




Wolverhampton Homes

Sweating your Assets' Making the most of scenario planning in austere times

Shaun Aldis
Director of Property Services




1. Establishing disrepair and condition
2. Future repair needs
3. Planning ~investment priorities
4. Stock valuation
5. Quantifying stock by type
6. Establishing attributes – materials, space, facilities etc.
7. Cash Flow Forecasting - Austerity measures
8. Energy audits
9. Investment
10. Consultation

Getting Started





What We Did



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- 1st stage simple assessment
- 2 stage dynamic survey
- 2nd stage 'just in time'
- **PRADA**
- Need versus priority – expressed, perceived & comparative
- 5 year AMP

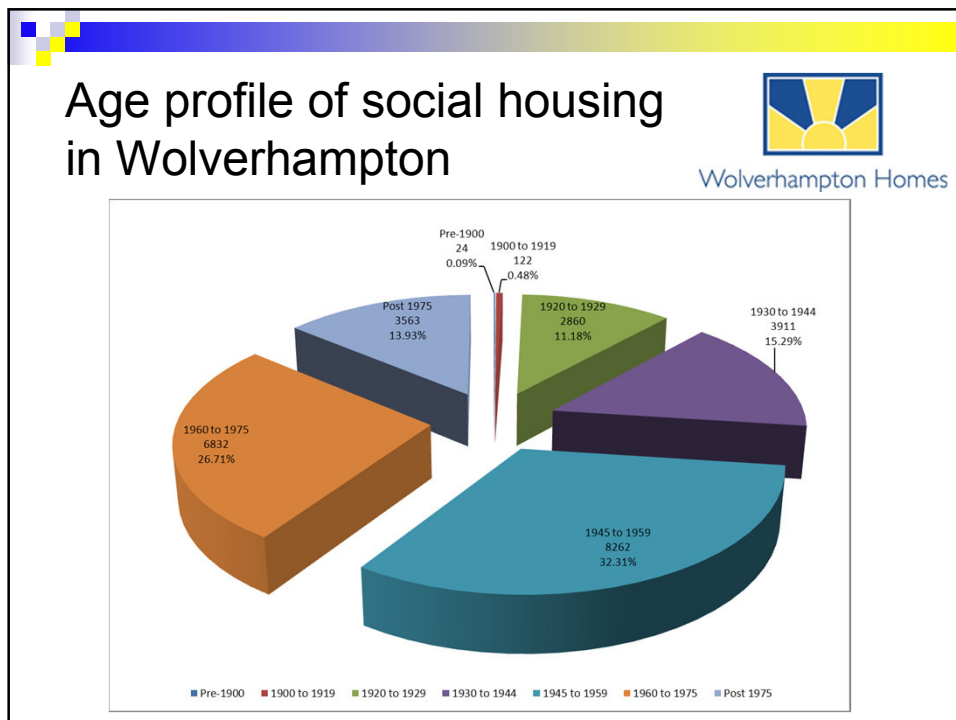


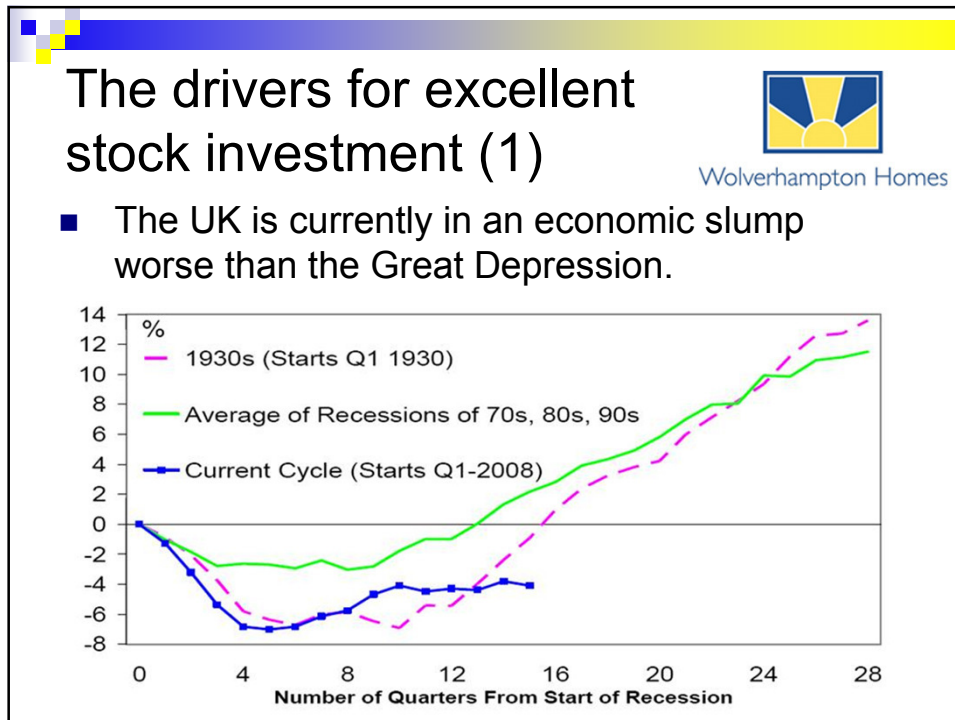



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Sweating your Assets' Making the most of scenario planning in austere times... ...a practitioner's view.

