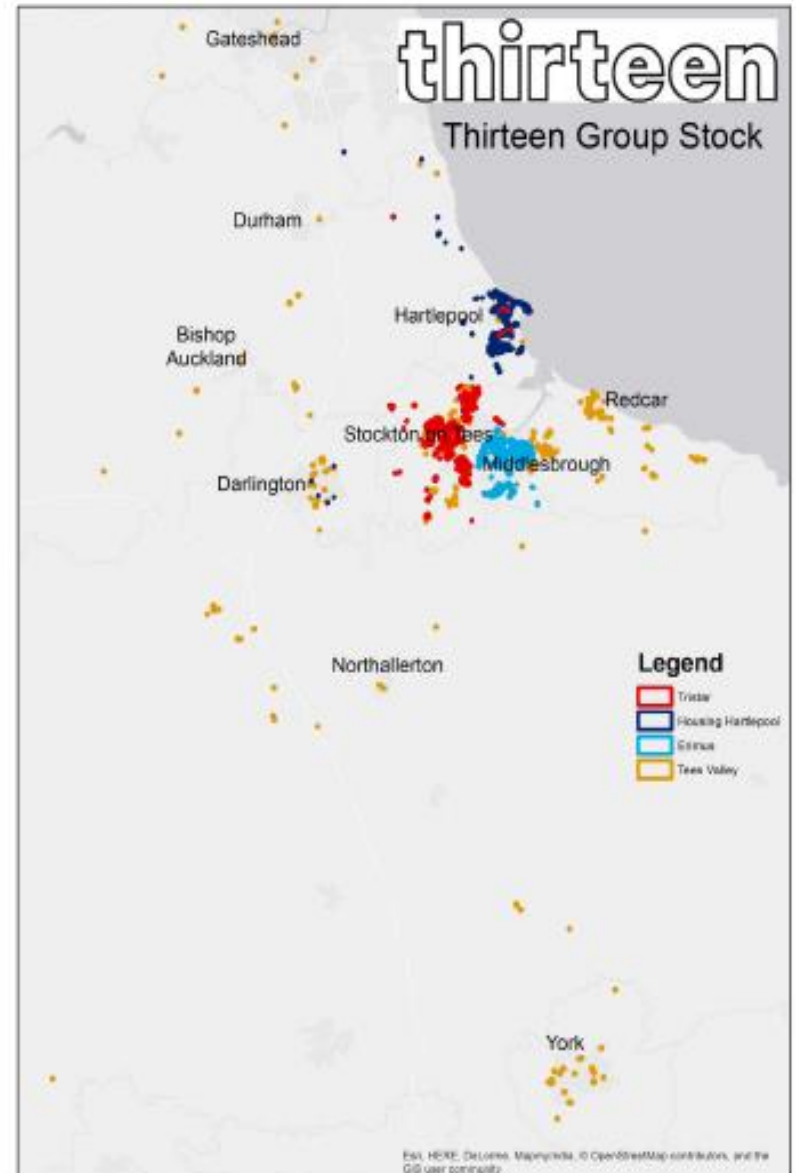
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Thirteen map of stock

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Asset Management is a ‘whole new ball game’ but what is the key driver?

The Homes and Communities Agency (HCA)
Value for money standard says:

“Registered providers shall understand the return on its assets and have a strategy for optimising the future return on assets; including rigorous appraisal of all potential options for improving value for money including the benefits in alternative delivery models measured against the organisation’s purpose and objectives”.

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The aim of the Thirteen Group Asset Management Strategy 2015 – 19

“to ensure that our homes and neighbourhoods remain sustainable and popular with existing and new customers by the effective repair, investment and business management of property and land assets”.



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In reality and what does all this actually mean?

Let's start with rolling out the 'standard answers'

- Homes need to be compliant
- Safe, sound and watertight etc
- Maintained and not in breach of Landlord duties
- Lettable
- Decent Homes Compliant

And that's pretty much we all need to consider;

ISN'T IT?

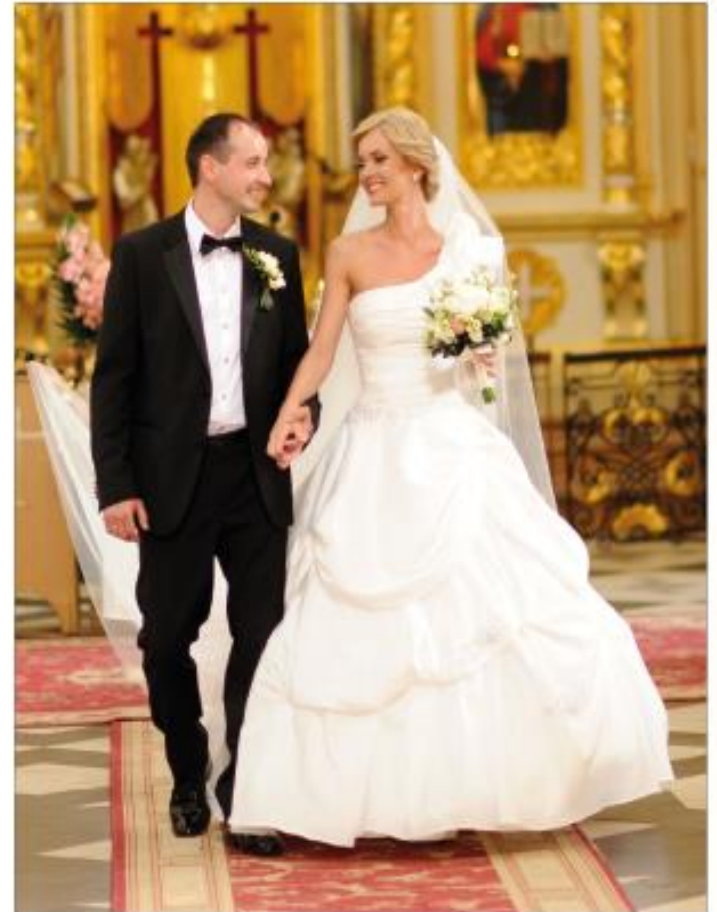
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So what's 'new'?

