

Managing Your Asset Portfolio

the studio, Leeds
Thursday 9 February
#nhcasset17
@NHC

Knowing Your Asset Portfolio

Chair's Welcome

Steve Douglas

Partner

Altair Ltd

Knowing Your Asset Portfolio

Asset Management – the Regulator's View

Julian Ashby

Chair of the Regulation Committee

Homes and Communities Agency

Knowing Your Asset Portfolio

Asset Management – the Livin Journey to 2017 and Beyond

Wayne Harris

*Executive Director, Property and Development
Livin*

Northern Housing Consortium 2017

Asset Management – The living Journey to 2017 and beyond

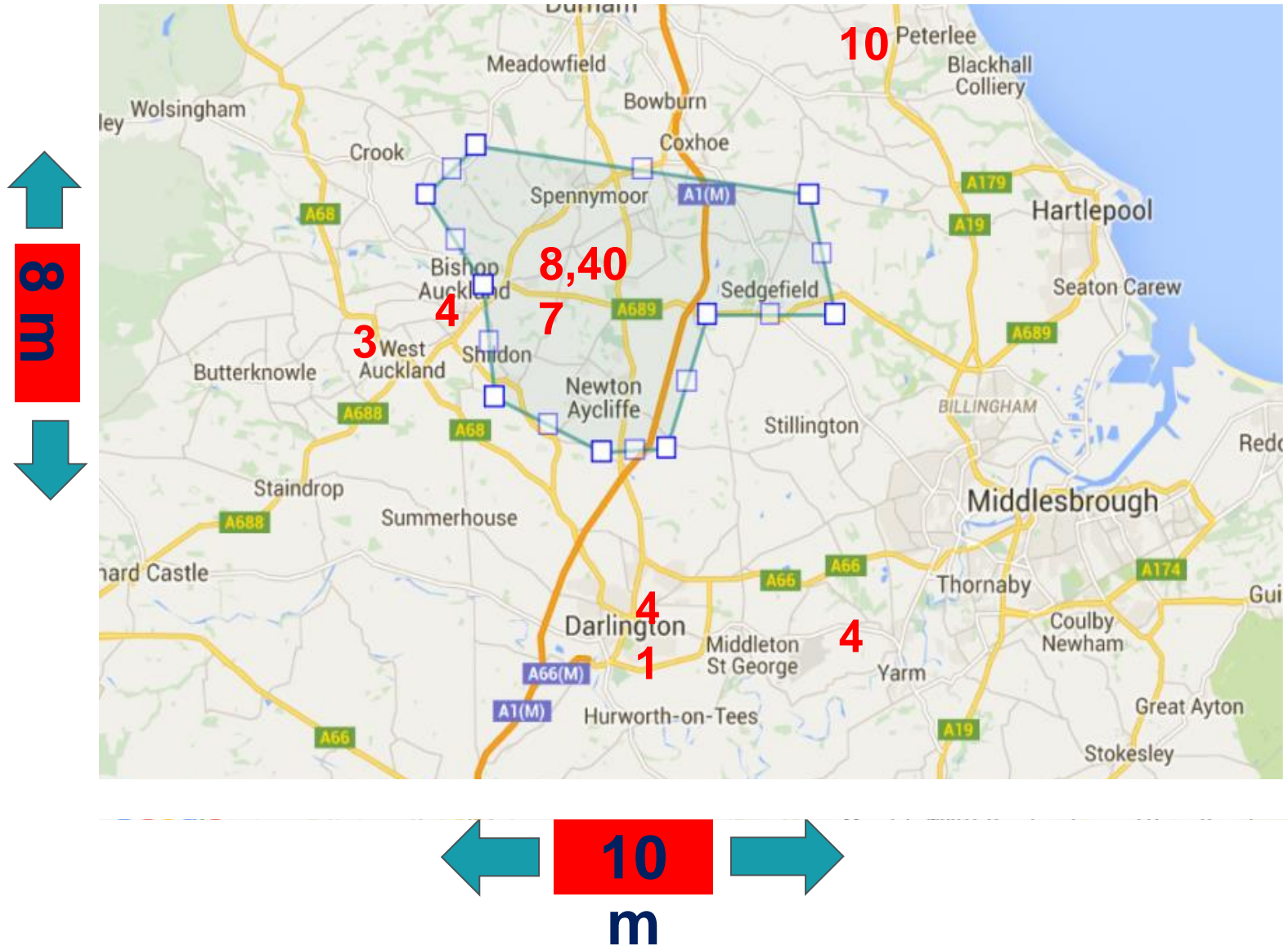


Wayne Harris – Director Property & Development

What the presentation will cover:

1. How we reduced investment costs to our 8,500 homes since 2009.
2. Ideas relevant for all types of RP's, not just LSVTs.
3. How we are currently trying to optimise our assets.
4. Q&A – *copy of slides available*

Operating area



Asset groups



43



4



8,407



2,585 www.ClipProject.info

Definition of an Asset

“An item or entity that has potential or actual value to an organisation in meeting its stated objectives”

Definition of Asset Management

“The co-ordinated activities of an organisation to realise value from its assets”

Regulatory Standard & Assets 2012 (2015)

What is the aim of the VFM standard?



