Workshop 4e:
VFM: Return on assets, doing it ASAP with Muir and Ark

Speaker: Sam Scott, Muir Group, Chris Seeley, Ark Housing Consultancy
Chaired by: Declan Hickey, Muir Group
Room: Harewood Room

nhmf National Housing Maintenance Forum

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Return on assets – Doing it ASAP with Muir and Ark

Who we are

- Chris Seeley – Partner - Ark Housing Consultancy

- Sam Scott - Director of Housing Services – Muir Group Housing Association

Our hopes for today's session

- We achieve some interaction

- We impart some information

- We all learn something

- We all get some

- inspiration
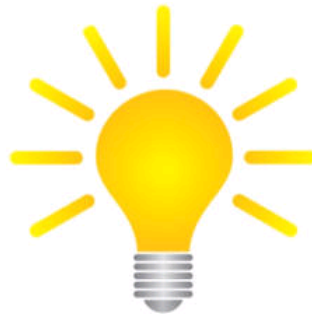
What are we going to talk about?

- A bit of context

- A bit of strategic asset management

- The ASAP model

- ASAP in action at Muir

The HCA expects:

- Registered providers shall:

  Understand the return on its assets, and [have a strategy for optimising the future returns on assets](#) – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisations purpose and objectives

And….

Landlords will also be required to have a 'thorough and documented understanding of their assets and any liabilities on those assets'
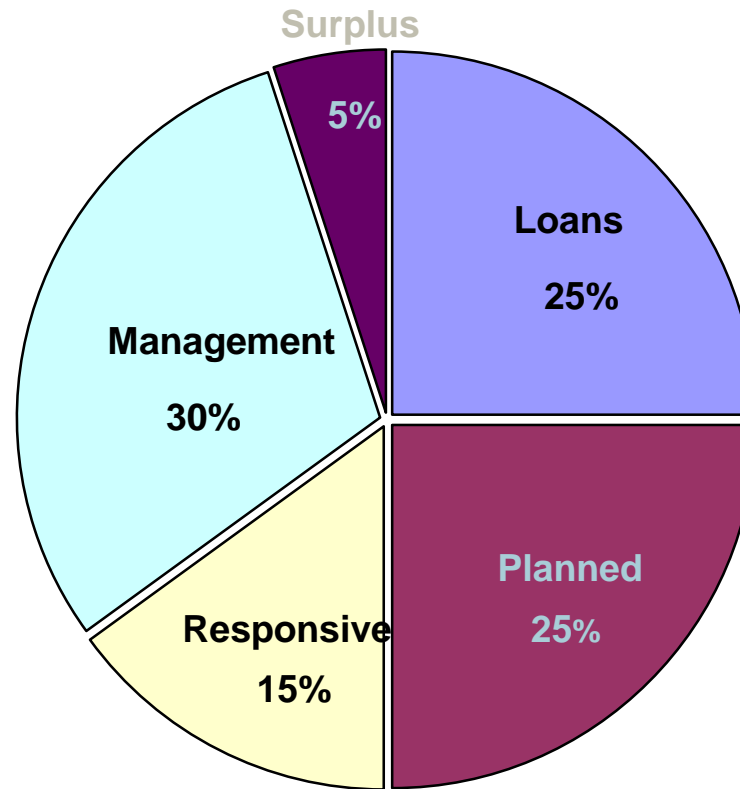
And in the summary of 5 key lessons from Cosmopolitan

1) Boards must be up to managing complex businesses

2) **Boards need a <u>forensic grip</u> of assets and liabilities**

So how are we doing?