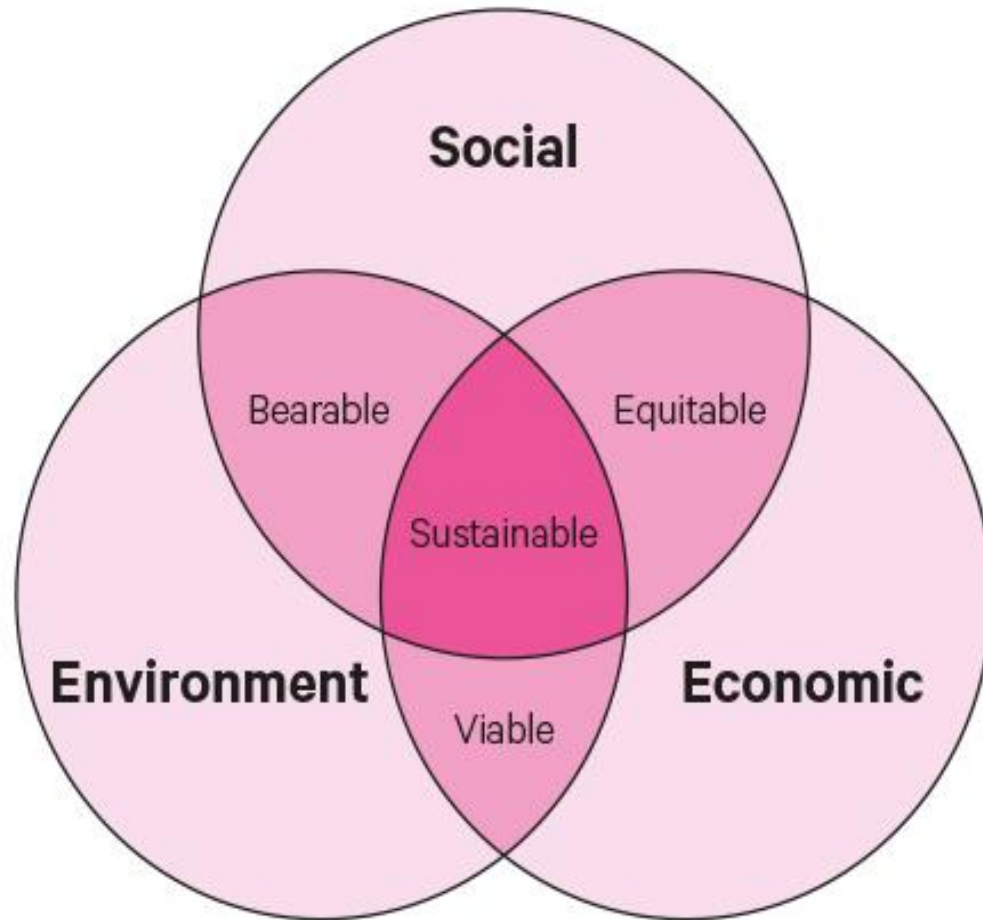
Asset Management has for too long been the bridesmaid and not the bride ...

- An Asset Management delivery approach is no longer just about 'bricks and mortar' and the domain of Technical gurus
- It's a whole company approach to ensure the success of the overall business
- Its about neighbourhoods, the environment, people, economics and the prevalent social factors
- Remember our homes are our core product. No customers – no job !
- Remember that Asset Management needs to adopt a strict business approach as an option too



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So how can this be represented diagrammatically?



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And in further detail

Environment	Economic	Social
Property kerb appeal	Are rents affordable?	Unemployment
Attractive neighbourhood	Availability of key services: transport, shops	Population trends
Balanced property mix	Service charges	Crime statistics, ASB
Neighbourhood reputation factors	Energy costs to run the home's heating	Health factors
Car parking	The 'Competition'	Specialist needs
Colloquial influences	Can we afford to compete	Educational factors/literacy

There isn't a single approach to Asset Management

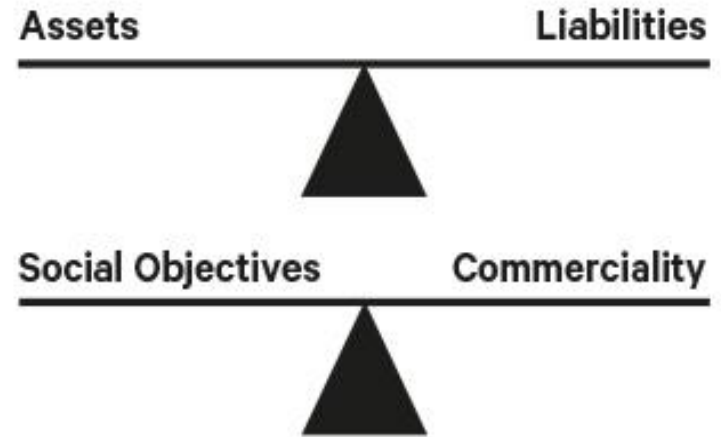
- We all have good stock and unfortunately poorly performing stock
- There are bad areas of estates and good areas of the same estate
- Properties one side of the road may be desirable; the other side not
- Homes can have a 'high' value and other negligible worth
- Clearly we are moving well away from the traditional definition of Asset Management



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There isn't a single approach to Asset Management

- Indeed some homes can be become a Liability and not an Asset (see diagram opposite)
- The area has its complexities; exacerbated by Welfare Reform and competition in the shape of Private rental sector
- And solutions need to be more radical, flexible and inclusive of Housing Management
- We must avoid a 'one size fits all' approach - **so whatdo I mean by this?**



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What are the market pressures in Teesside?