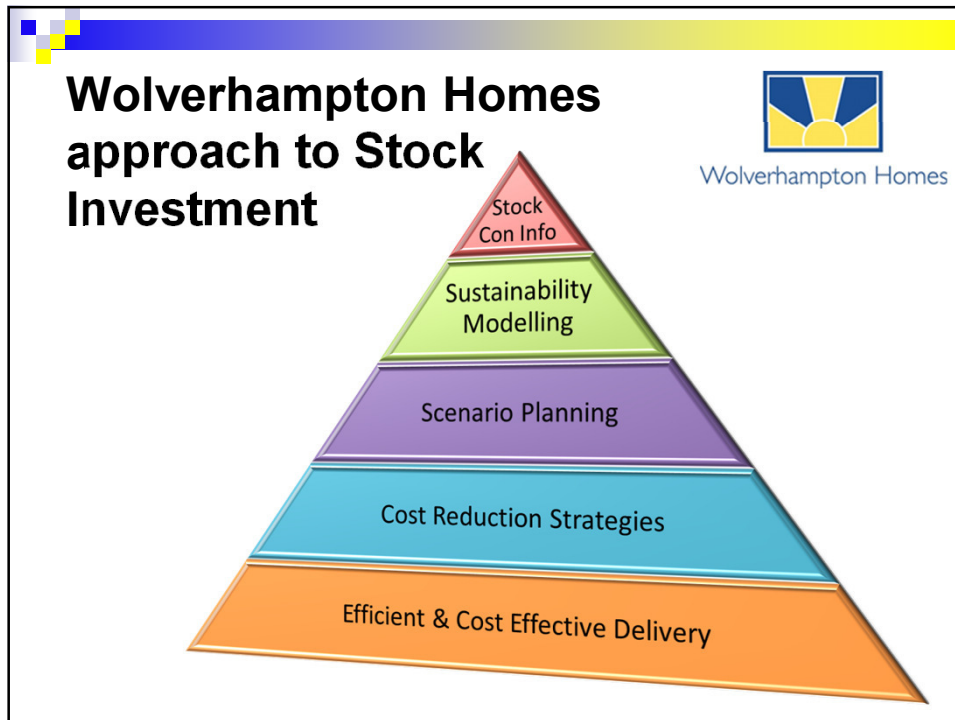
Simon Bamfield
Head of Stock Investment



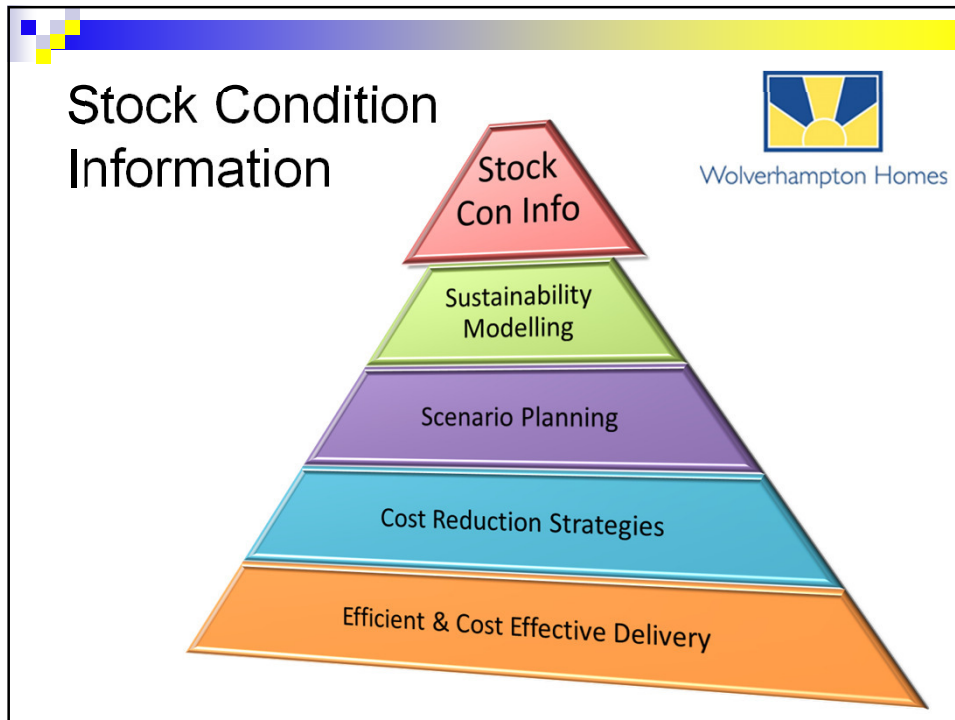


- ## The drivers for excellent stock investment (2)
- 

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- Ongoing austerity measures for the foreseeable future.
 - Increased pressure and accountability on stock investment and maintenance expenditure.
 - Reduction in rent recovery with the advent of Universal Credit; estimated that this could reduce the capital programme by up to 5%.



- ## Stock Investment Approach
-
- Multi-faceted
 - Integrated – involves repairs, voids as well as capital projects
 - Enables informed strategic decision-making
 - Robust approach – focused on achieving better value-for-money from stock investment decisions



- ## Gathering Stock Condition Information
-
- Wolverhampton Homes
- Pre-scoping surveys
 - Quinquennial stock condition surveys
 - Completion data from contractors
 - Data entered into Stock Condition Database (Promaster)

Integrity of Stock Condition Information



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- In-house stock condition surveyors
- Staff engagement; to ensure that they understand their role
- Training and development to ensure consistency of approach and interpretation (EPCs, energy audits, FRAs etc.)
- Ensures robust stock condition data

Building Cost Model (1)



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- Stock condition data used to create Building Cost Model (BCM)
- BCM is a 30-year assessment of stock investment-need, calculated using survey & completion data
- Uses a range of components for internal, external and communal elements

Building Cost Model (2)



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- Utilises details of component life and condition, in conjunction with component replacement out-turn costs
- Used for:
 - Cash-flow forecasting
 - Stock aspects of Sustainability Assessments
 - Scenario planning
 - Assessing the impact of cost reduction strategies