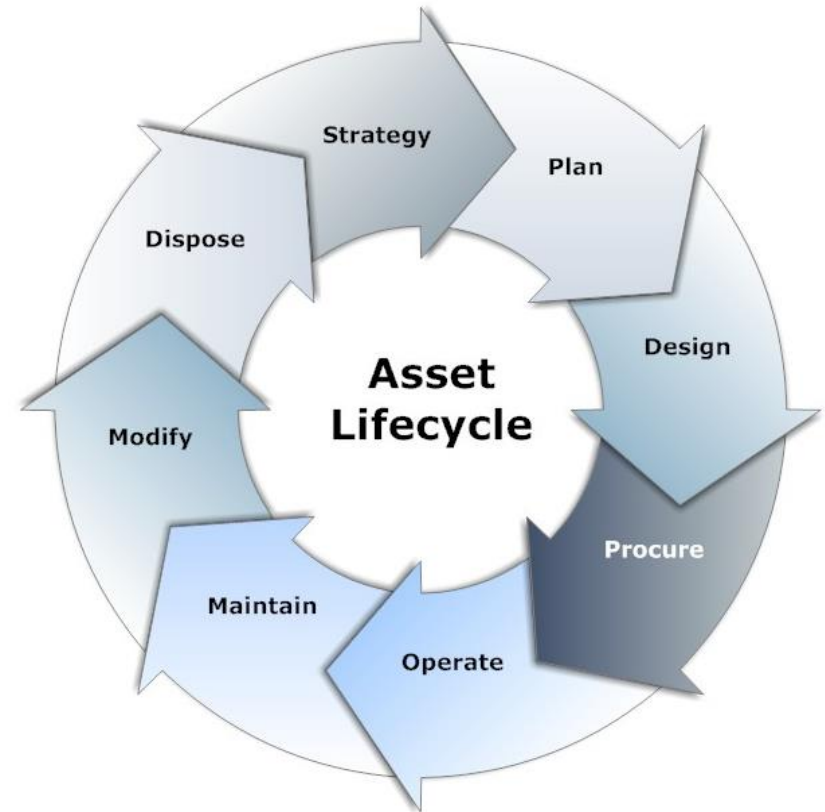# Asset Management matters!

Pie chart segments:
- Surplus 5%
- Loans 25%
- Management 30%
- Responsive 15%
- Planned 25%

Asset Spend = c.40%

Asset Management – an art and a science

But in our case it is affordable housing and it is a conundrum

AMS Planning – What is normal?

- Very old approach – annual budget
- Old approach – stock condition survey and finance model
- Current approach – net present value (cost only)
- Strategic approach – an intelligent use of data = active asset management/asset grading

And if normal is…..

Stock condition survey = AMS

Or modelling = Net Present Value (NPV)

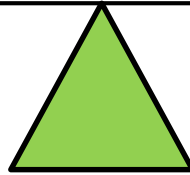# Are these assets or liabilities
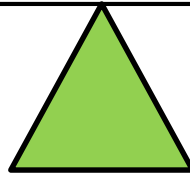
How do you balance