- Reduction in demand for 3 bedroom houses and 2 bedroom flats
- **4,803** homes (or 14.7%) of all stock
- An increase in turnover of stock
- Competition from Private Landlords on our 'own' estates (former RTBs)
- An increase of **35%** of residents moving to the private rental sector
- Private landlords arguably offering a better product
- An aging population
- Over **70%** of population on some form of benefit
- Other private homes bringing neighbourhoods down affecting kerb appeal



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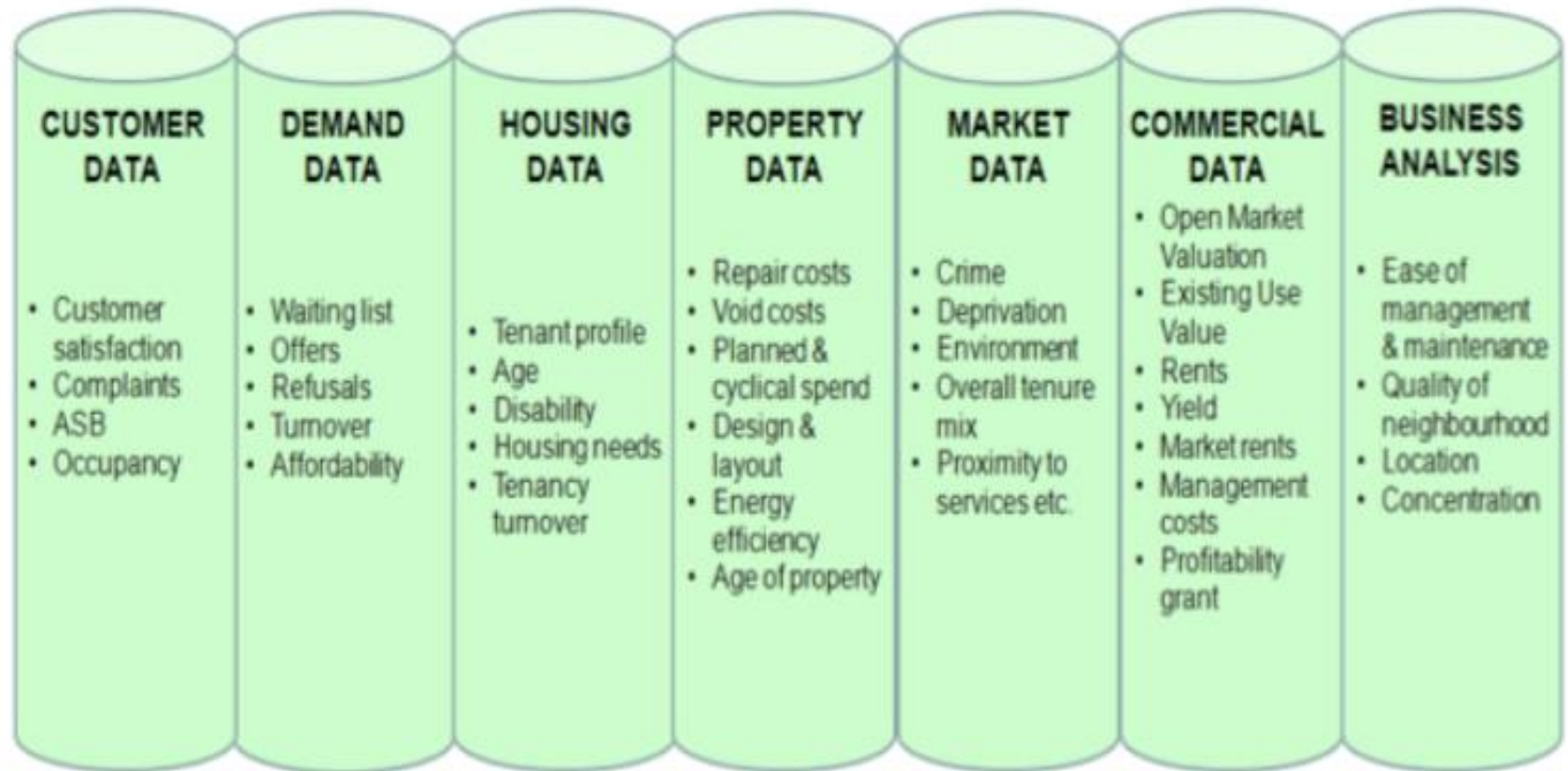
How do we need to respond?

- We need to understand the performance of our stock and neighbourhoods a lot better
- Be more reactive to the market
- Do we really know the competition (compare this with Vodafone v. EE)?
- Be more inventive with the marketing of our homes (is our product stigmatised?)
- Understand our existing and potential clients
- Improve the 'kerb appeal' of properties at viewing stage
- Work with our Boards
- We can no longer assume that people will want our product



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Understanding the performance of our stock and estates



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CIH Working together to redefine Asset Management

- 17 participating organisations (inc. some contractors)

Dumfries & Galloway Housing
Partnership

Thirteen Group

Magenta Living

First Choice Homes Oldham

Weaver Vale Housing Trust

Incommunities Group

City of Lincoln

Midland Heart HA

Mears Group

Charter Housing

Two Rivers Housing

Dacorum Council

Spectrum Housing Group

Network Housing Group

London Borough of Newham

London Borough of Barking
& Dagenham

Willmott Dixon

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Aims and Objectives of the working group

- **The aim?**

- “To re-define the way the sector approaches asset management, working up a model that is ‘fit for purpose’ for the new operating environment and which can truly unlock the potential of the sector’s housing stock”.
- To work creatively in a positive environment to collectively define and develop a new model for asset management that responds to the challenges and opportunities we face.

Aims and Objectives of the working group (continued)

- And the ultimate objective of 'CIH Redefining asset management'
"To make sure the sector has the right skills, tools and resources in place to manage assets to create the optimum balance between cost, quality and utilisation in the organisation's own context"
- It's the start of a new Asset Management journey for Thirteen Group
- Assisted by a forthcoming new housing management IT system (Orchard + Promaster)
- Summer 2015 – new system up and running complete with 'Sustainability Modelling' tool

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Our CIH 'Local project' – Thorntree estate, Middlesbrough



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Our CIH 'Local project' – Thorntree estate, Middlesbrough



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Our CIH 'Local project' – Thorntree estate, Middlesbrough



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So why Thortree?