- That boards have a comprehensive and strategic view on VFM related to their objectives and how they best use the range of resources available to them to achieve those objectives.
- They operate as efficiently, economically and effectively as possible.
- They consider best use of their assets and seek the best strategy for delivering value from them whilst meeting their objectives.
- They are transparent and can be held to account by key stakeholders.

Regulatory Standard & Assets 2012 (2015)

Regulator's expectations on approach to Return on Assets



- Specific requirement within the VFM standard that a provider should enable stakeholders to understand the return on assets measured against the organisations objectives.
- Expect providers to have an intelligent approach to the use of its resources, including consideration of trade-offs and opportunity costs.
- Assurance that providers have strategy for optimising return on assets, including appraisal of all potential options for improving VFM.

Destination?

Alice asked the Cheshire Cat – 'Would you tell me, please, which way I ought to go from here?'



'That depends a good deal on where you want to get to,' said the Cat.

'I don't much care where -' said Alice.

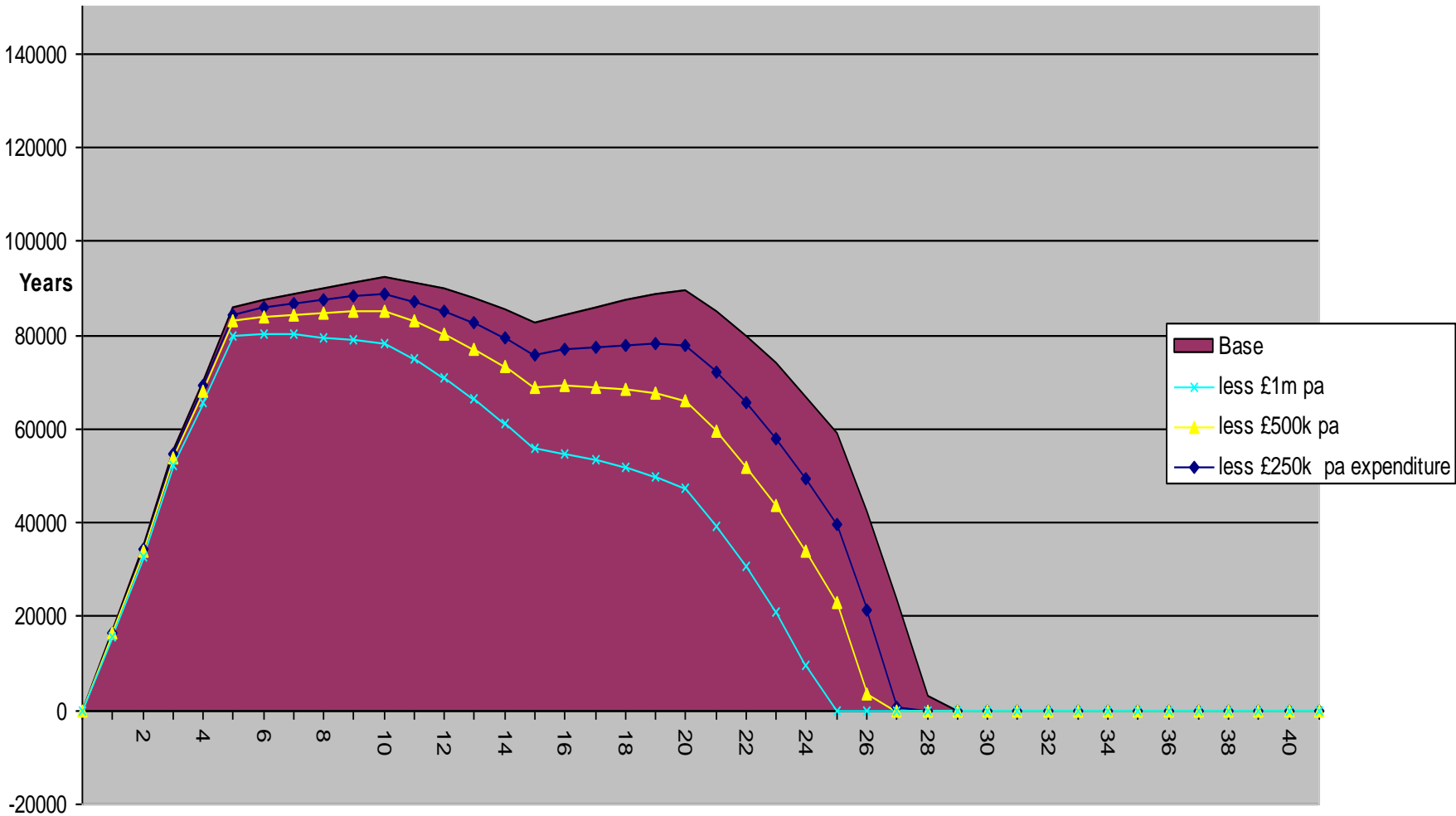
'Then it doesn't matter which way you go,' said the Cat.