Assets   Liabilities

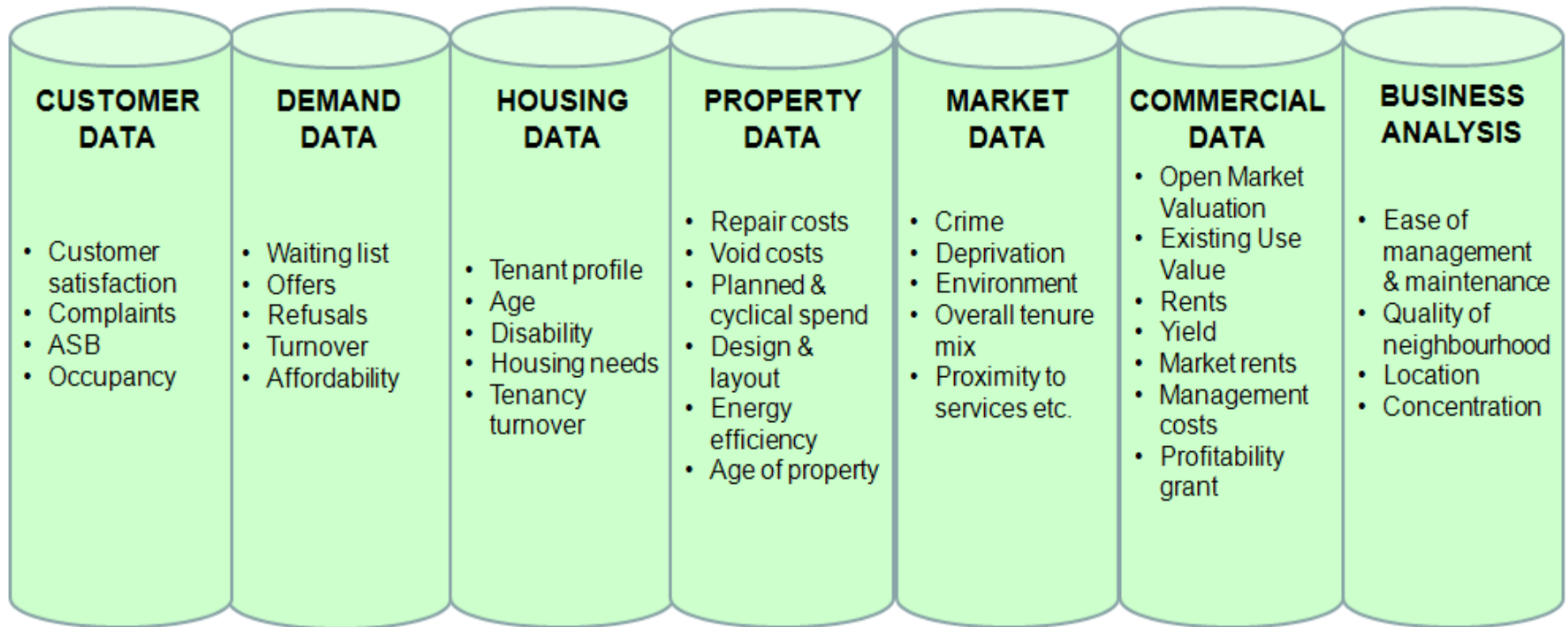Social Objectives   Commerciality

Do we know which is which?

ASAP – Simplifying the complex

- Decide which tests apply
- Decide how to weight tests
- Collate data
- Run the model to grade assets
- Undertake option appraisals for poor performing assets
- Really start to understand your market

Data availability?

CUSTOMER DATA	DEMAND DATA	HOUSING DATA	PROPERTY DATA	MARKET DATA	COMMERCIAL DATA	BUSINESS ANALYSIS
• Customer satisfaction • Complaints • ASB • Occupancy	• Waiting list • Offers • Refusals • Turnover • Affordability	