- Part of the previous CIH Neighbourhood pilot initiative to develop neighbourhood plans
- **979** properties: estate total approximately **1,400**.
- Approx. **£500.000** spend p.a. on repairs.
- **52 %** in rent arrears.
- 3 bed homes difficult to let.
- **80%** of tenancies in receipt of Housing Benefit.
- In the top **1%** (UK) for Indices of multiple deprivation.
- In the top **10%** (UK) for employment, income (effecting elderly people)
- **Or in other words** – your typical ex. Council estate that has had lots of investment + grants over the years; has never been anything else but a marginal estate with some areas retaining a stigma



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Thorntree pilot; what we intend to do

- Working team formed: Housing Manager, Performance Manager, Finance, Regeneration representative, Asset Management
- Agree known/acknowledged sub zones of Thorntree
- Gather all possible housing/stock related data as well as socio economic information
- Develop GIS mapping examples
- Extensive estate walkabouts
- Future engagement with residents
- Agree weightings for all data areas
- Ultimately develop league tables/rankings for sub areas



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GIS map of Thorntree – Repairs

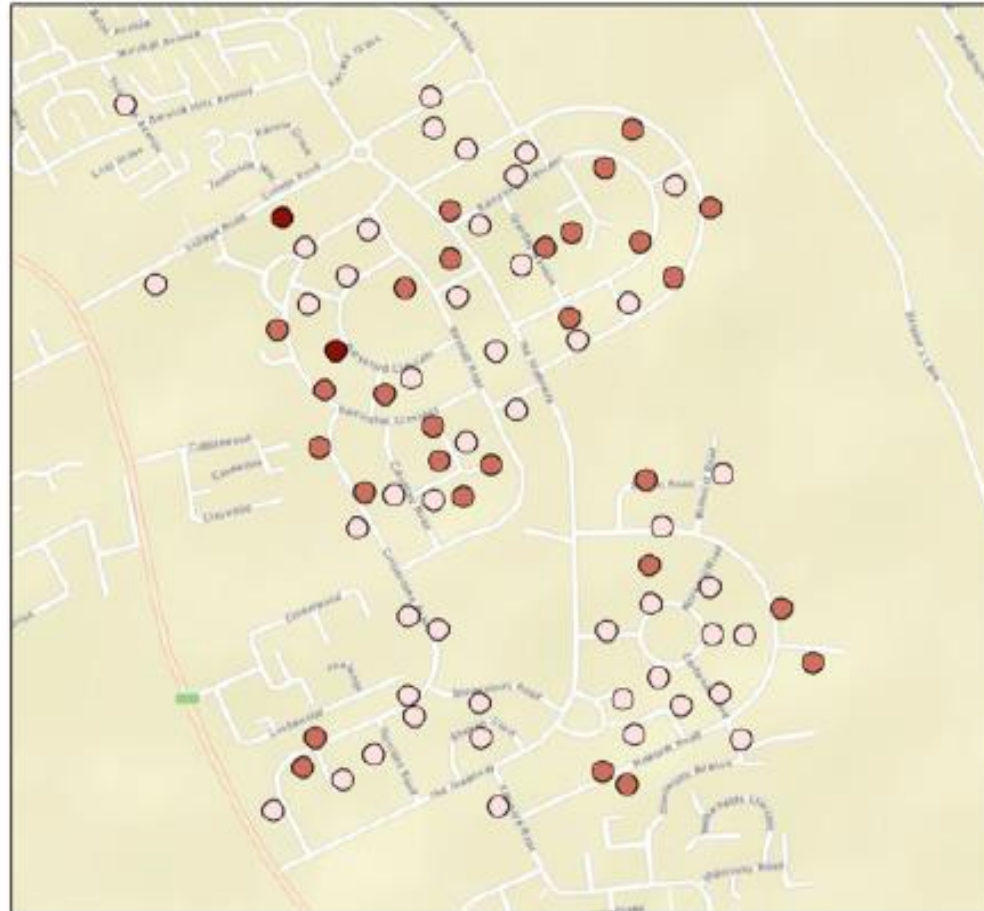
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Thorntree
2011-2014
Repairs %

Legend

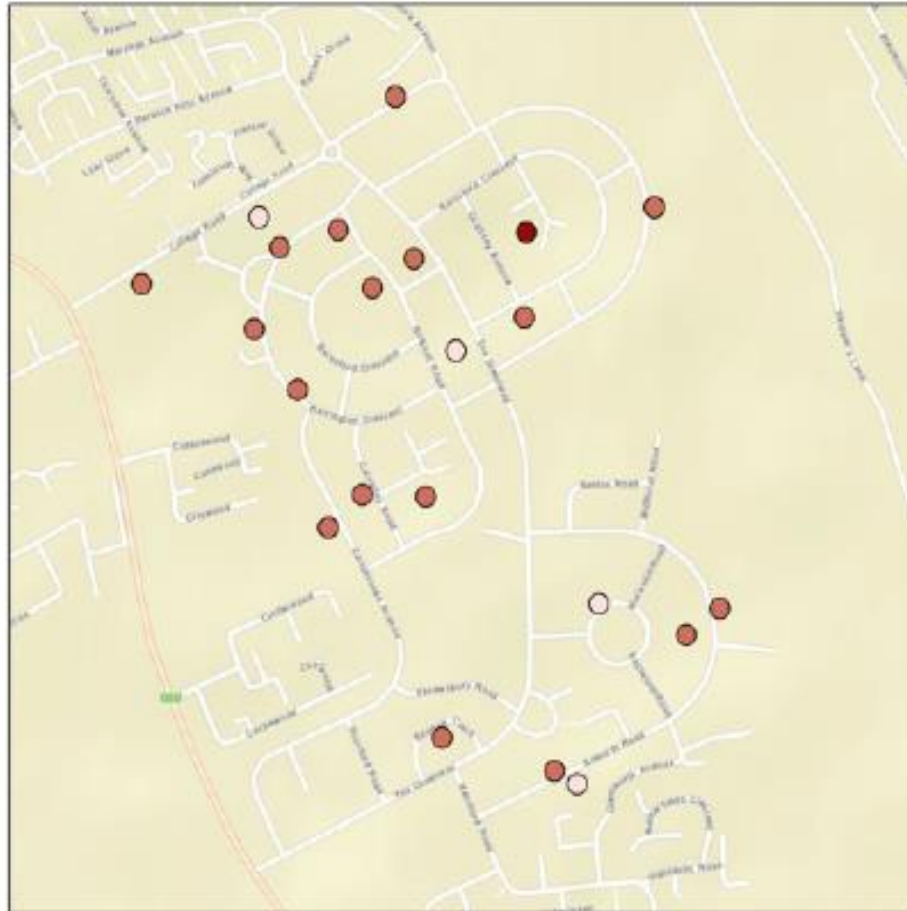
Cost as Percent of Total

- 0% - 0.222407%
- 0.234035% - 0.948336%
- 1.493048% - 2.731296%



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GIS map of Thorntree – Voids