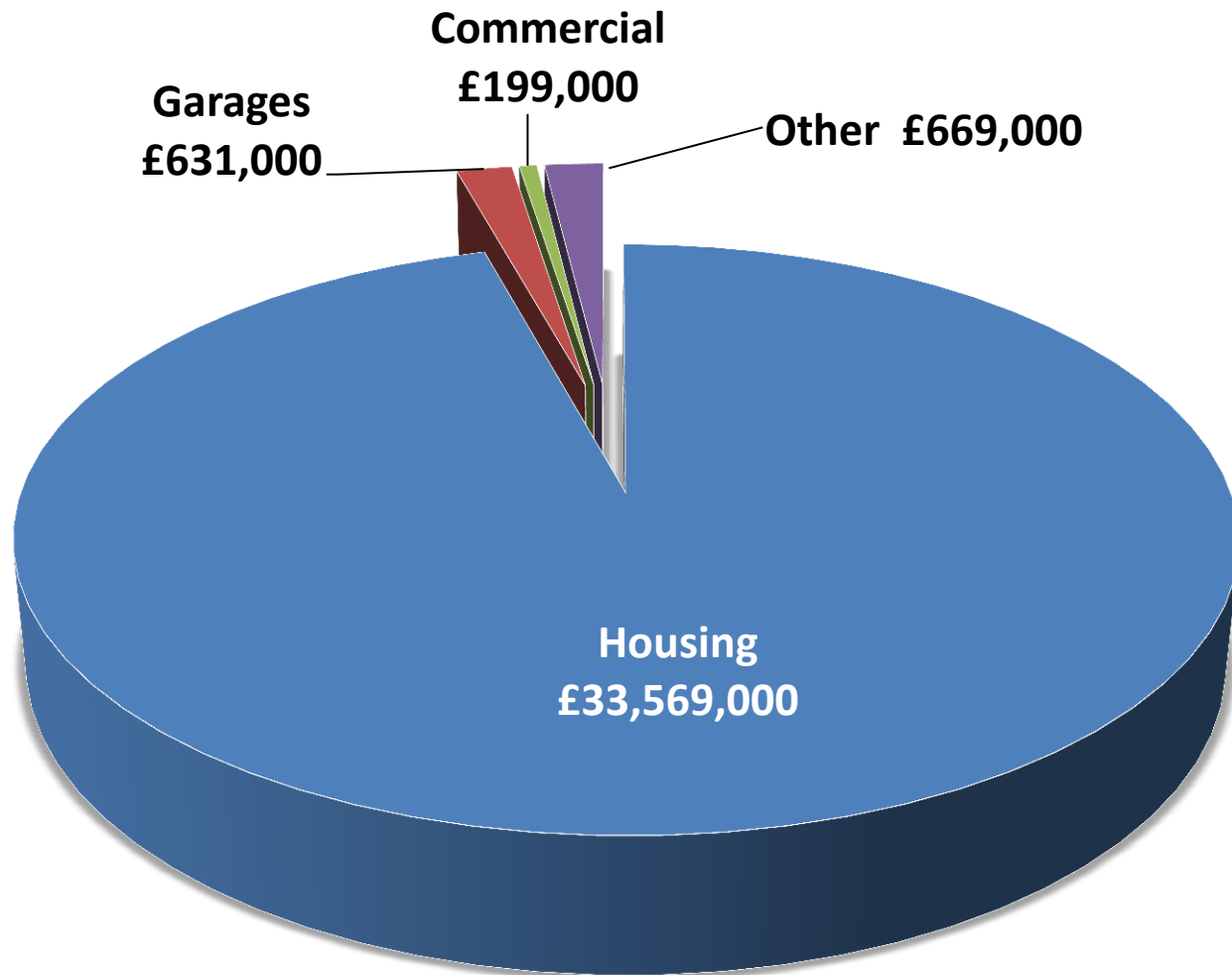
Lewis Carroll. Alice in Wonderland

Business Plan Model 2009-2039

£, 000's



Rental Income 2015/2016



Where to start?

2009



2016



- We know a lot about this
- We know something about this
- We really don't know much about this