• Tenant profile • Age • Disability • Housing needs • Tenancy turnover	• Repair costs • Void costs • Planned & cyclical spend • Design & layout • Energy efficiency • Age of property	• Crime • Deprivation • Environment • Overall tenure mix • Proximity to services etc.	• Open Market Valuation • Existing Use Value • Rents • Yield • Market rents • Management costs • Profitability grant	• Ease of management & maintenance • Quality of neighbourhood • Location • Concentration

Who has the data? Who knows your stock and your neighbourhoods
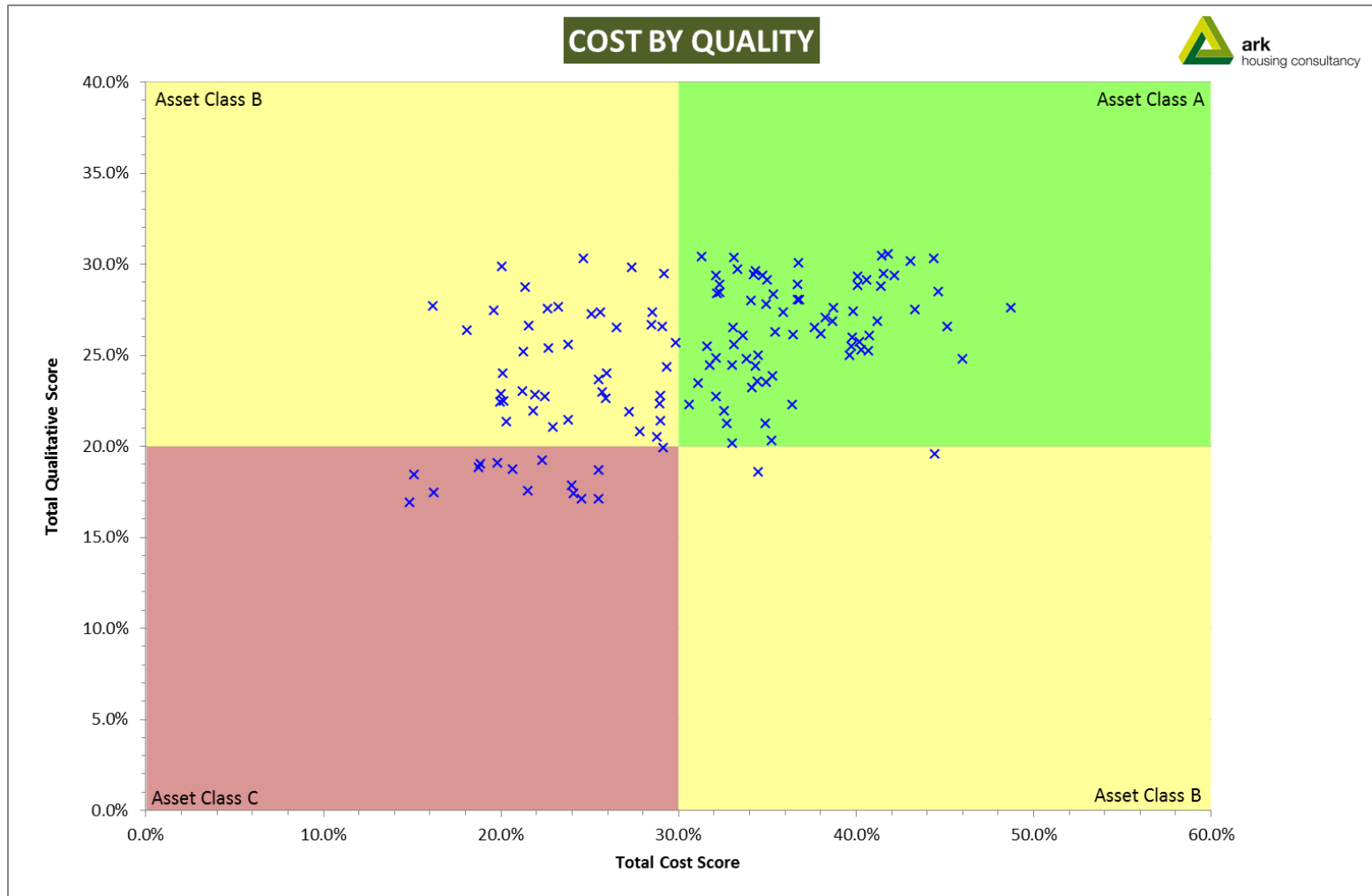
Asset Management