Stock Investment Need for the next 5-years



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Investment Need (inclusive of inflation)	Year-1 2012/13	Year-2 2013/14	Year-3 2014/15	Year-4 2015/16	Year-5 2016/17	TOTAL
Internal Decent Homes works	£21,631,499	£20,220,555	£18,348,243	£1,394,772	£2,811,309	£64,406,378
Adaptation works for the Chronically Sick and the Disabled	£2,784,000	£1,678,500	£1,678,500	£1,709,217	£1,749,896	£9,600,112
Works to the External Fabric and Communal Parts of Properties	£29,404,436	£10,796,503	£10,615,517	£9,189,662	£11,589,793	£71,595,911
Works to provide Decent and Sustainable Estates	£1,266,681	£10,919,388	£10,919,388	£11,119,213	£12,012,499	£46,237,170
Total Constructor Costs (inclusive of Prelims, OH&P)	£55,086,616	£43,614,946	£41,581,648	£23,412,864	£28,163,497	£191,839,571
Other Capital Costs (less commissioning costs & fees)	£1,020,000	£10,000	£10,000	£10,000	£10,000	£1,060,000
Commissioning costs and professional fees	£2,450,000	£2,000,000	£1,850,000	£1,850,000	£1,850,000	£10,000,000
Total Cost inclusive of other capital costs, commissioning costs and professional fees	£58,556,616	£45,624,946	£43,421,648	£25,272,864	£30,023,497	£202,899,571
Anticipated available funding						
Major Repairs Allowance (MRA) including Disabled Facilities Adaptations (DFA) & funds carried forwards	£-26,708,654	£-22,674,819	£-23,417,525	£-24,178,045	£-24,960,459	£-121,939,502
Decent Homes Backlog Funding	£-20,700,000	£-11,962,000	£-10,756,000	£0	£0	£-43,418,000
Prudential Borrowing	£-2,648,000	£-9,060,000	£-9,103,000	£0	£0	£-20,811,000
Inward Investment e.g. R. C. C. O. (Revenue Contribution to Capital Outlay)	£-1,450,000	£-250,000	£-250,000	£-250,000	£-250,000	£-2,450,000
Energy Efficiency Funding e.g. CERT, CESP, Green Deal etc.	£-6,180,000	£0	£0	£0	£0	£-6,180,000
Total funds available	£-57,686,654	£-43,946,819	£-43,526,525	£-24,428,045	£-25,210,459	£-194,798,502
Summary						
Total Investment Need	£58,556,616	£45,624,946	£43,421,648	£25,272,864	£30,023,497	£202,899,571
Total Funds Available	£-57,686,654	£-43,946,819	£-43,526,525	£-24,428,045	£-25,210,459	£-194,798,502
Difference - (Surplus / Investment Gap)	£869,962	£1,678,128	£-104,877	£844,818	£4,813,038	£8,101,069

Cash-flow forecasts



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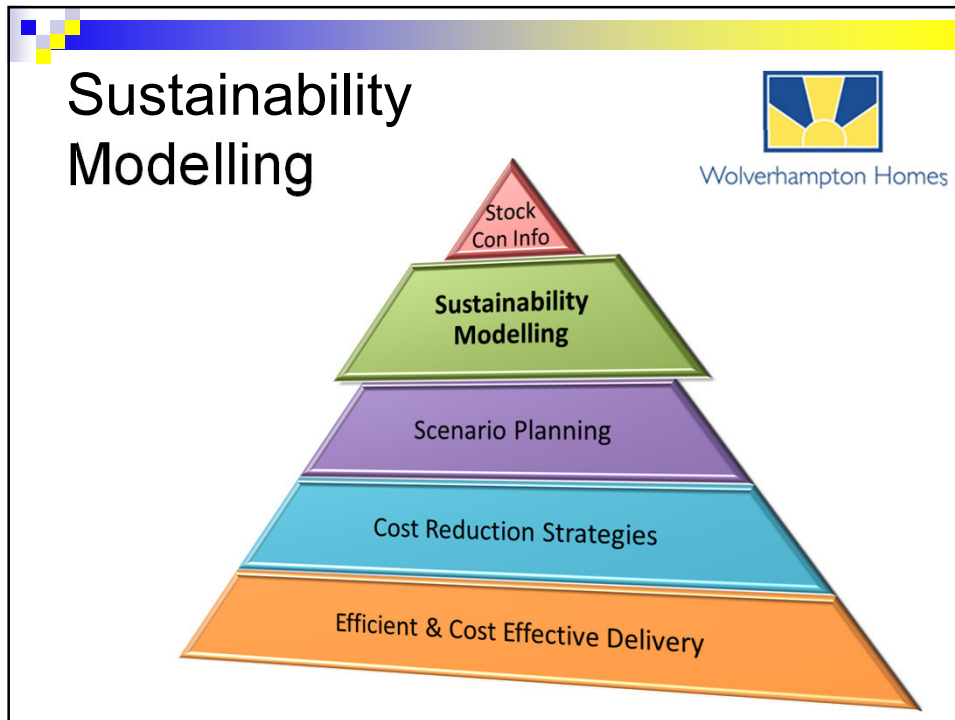
- Used to ensure that there is sufficient resources available to complete the Decent Homes programme
- Accurate forecasting of other work programmes; maximises the use of available budgets.
- Used for detailed consultation with all stakeholder groups (e.g. Leasehold Investment Plans)
- Enables us to deliver on our promises

Cash-flow forecasts (2)




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- Used to monitor variances:
 - Survey vs. completion data
 - With the frequency of component replacement (e.g. 1% increase in kitchens replaced = extra £400k p.a.)
 - Ongoing work with surveyors, clerks of works and contractors to control the level of replacement