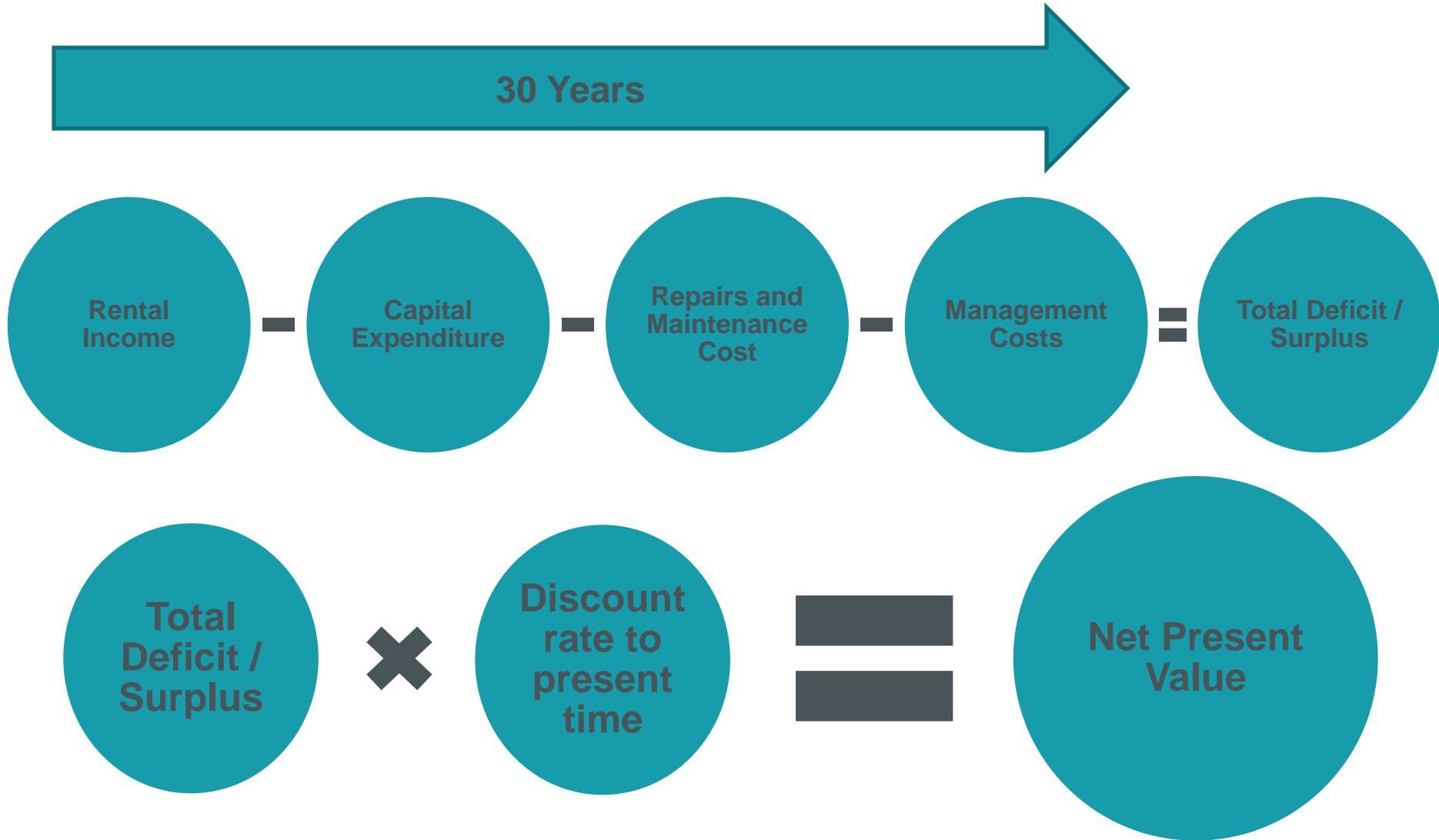
What do you see?



Asset or Liability?



Net Present Value Calculation



Net Present Values

Asset Grading System used from late 2009

Green

- £5,000+
- Invest in asset

Amber

- +/- £4,999
- Invest with caution in positive NPV
- Review negative NPV

Red

- - £5,000+
- Postpone investment
- Detailed review / Option Appraisals

Asset or Liability?