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Thorntree
Days lost to void
2011-14

Legend





Daysvoid

- 5.000000 - 29.292777
- 29.292778 - 194.000000
- 194.000001 - 327.000000

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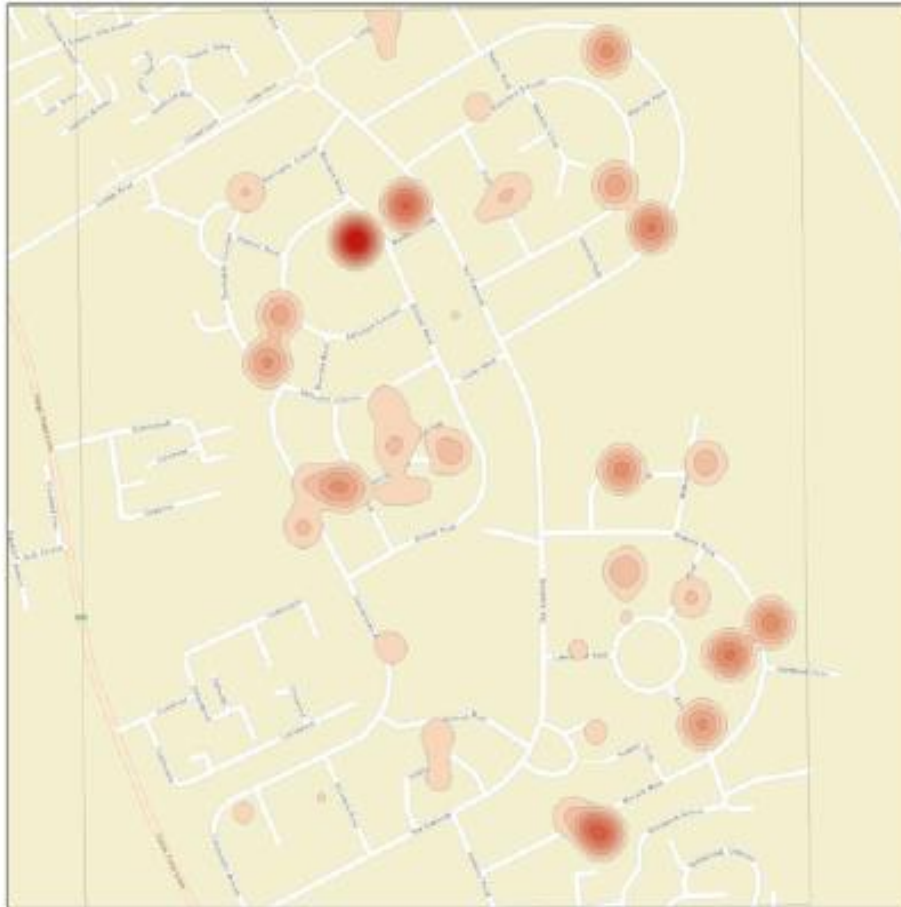
Thorn tree Current Arrears

Action

-  E. Arrars of 5-8 weeks
-  F. Arrars of 9-12 weeks
-  G. Arrars of 13-16 weeks
-  H. Arrars over 16 weeks

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GIS map of Thorntree – An overlay of all of the above



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Thorntree
Hot Spots

We intend to develop 3 layers:

- Totally business orientated
i.e. income v expenditure
- Other housing indicators
e.g. demand, refusals
- Subjective/socioeconomic factors

Weighting of all areas will be the next key stage. Look at other pilot areas.

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And the future

- Summer – get 'stuck into' the Promaster system
- Use Thorntree model to kick start 'Sustainability Modelling' for all neighbourhoods
- Continuation of Option Appraisals
- Closely work with other departments and Stakeholders
- Quarterly reports to Leadership team, Boards
- Influencing future Business Plans and investment disposal priorities.



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The development of Thirteen Group's Asset Management Strategy

- A 5 year document – 2015 to 2019
- Broken down into a series of documents/sections
- Generic Thirteen Group
- Separate Landlord, more specific supplements
- A series of appendices
- And therefore a range of generic and landlord specific objectives
- Leadership Team approval
– 3rd December 2014
- Thirteen Group approval 12th December 2014
- Subsequent Landlord Board approvals?
– February 2015