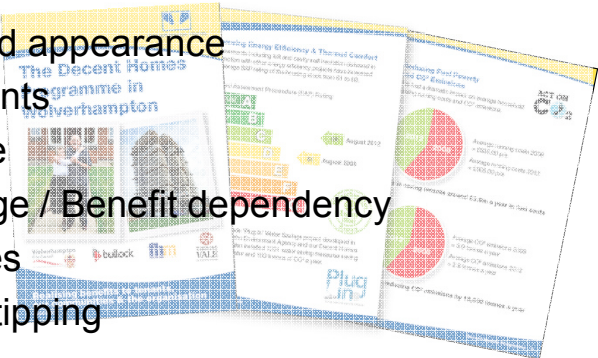


Sustainability Modelling



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- Uses stock condition data and neighbourhood profiling information, e.g.:
 - Demand
 - Condition and appearance
 - ASB complaints
 - Fear of crime
 - Skills shortage / Benefit dependency
 - Mortality rates
 - Extent of fly tipping



Sustainability Modelling (2)



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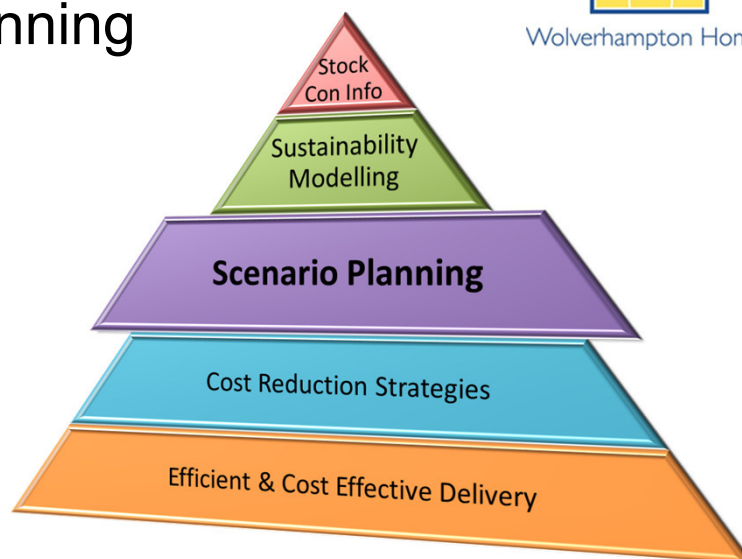
- Creates a measure of the sustainability (or lack of sustainability) of the housing stock
- Establishes a baseline
- Used to establish whether to invest / disinvest in specific stock / areas
- Prioritises the level of investment in order to create 'Decent and Sustainable Estates'.



Scenario Planning



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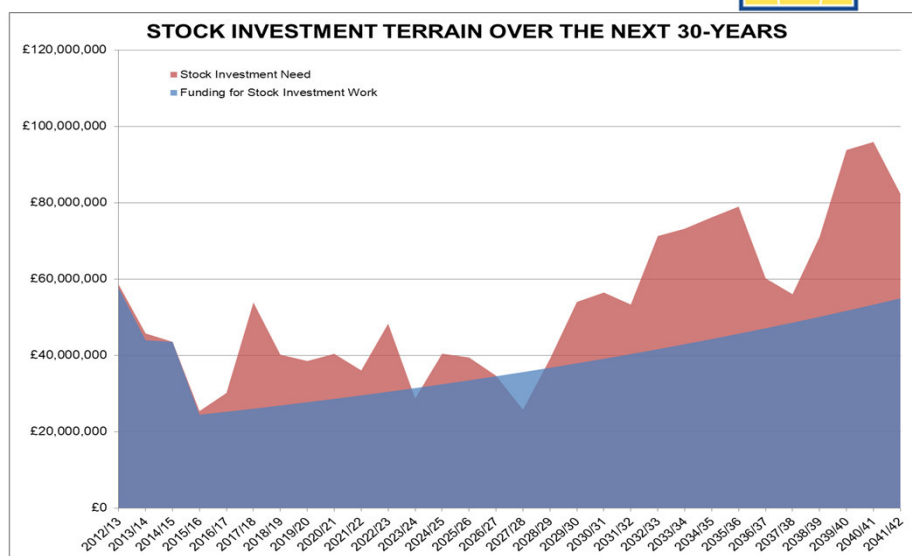
Scenario Planning



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- Used to establish the optimum programme delivery
- Involves the deferment of work packages / the extension of component lifecycles to determine the most cost-effective combination of component replacements.
- Why?

Stock Investment Context



Stock Investment Demand



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- The stock investment terrain is an ‘unsmoothed’ profile; inclusive of all potential work.
- As it stands, it is clearly ‘unaffordable’!
- Some potential investment expenditure will need to be mitigated

Scenario Planning (2)



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Component family	Main Components	Sub-Components	Lifetime of component	Defer replacement of residual components by:	Defer subsequent Component Lifetimes by:	Value of Component Replacements over the next 30 Years
Internal Components						
Kitchens	Kitchen facility	Renew kitchen facilities	20	0	< 0 >	£ 115,194,984.73
		Renew kitchen layout	n/a			
Bathrooms	Bathroom facility	Renew bathroom facilities (full replacement)	30	0	< 0 >	£ 69,493,486.09
		Renew bathroom facilities (partial replacement)	20			
		Renew bathroom layout / location	n/a			
		Electric over bath shower	10	0	< 0 >	£ 4,841,910.16
		Thermostatic mixer over bath shower	15	0	< 0 >	£ 4,940,080.62
	Additional w.c. facility	30	0	< 0 >	£ 3,603,746.89	
	Lead water mains (removal of)	n/a				
Electrical Installation	Electrical lighting & power installation	Recessed wiring, fixtures and fittings to 17th Edition and all making good	40	0	< 0 >	£ 33,930,538.56
		Upgrade of electrical lighting & power installation	22			
		E.O. Cost for skirting / cornice trunking to flats	40			
		Periodic Testing	10			
		Consumer unit	20	0	< 0 >	£ 12,771,486.19
		Smoke alarms	10	0	< 0 >	£ 7,074,906.48
	Battery smoke alarms (remaining lifecycle only)	6				
	Carbon Monoxide detectors	7	0	< 0 >	£ 8,583,063.99	
	Extractor fans	15	0	< 0 >	£ 24,058,395.59	
	Electrical storage heating	40	0	< 0 >	£ 8,988,141.03	
	Electric Storage Heating (total replacement)					
	Electric Storage Heating (upgrade)	20	0	< 0 >		