Willow Road
3 Bed House
Ferryhill
+£953



Golden Grove
1 Bed Bungalow
Chilton
-£7,462



Skipton Close
3 Bed House
Ferryhill
+£7,225



Pennine Way
2 Bed Bungalow
Chilton
+£5,957

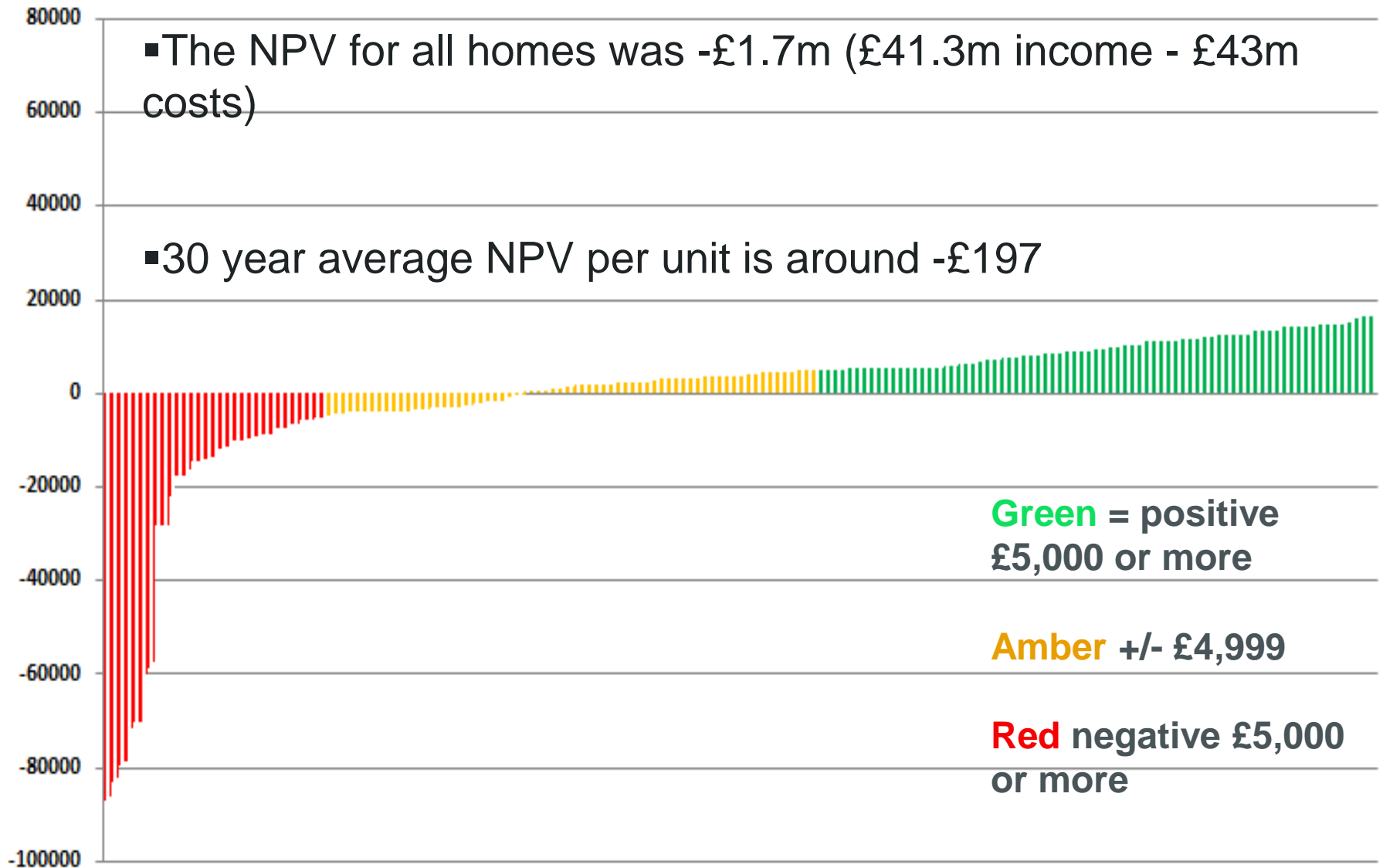


Fairview
1 Bed Bungalow
Spennymoor
+£3,431



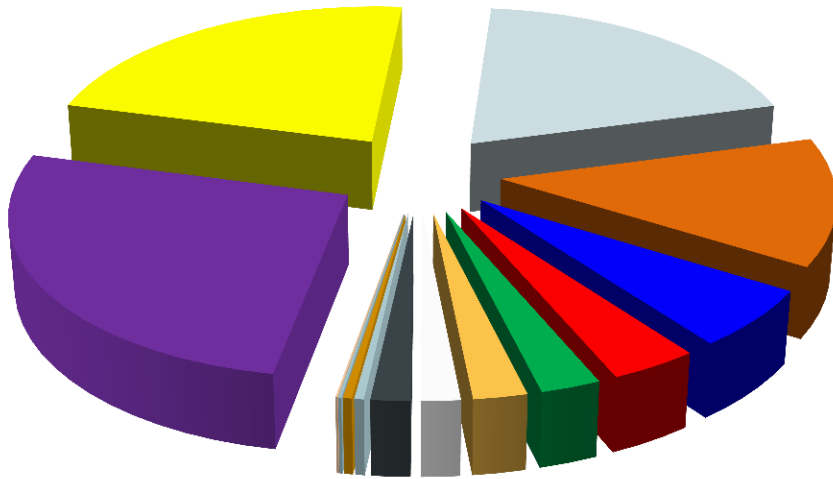
Willow Road
1 Bed Bungalow
Ferryhill
-£8,390