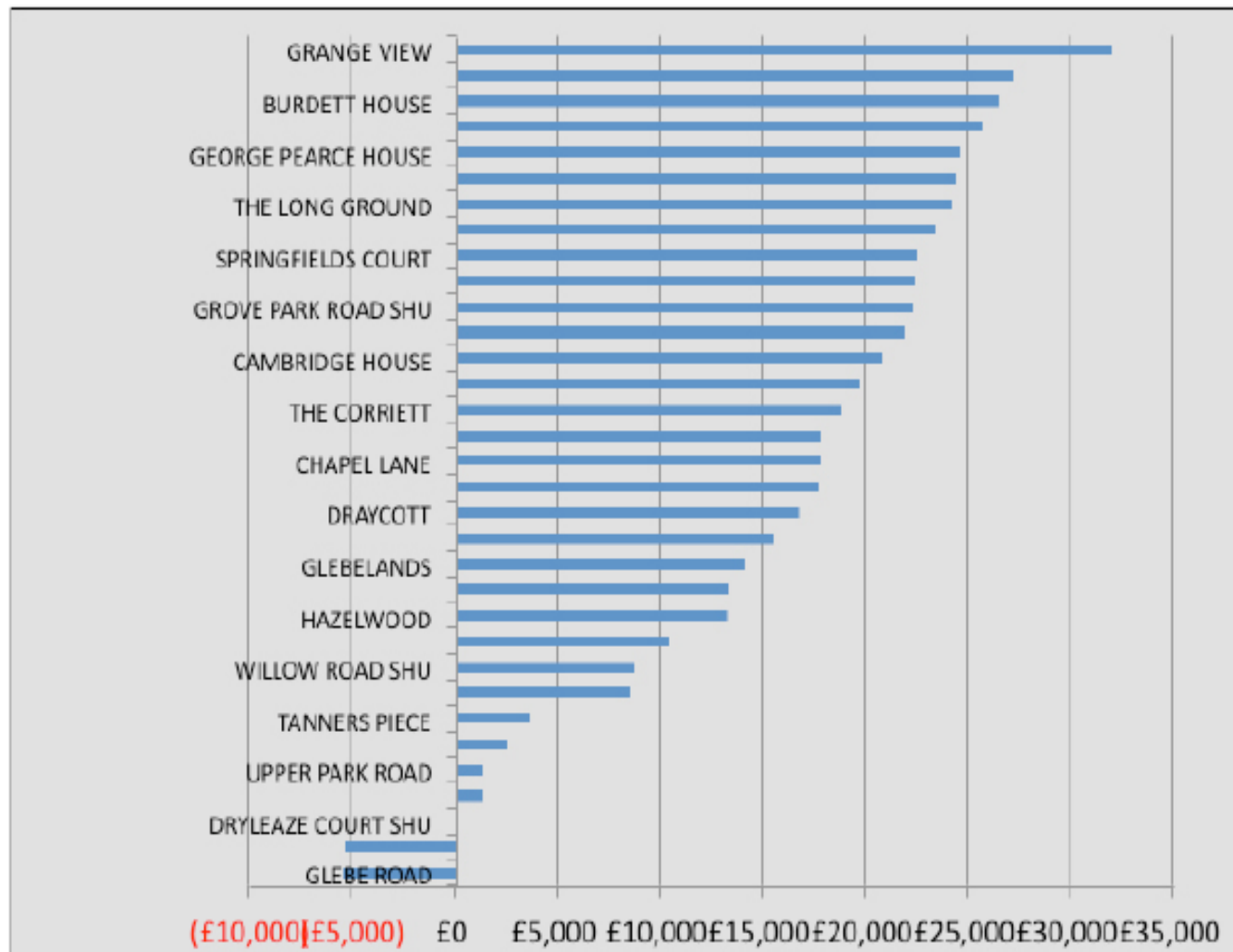
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The Structure of the Strategy

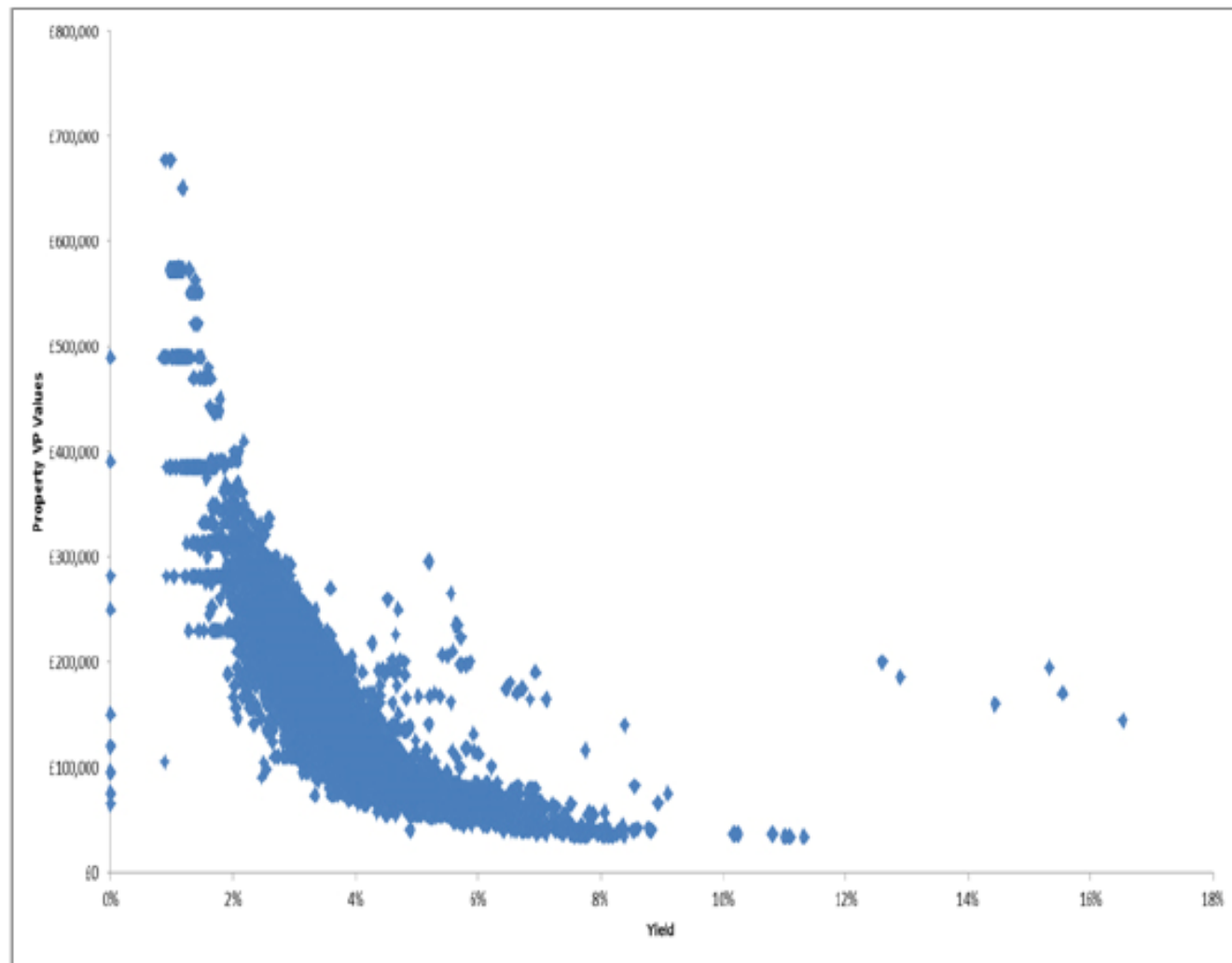
- Executive Summary
- Links to the Company Strategic objectives
- The aim of the Thirteen Group Asset Management Strategy: **“To ensure that our homes and neighbourhoods remain sustainable and popular with existing and new customers by the effective repair, investment and business management of property and land assets”.**
- Or in other words: **“Provide a desirable, maintained product that makes money”**
- Delivery and Structure
- Property performance, Sustainability modelling and the external environment (see diagrams on following pages)