Scenario Planning (3)



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Component family	Main Components	Sub-Components	Lifetime of component	Defer replacement of residual components by:	Defer subsequent Component Lifetimes by:	Value of Component Replacements over the next 30-Years
Internal Components						
Kitchens	Kitchen facility	Renew kitchen facilities	20	0	< 0 >	£ 115,194,984.73
		Revise kitchen layout	n/a			
Bathrooms	Bathroom facility	Renew bathroom facilities (full replacement)	30	0	< 5 >	£ 31,608,580.33
		Renew bathroom facilities (partial replacement)	20			
		Revise bathroom layout / location	n/a			
		Electric over bath shower	10	0	< 0 >	£ 4,841,910.16
	Thermostatic mixer over bath shower	15	0	< 0 >	£ 4,940,080.62	
	Additional w.c. facility	30	0	< 0 >	£ 3,603,746.89	
	Lead water mains (removal of)	n/a				
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		Electrical storage heating	40	0	< 0 >	£ 8,988,141.03
		Electric Storage Heating (total replacement)	20	0	< 0 >	
		Electric Storage Heating (upgrade)	20	0	< 0 >	

Scenario Planning (4)



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Sub-Components	Defer subsequent Component Lifetimes by:	Value of Component Replacements over the next 30-Years
Renew kitchen facilities	0	£ 115,194,984.73
Revise kitchen layout		
Renew bathroom facilities (full replacement)	5	£ 31,608,580.33

- By extending the lifecycle of bathrooms by 5-years, the expenditure over the next 30-years can be reduced by £38m

Scenario Planning Summary



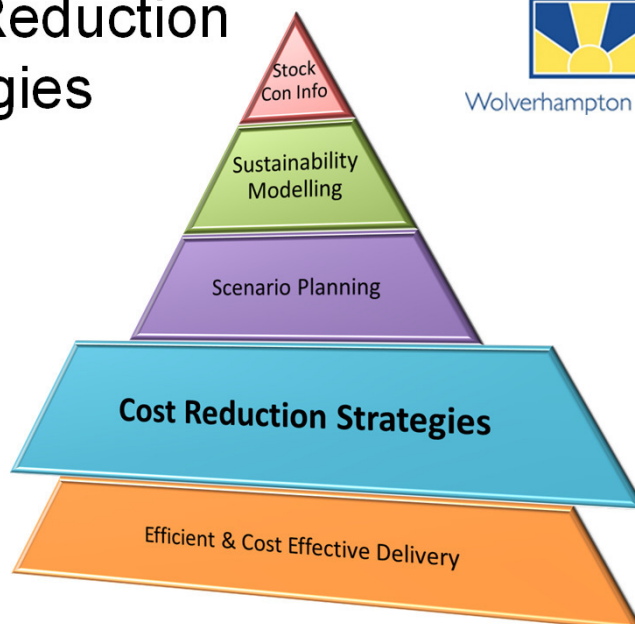
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- Assesses the probability and the impact of component failures
- Takes account of all capital and revenue implications
- Enables improved financial efficiency (better use of resources)
- Creates enhanced customer satisfaction (fewer repairs & less component failure through replacing “just-in-time”)

Cost Reduction Strategies



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Cost Reduction Strategies



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Sweating Assets

- Prior to deferring any work packages, a technical assessment is carried out
- This ensures that the components have got sufficient remaining life



Cost Reduction Strategies (2)




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Efficiencies

- Conduct efficiency reviews to eliminate duplication and simplify processes,
- Refine scope and specification to optimise value and to prevent scope creep
- Supply chain events
- Procure aggressively (negotiated deals for key material with manufacturers e.g. kitchen units, boilers, sanitaryware etc.)



Efficient & Cost Effective Delivery



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Open Book Cost Management

- Use incentivised Target Costs (plus agreed risk allowances)
- Collaborative development of other work packages; priced by the supply chain; prices are benchmarked (using historic costs and market intelligence) and where necessary renegotiated, to ensure that value for money is achieved.

Efficient & Cost Effective Delivery (2)



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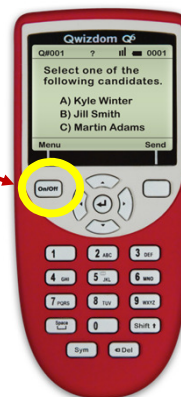
On Decent Homes Partnership:


- Reduced the average cost of the main elements being replaced, year-on-year
- Achieved sizeable cashable efficiencies, which is estimated at £27m over the five-year term
- If cashable efficiencies is coupled with the work deferred, then this increases to £67m

Qwizdom[®]


Turn on Your Handset

Press down **On/Off** button for a few seconds and the word **Ready** will appear.