DLO / IHC teams

Your contractors

Finance

Housing management
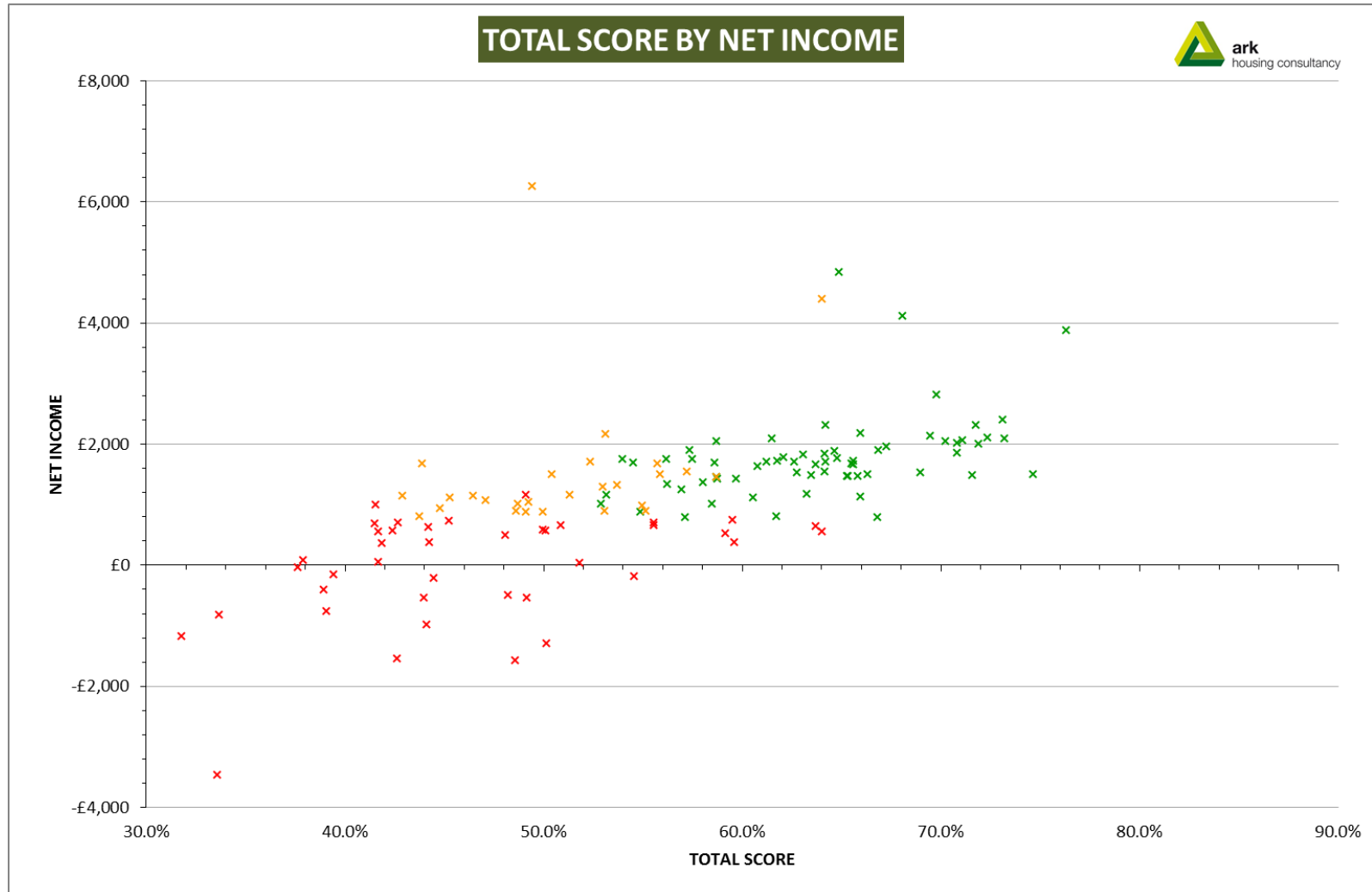