30 year NPV per home by asset group – March 2009



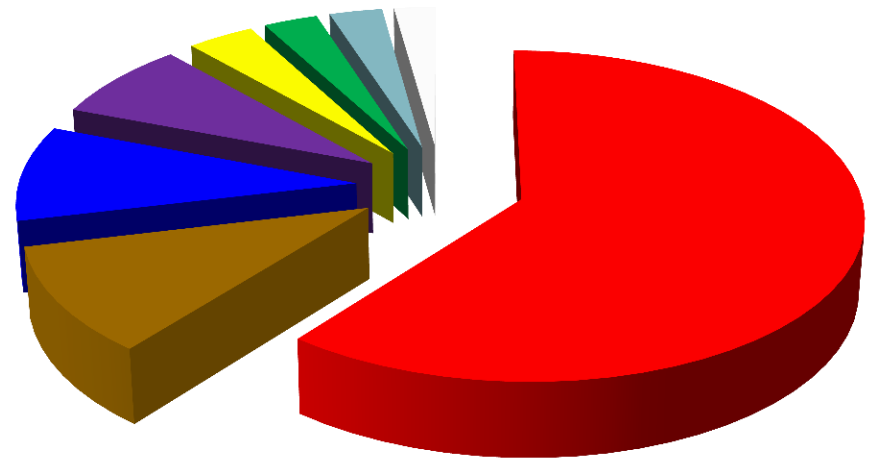
Picture by High level Architype

Breakdown of homes by type



- 2 Bed House
- 3 Bed House
- 2 Bed Bungalow
- 1 Bed Bungalow
- 3 Bed Non trad
- Sheltered
- 1 Bed Flat
- 2 Bed Flat
- 2 Bed Maisonette
- 4 Bed House
- 3 Bed Flat
- 3 Bed Maisonette
- 3 Bed Bungalow
- 4 Bed+ Properties

Negative NPV homes by type

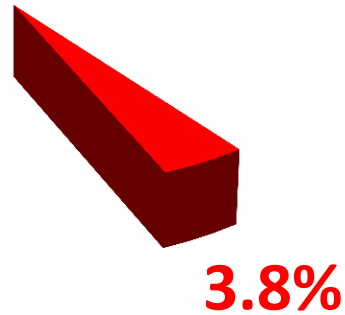


- Sheltered
- 1 Bed Bungalow
- 3 Bed Non trad
- 2 Bed House
- 3 Bed House
- 1 Bed Flat
- 2 Bed Bungalow
- Other