Feedback Q.1




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- How does your organisation capture stock condition information?
 - A. We don't at the moment
 - B. We use a consultant once every 5-years
 - C. We do an annual survey (via consultant)
 - D. We do an annual survey (in-house)

VOTING EQUIPMENT SPONSORED BY: 




Feedback Q.2



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- Does your organisation actively use stock condition information to inform its work programmes?
 - A. Yes
 - B. No
 - C. Not at the moment, but we plan to in the future

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Feedback Q.3



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- With regards the stock investment approach outlined by Wolverhampton Homes; is your organisation's approach:
 - A. Not as comprehensive?
 - B. Not as comprehensive, but along similar lines?
 - C. Very similar to Wolverhampton Homes'
 - D. More advanced than that outlined by Wolverhampton Homes'?

Thank you for listening



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Any questions?

Contact Simon Bamfield:

Simon.Bamfield@WolverhamptonHomes.org.uk



The Wrekin
Housing Trust

Wayne Gethings

Changing times.....
Changing expectations



Since Transfer 1999

- £171m spent on Asset Management – average of £15m for first 10 years
- Promises delivered 2004
- Decent homes achieved by March 2010
- Sold 552
- Developed 1,117 new homes
- Received no grant


The Wrekin
Housing Trust




Sod Of ! Financial Model

	<p>Sell 1 Old house</p>	<p>+£60,000</p>
	<p>Borrow money for new</p>	<p>+£50,000</p>
	<p>Buy new affordable</p>	<p>£80,000</p> <hr style="width: 10%; margin: 5px auto;"/> <p>+£30,000</p>

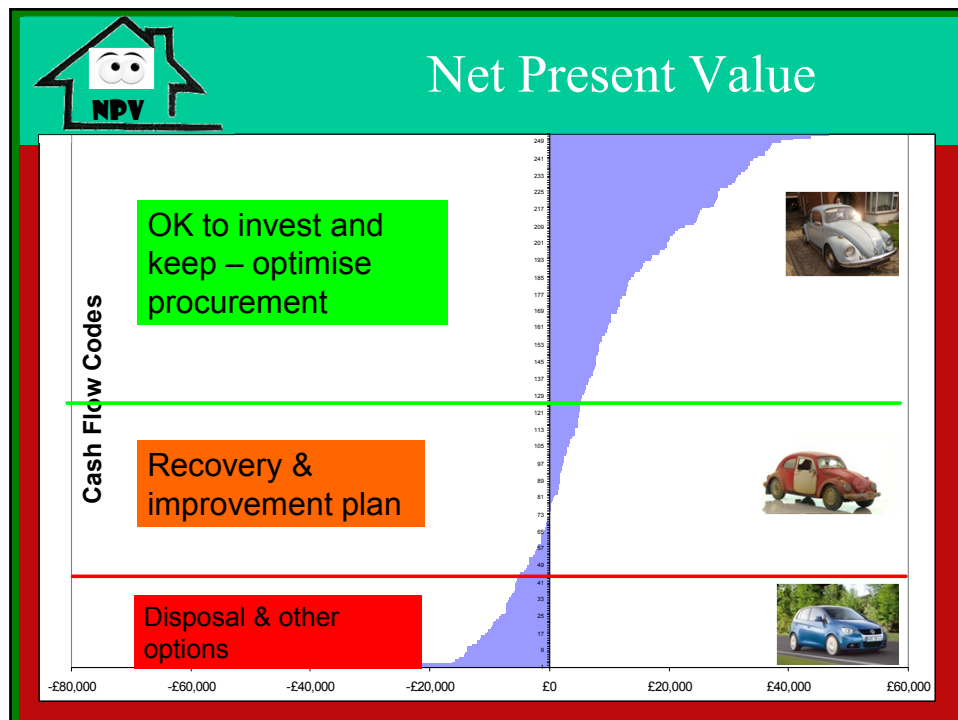
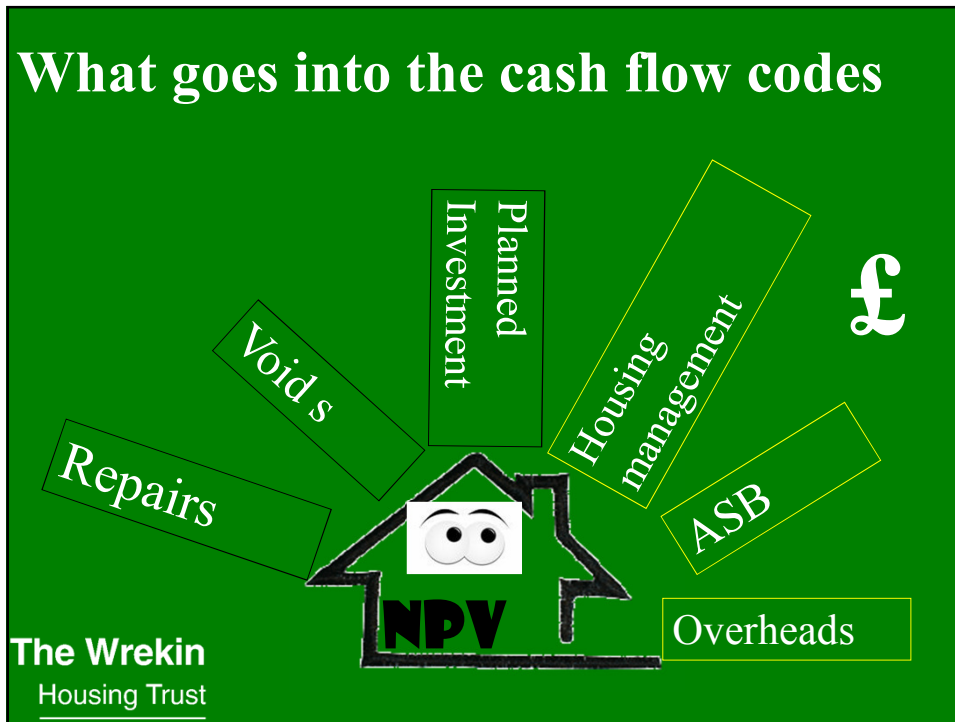
Buy a second affordable house 2 for 1
Sell One Develop One Free