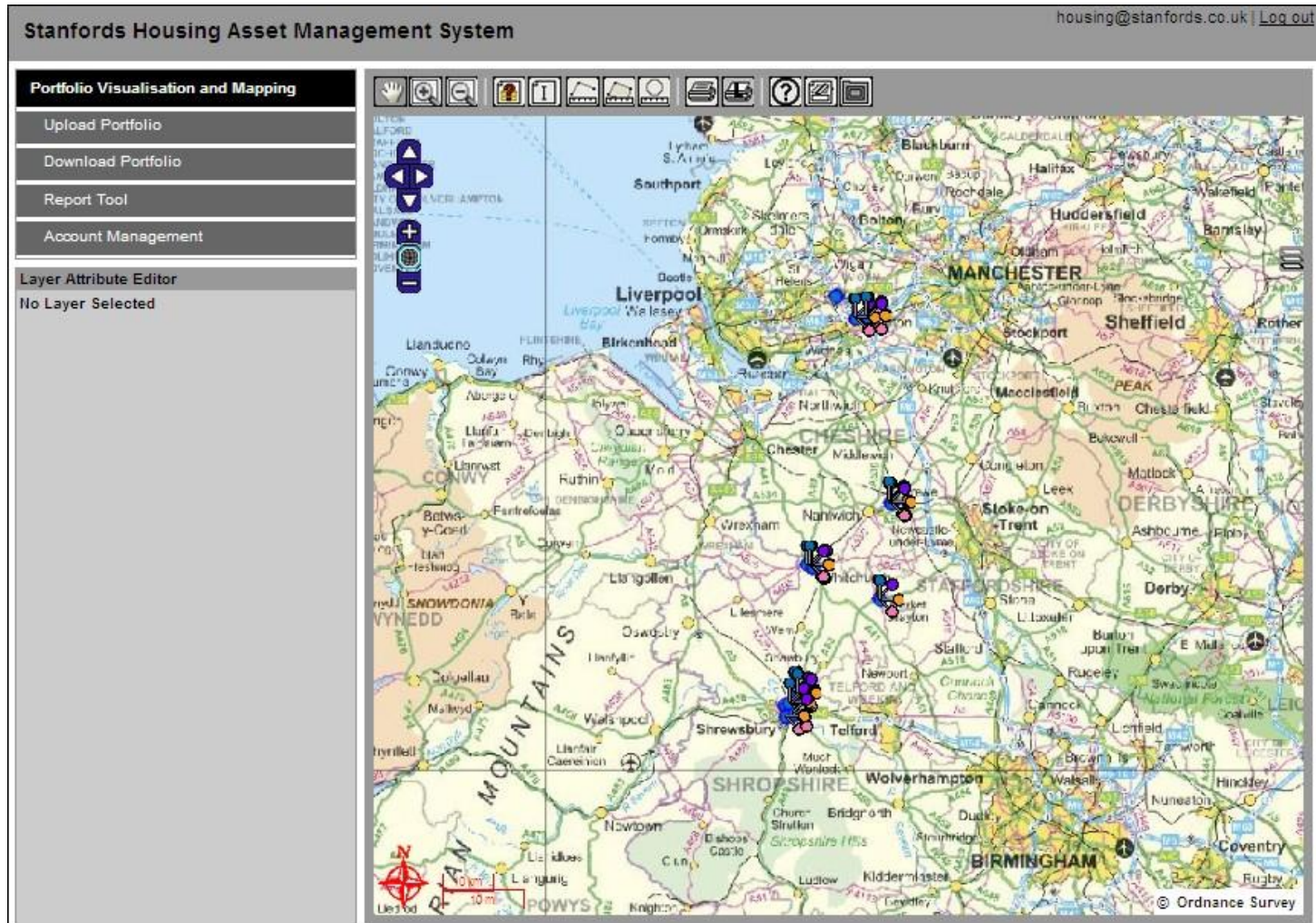
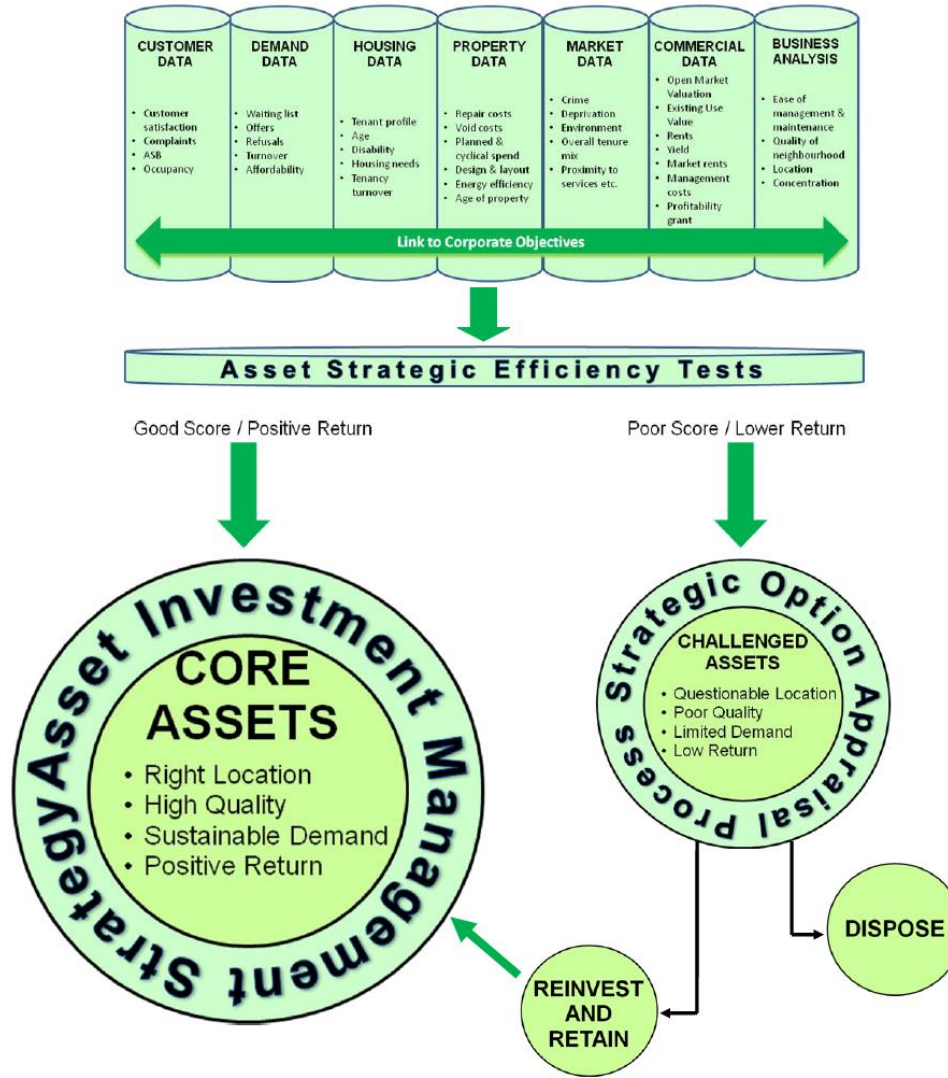Your customers