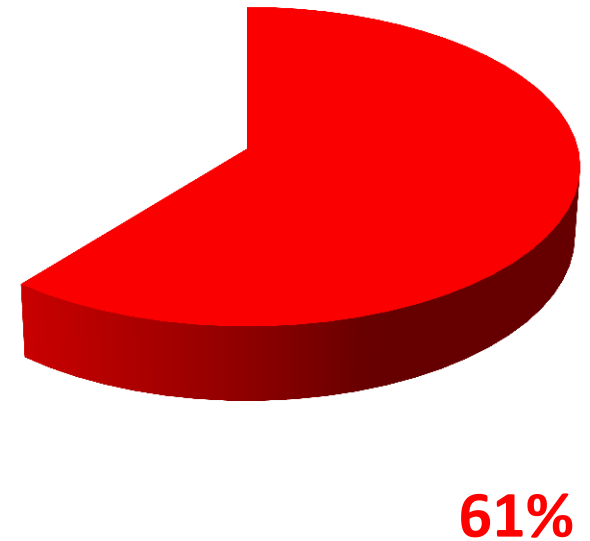
Losses by Architype

Category 2 Sheltered Accommodation

Proportion of Properties



-NPV %



325 homes out of a total stock of 8,531

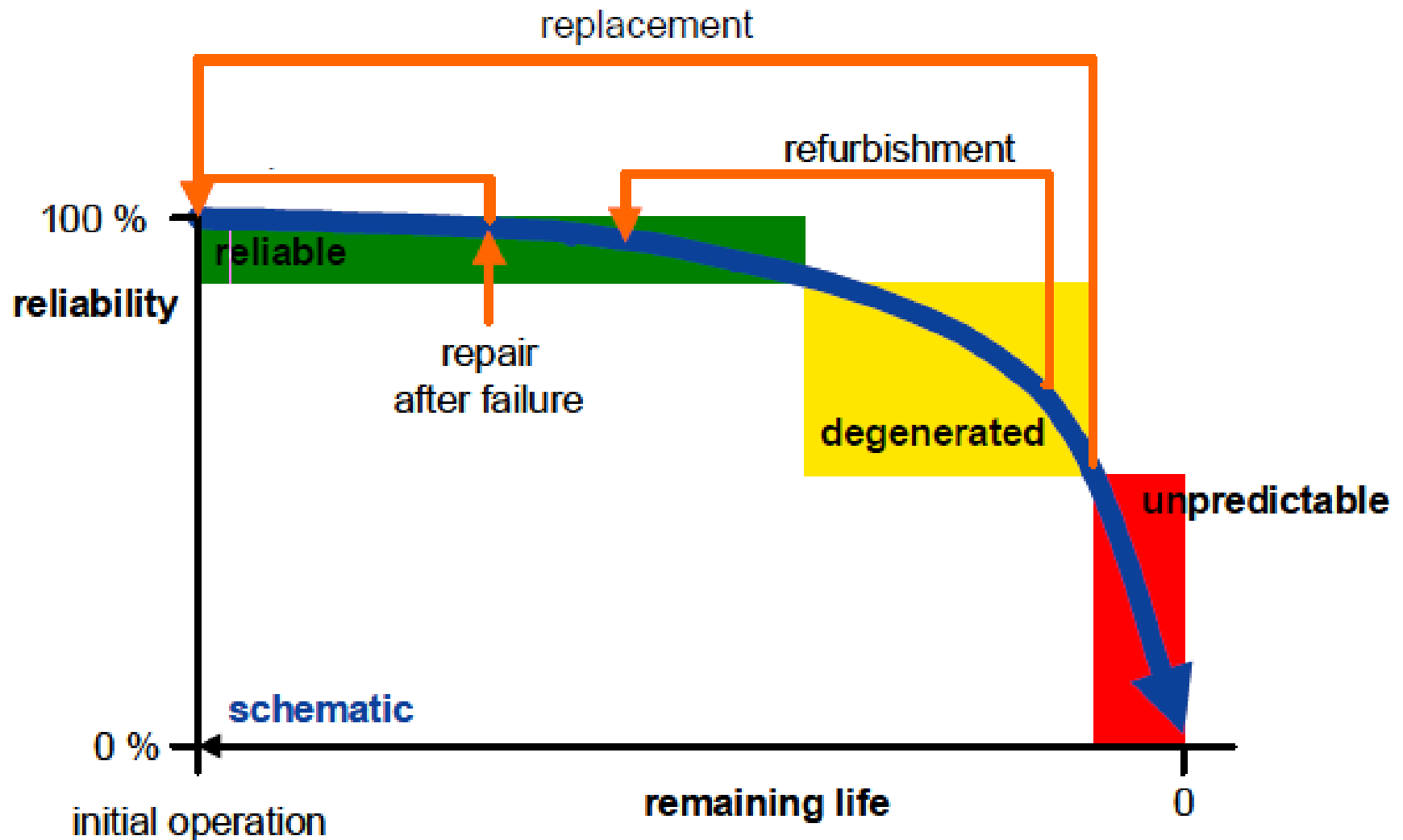
Reducing Costs 1

- Analysis of Stock Performance and Options Appraisals (Cat 2 first).
- Reduced procurement costs - high value / high volume.
- Reduced management costs.
- Supplement funding via CERT, CESP, CERO, ECO programmes.
- S.T.O.P. Survey, Test, Overhaul and Prevent - proactive targeting of heavy repairs service users with MOT type appointment.
- Scrapped traditional repairs categories = 20% improved contractor productivity.