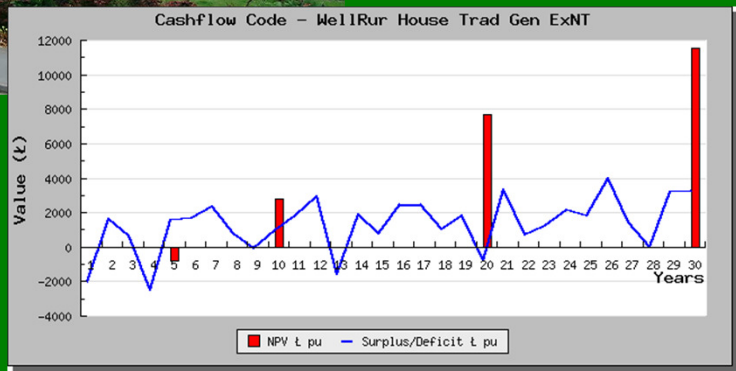
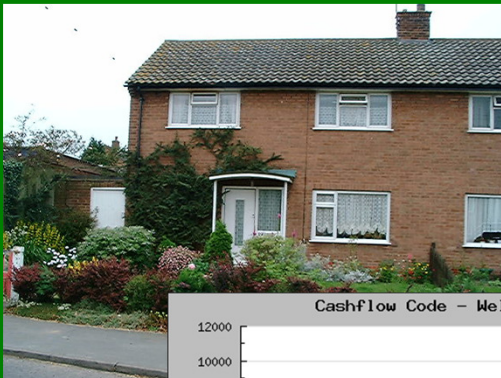
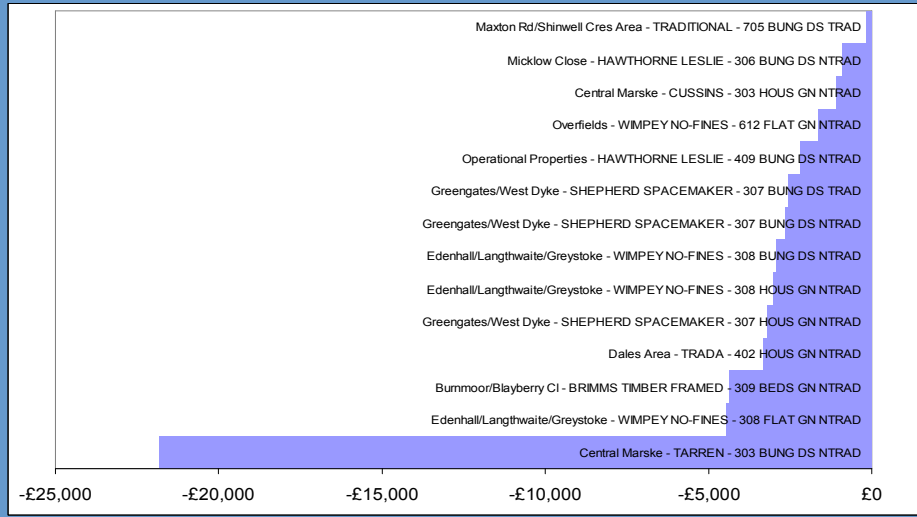