Understand the Assets

Understand the Assets

Figure: TOTAL SCORE BY NET INCOME — scatter plot of NET INCOME (£-4,000 to £8,000) against TOTAL SCORE (30.0% to 90.0%).

Where are the assets? (1)

Ark Strategic Asset Performance

ASAP Model – Data Analysis & Weighting

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Link to Corporate Objectives

Asset Strategic Efficiency Tests

Good Score / Positive Return

Poor Score / Lower Return

Asset Investment Management Strategy

CORE ASSETS
- Right Location
- High Quality
- Sustainable Demand
- Positive Return

Strategic Option Appraisal Process

CHALLENGED ASSETS
- Questionable Location
- Poor Quality
- Limited Demand
- Low Return

REINVEST AND RETAIN

DISPOSE

ASAP Model

INVESTING IN PEOPLE AND COMMUNITIES

muir group

nhmf

ark housing consultancy

The big WHY?

HOW TO...

SO WHAT?

CARING.RESPONSIVE.PASSIONATE.
INCLUSIVE.DYNAMIC.HONEST.

INVESTING IN
PEOPLE AND
COMMUNITIES

muir
group

The Muir Context

- **5224 homes in 34 LA areas**

- **5 Offices – Chester, Huntingdon, Winsford, Blackpool & Burnley**

- **145 staff**

- **Outlying stock !**

- **HCA expectations re 'Return on Assets'**
- **Key feature in the VFM statement**
- **ARK already reviewing our service delivery models**
- **Good anecdotal knowledge of stock performance but needed a more detailed financial model**
- **Our own attempt was OK but didn't cut it**
- **Significant change – new Vision, Mission = Corporate Plan = new objectives**

- **Didn't want to create a monster**

- **Keen to capture front line feedback in the model**

- **Model that was simple, effective, user friendly and <u>OURS</u>**

- **Focus on the outcome and actions <u>not</u> the process**

- **Get all Departments on board early doors – ICT and Finance critical !!**

- **Outcome = League table of stock performance**
- **Stock split into three asset classes – A, B and C**
- **Usual suspects at the top but some surprises**
- **Clear differential on some schemes between staff perception and 'the model'**
- **Flushed out some "historic issues"**
- **Challenged quality of data - second stab planned**
- **Produced a sound financial basis on which to consider options appraisals = The Outcome**

High level Outcomes

Asset Class	Group Description	Simple Description	No. of Schemes	No. of Units	% of Units
A	Long term sustainable assets	High scoring and profitable assets	263	3,813	80.2%
B	Sustainable – but review data to confirm and keep under review	Assets which make a 'profit' but 'fail' one category of test	20	382	8.0%
C	Stock requiring an option appraisal and a clear re-investment strategy	Assets which fail quality and cost tests or make a small surplus and are likely to make a loss	54	562	11.8%
Total			337	4,757	100%

Top of the Pops *(amended)*
Tranche 1

ASAP Ref	Scheme Ref	Count of dwellings	Total score	ASAP rank	Staff rank	Priority Tranche	Contribution	Profit
17	0018	21	47.8%	321	319	1	£1,215	(£111)
277	3014	30	54.8%	278	91	1	£2,420	£304
332	3029	6	56.8%	262	27	1	(£229)	(£1,868)
337	3002	8	55.9%	271	189	1	(£217)	(£1,982)
331	3022	9	57.4%	255	176	1	(£342)	(£2,057)
236	1015	5	45.8%	329	247	1	(£2,682)	(£4,063)
263	1048	3	46.2%	326	335	1	£1,228	(£45)

- **Grouped geographically**
- **Taking into account other influencing factors**

- **Whet the Boards appetite for understanding stock performance and considering 'options'**

- **Manage expectations though**

- **New Board Sub Group with delegated powers**

- **A new integrated Asset Management Strategy**

- **Mixed staff reaction but mostly positive**

- **Rationalisation now on the agenda**

- **Strong links with other strategic reviews e.g. supported housing**

- **Need a re-investment plan if disposing of stock**

- **All common sense really !**

- **Cultural impact across the business**