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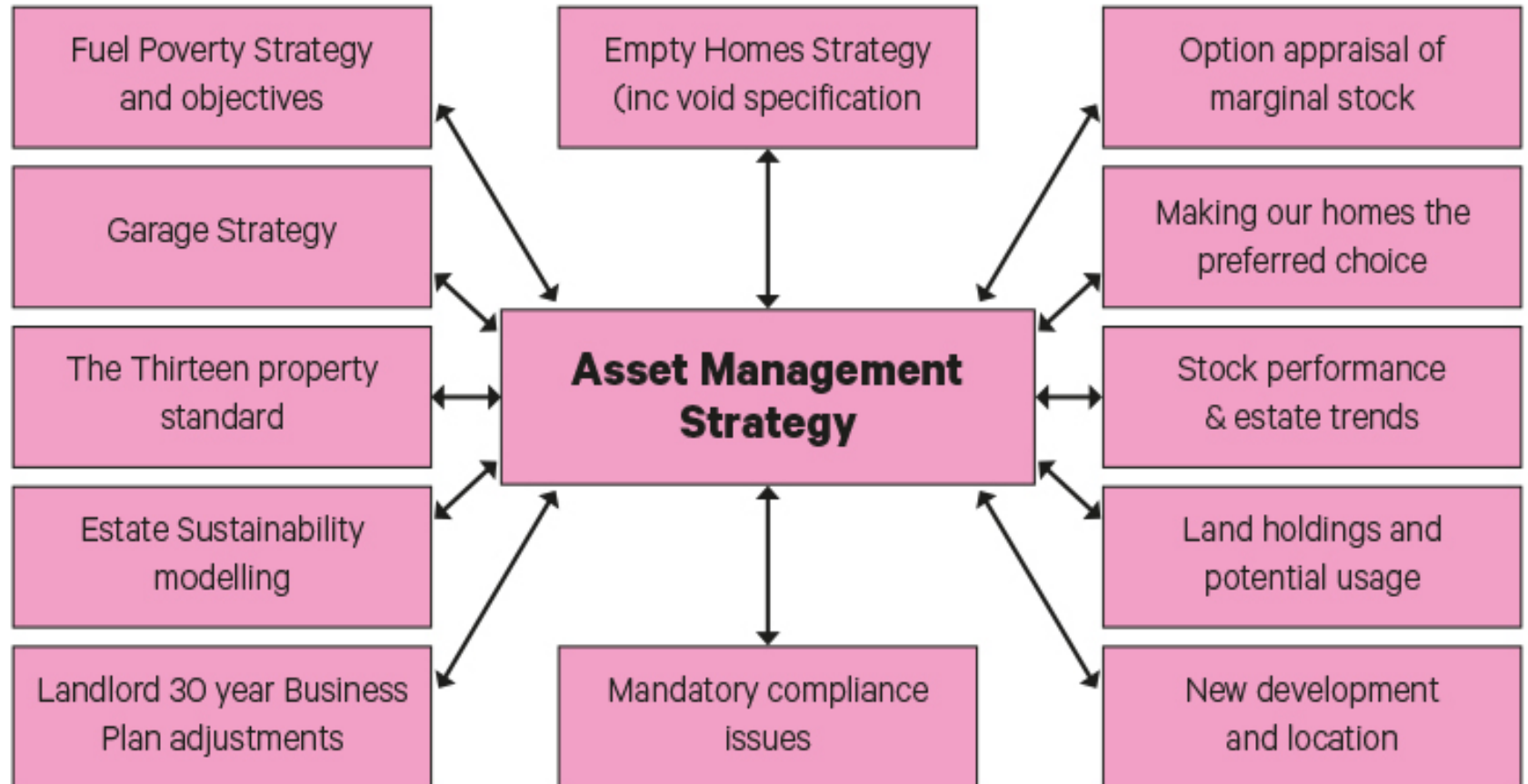
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The Structure of the Strategy

- Restrict the amount of spreadsheets inserted in your Strategy – make it more strategic
- Compliance and responsive repairs
- Standards and Specification ('one size fits all' issues)
- Customer Involvement
- Affordable Warmth
- Older Person's accommodation
- Value for money and procurement (buying consortia v. being self-sufficient)
- Equality and Diversity
- Health and Safety
- Development and Regeneration
- Financial (30 year Financial Business Plans)
- Review of objectives

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Asset Management Strategy



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How can customers be involved in shaping the Asset Management Strategy?