Asset Management Strategy Position Statement
Findings
Robert Grundy – Director

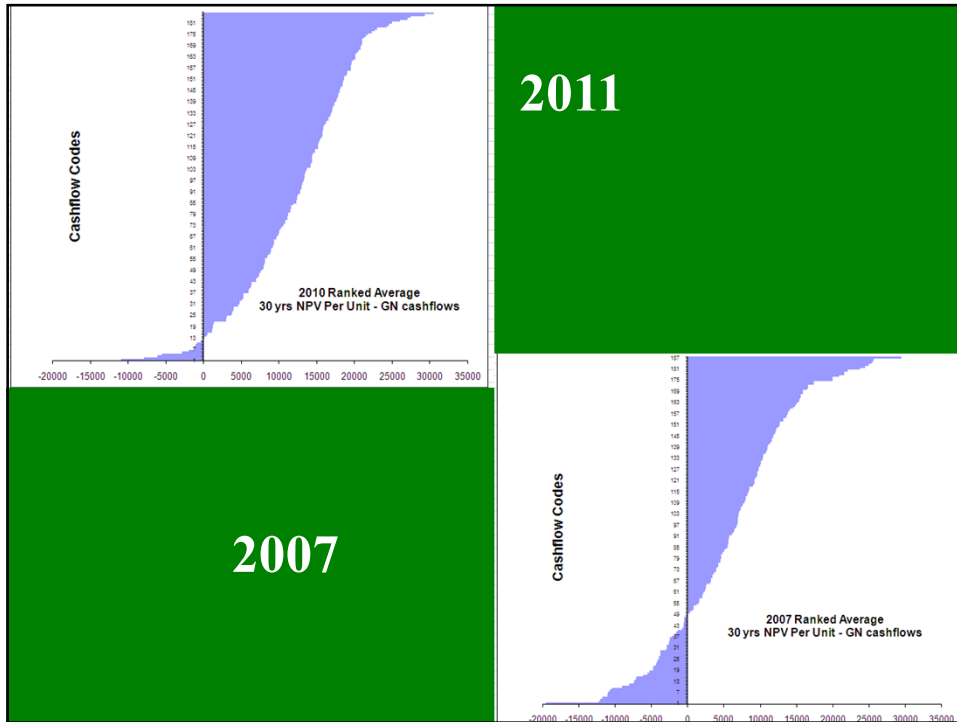
The Wrekin
Housing Trust



Negative NPVs by Beacon 746 dwellings / - £2.7m

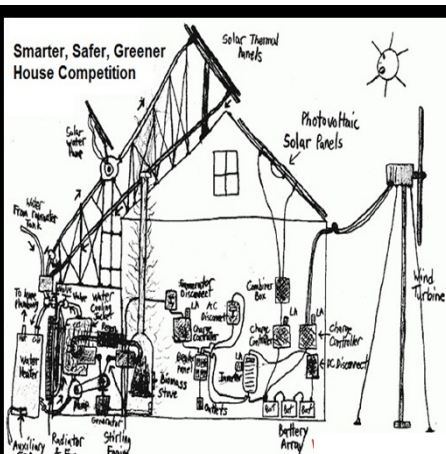


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I am troubled

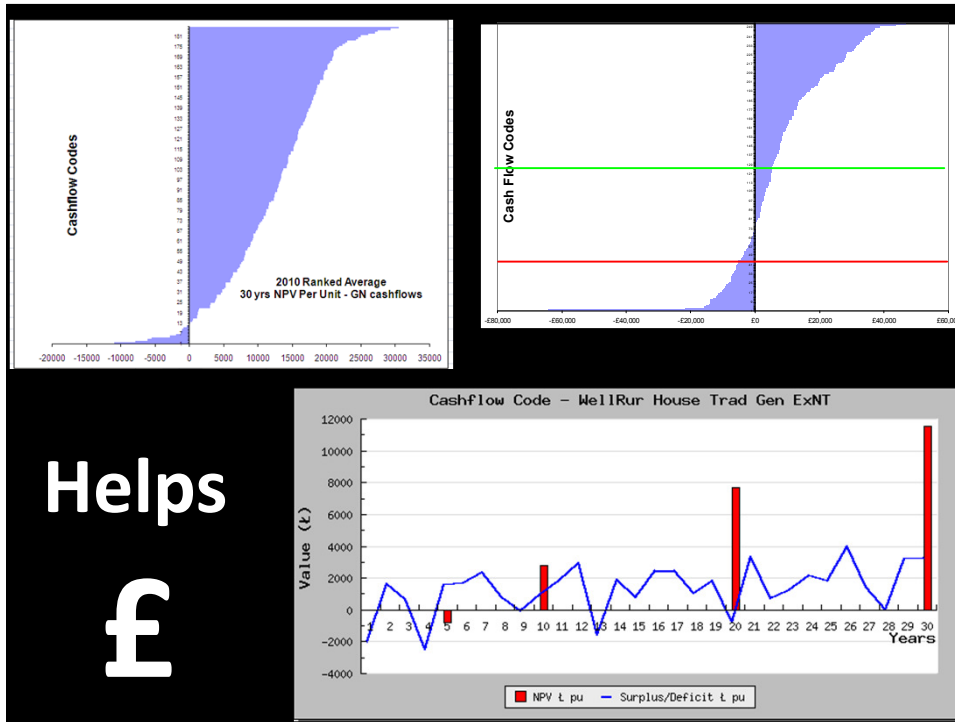
- **Programming via Stock data is not correct**
- **35% of tenants say NO**
- **45% say OK THEN**
- **20% Need the work done**
- **Retrofit is madness**



Retrofit old house cost £45,000

New House Costs in the purchase price

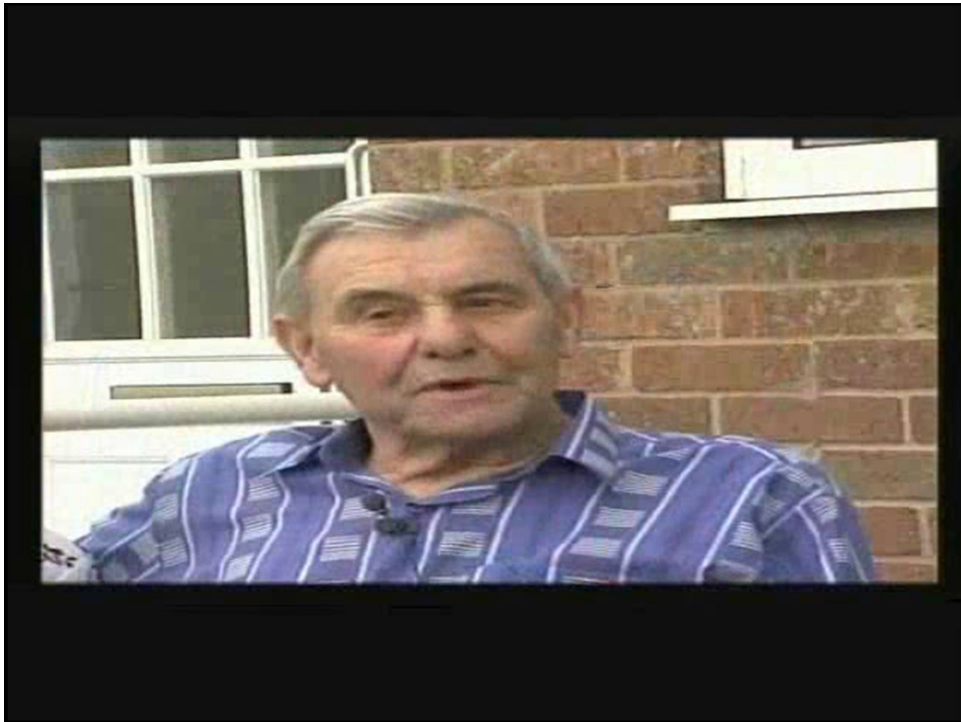




WHO ?

The Surveyor





The Wrekin
Housing Trust

Wayne Gethings

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