- Explain what an Asset Management Strategy is and why have one (a simple overview)
- Give examples of what it would be like if you didn't have an Asset Management Strategy (reverse psychology)
- Split the Asset Management Strategy into understandable 'bite sized chunks' and create sessions around them
- Scenarios and 'situational role play' to develop priorities
- Discussing more radical ideas – enact 'what if you were a Housing Director; what would you do?
- Sustainability modelling – involvement in score weightings



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Brief outline of SMART objectives for the Asset Management Strategy

- Common database with new incoming IT management system
- Develop Sustainability Modelling tool, reports, league tables
- Develop a specific non housing related stock strategy – garages, shops, commercial stock and meeting rooms
- Review/standardise the repairs service across the Group
- Specification review and component lifecycle replacement periods
- Four new 5 year delivery programmes for each landlord
- Engage with Customer Involvement team and residents
- Appraise all older persons and care and support premises
- Fuel Poverty Strategy - approved Nov 14 (8 objectives)



Landlord's supplementary Objectives

- **Board develop sessions to develop their unique priorities during February 2015**
- Specific targets on gathering stock condition data
- Objectives on a Land Use strategy
- The development of Landlord Company delivery programmes
- Option appraisal of some specific older, marginal stock
- Highlighting specific differences in stock holdings



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What's right for Thirteen Group (Teesside area) is right for other RSLs?

- The simple answer is 'no'
- The London effect – property and land prices i.e. return on assets has other permutations
- Many RSLs have large numbers of Rural based stock
- Some neighbourhoods will only attract locally 'born and bred' customers; 'outsiders' sometime feel unwelcome
- Some RSLs have an unbalanced property portfolio e.g. lots of multi storey blocks or sheltered schemes
- Lots of Housing Groups operate in many Local Authority areas and are looking to withdraw from regions where stock numbers are low and/or distant from the hub
- Variety in tenure types
- The economics of the area, supply and demand and 'wealth' dictates or restricts solution resolving

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Britain's first £1million council flat: Apartment on West London estate that sold for £48,000 under right to buy is on the market for seven figures

- Property in Chelsea, west London, near trendy King's Road, bought in 1989
- It is on the market for £999,999 - giving owner a staggering profit of £952,000
- Just over a mile away is world's priciest flat which sold for £140million in May

By JULIA CROOME, FIVE MILE ONLINE
PUBLISHED: 12:05, 2 November 2014 | UPDATED: 16:32, 2 November 2014

192
shares

189
view comments

A council flat bought under the 'right to buy' scheme for £48,000 is set to go on the market for £1million.
The ground-floor property, in Chelsea, west London, has three bedrooms, a front terrace and a communal courtyard.
It was bought in 1989 and is part of a post-war estate made up of 39 council and privately-owned properties, near King's Road.



© Zoopla
First £1million council flat: The property, in Chelsea, west London was bought for £48,000 in 1989.
Now on the market for £999,999 - its owner stands to make a staggering profit of £952,000.
Property website Zoopla calls it a 'well-presented ground floor flat offering a generous living space with well proportioned rooms in a sought-after area.'

Asset Management Strategies – the do's

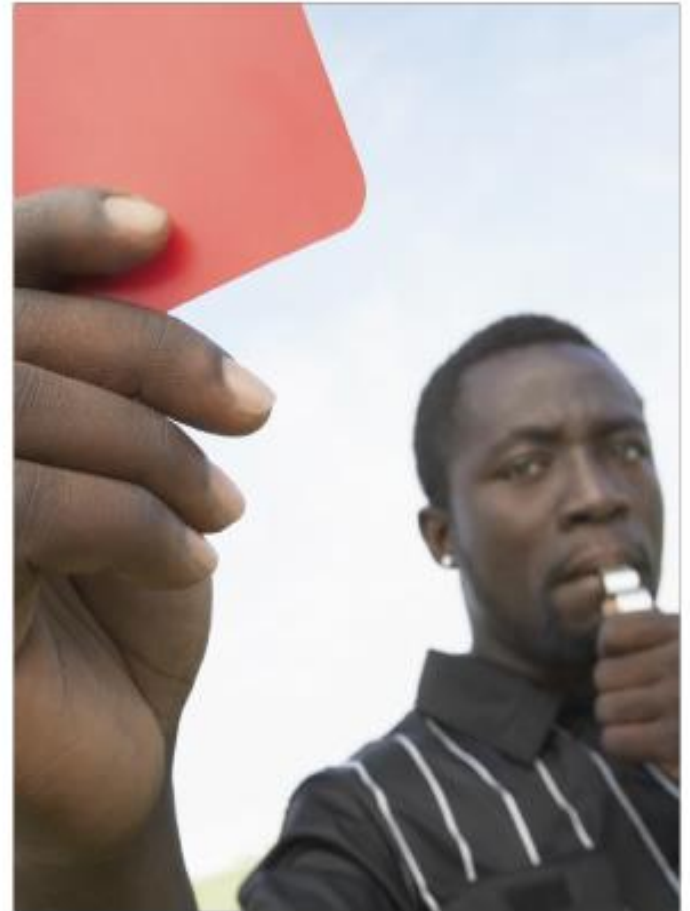
- Obtain lots of property and housing management data
- Plan well ahead
- Engage with all Groups and listen to their views
- Present the Strategy in a readable design
- Diagrams – the subject matter can be quite dry
- Consider 'regional' asset management supplements. It may satisfy your local Boards and address specific geographical issues if done this way
- Fall in line with the 'Return on Assets' mandate from the HCA and say what you are going to do about it
- Consider more radical solutions
- Forge closer relationships with Housing Management
- Engage with the Boards – Development days, stock tours showing the problematic areas
- Expect to rewrite the Strategy in 3 years !!



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Asset Management Strategies – the don'ts

- Don't 'over-write'
- Restrict the amount of spreadsheets inserted in your Strategy – make it more strategic
- 'Silo' work – successful Asset Management delivery is the responsibility of all
- Don't be afraid to talk in a purely 'business way'. So for example ask yourself "if I was a private landlord, would I do it this way"!
- Don't assume that all fixtures and fittings and what we do to homes has to be exactly the same for all homes. Why?



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In Summary

- Asset Management is a whole new ball game
- We are now expected to know everything about the performance of our stock
- To do that we need to understand the market and current and future customers
- Data is 'key' but so is breaking down the barriers and working with other Housing Colleagues
- Keep your Strategy high level and don't get bogged down with excessive amounts of property data or the high level messages will be forgotten
- Remember that Asset Management is now the Bride and not the Bridesmaid !

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Questions



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