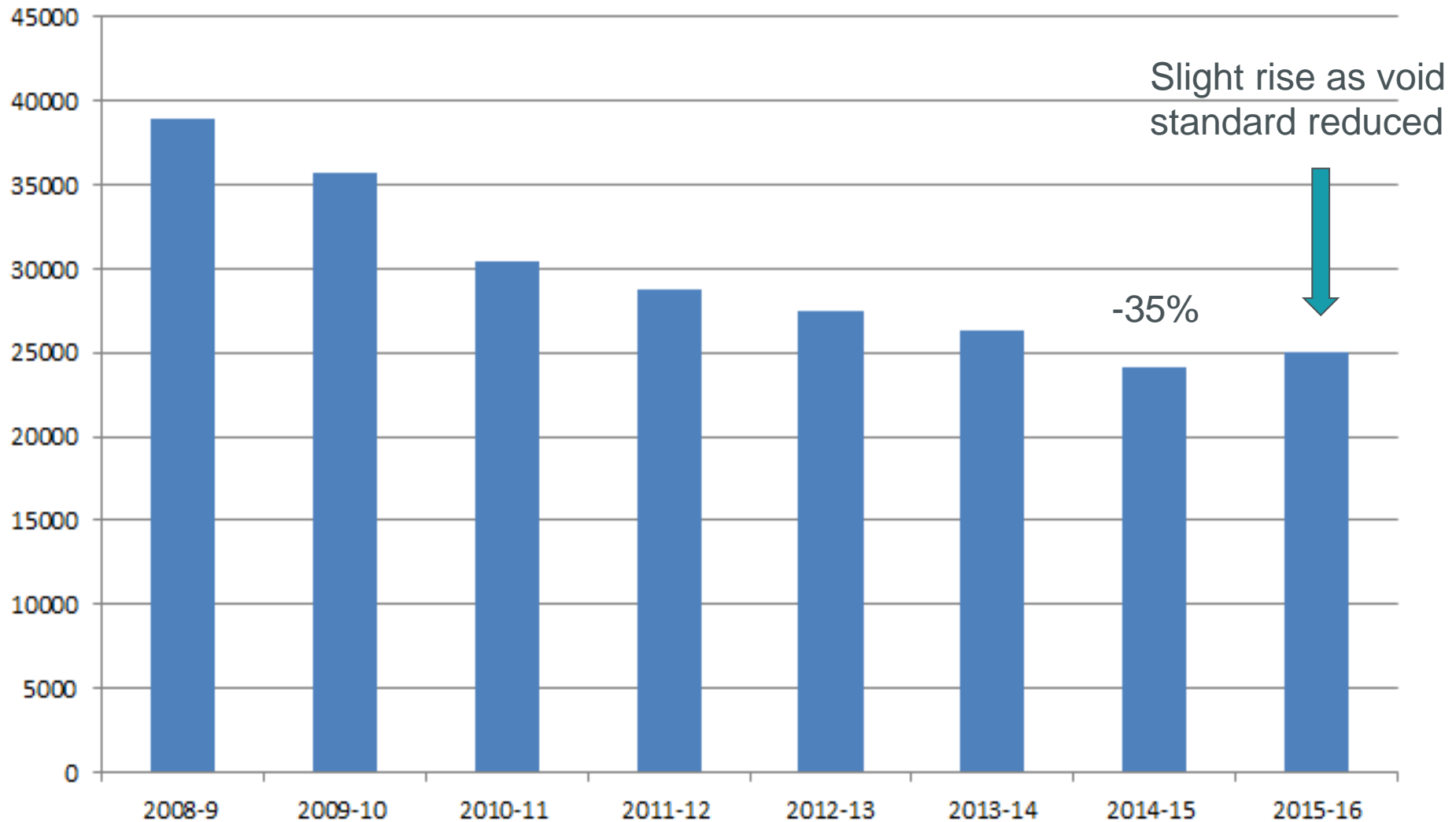
Reducing Costs 2

- More accurate stock condition surveys.
- Value engineered specifications.
- Contractor staff moved to multi skilled with Imprest stock vans.
- 2,600 repairs rates reduced to 310 composite rates in 2009.
- Price per Property repairs, gas servicing and voids introduced 2011.
- Longer component warranties with proper management.
- Retendered Council Service Level Agreements.

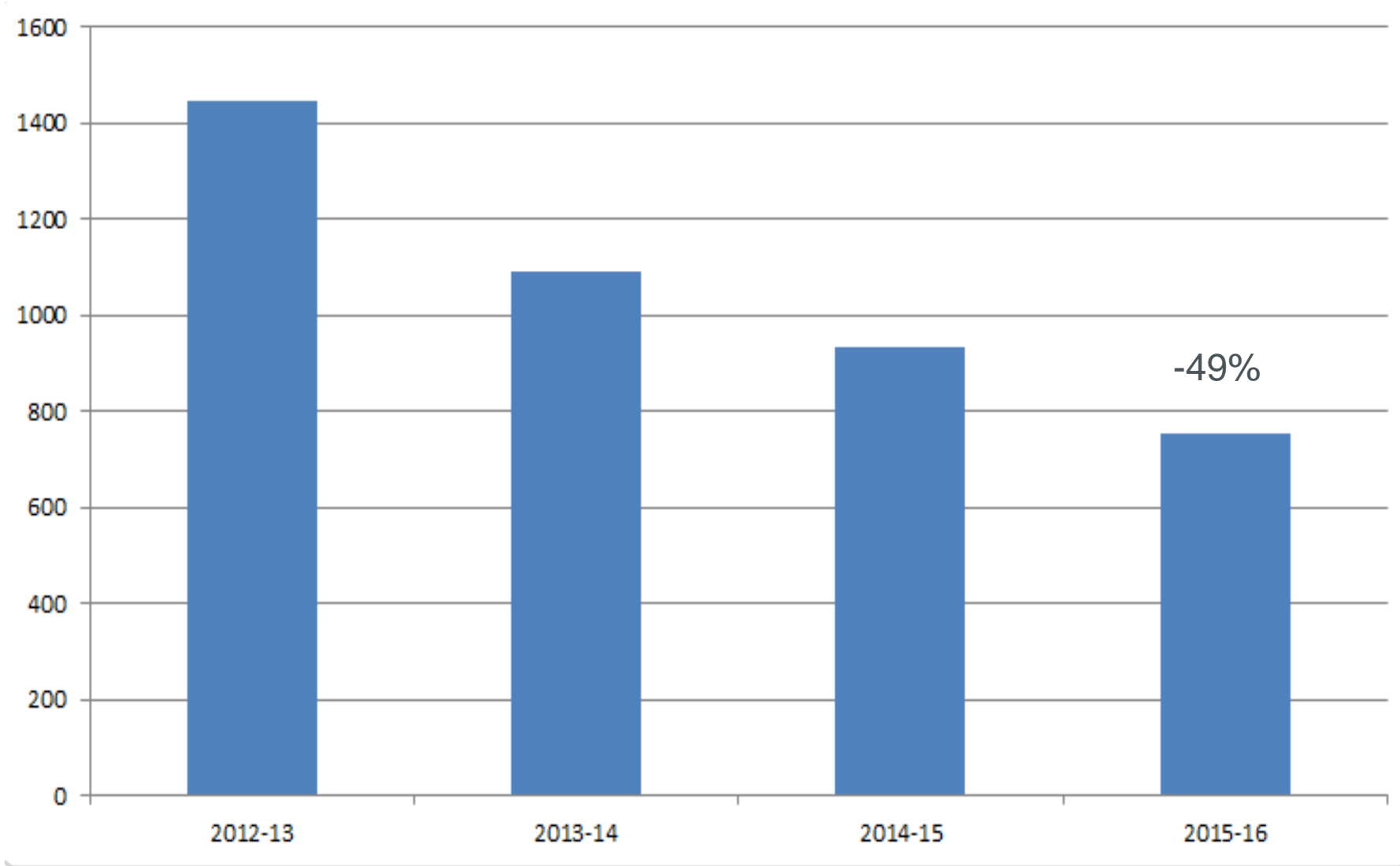
'Just in Time' Replacement



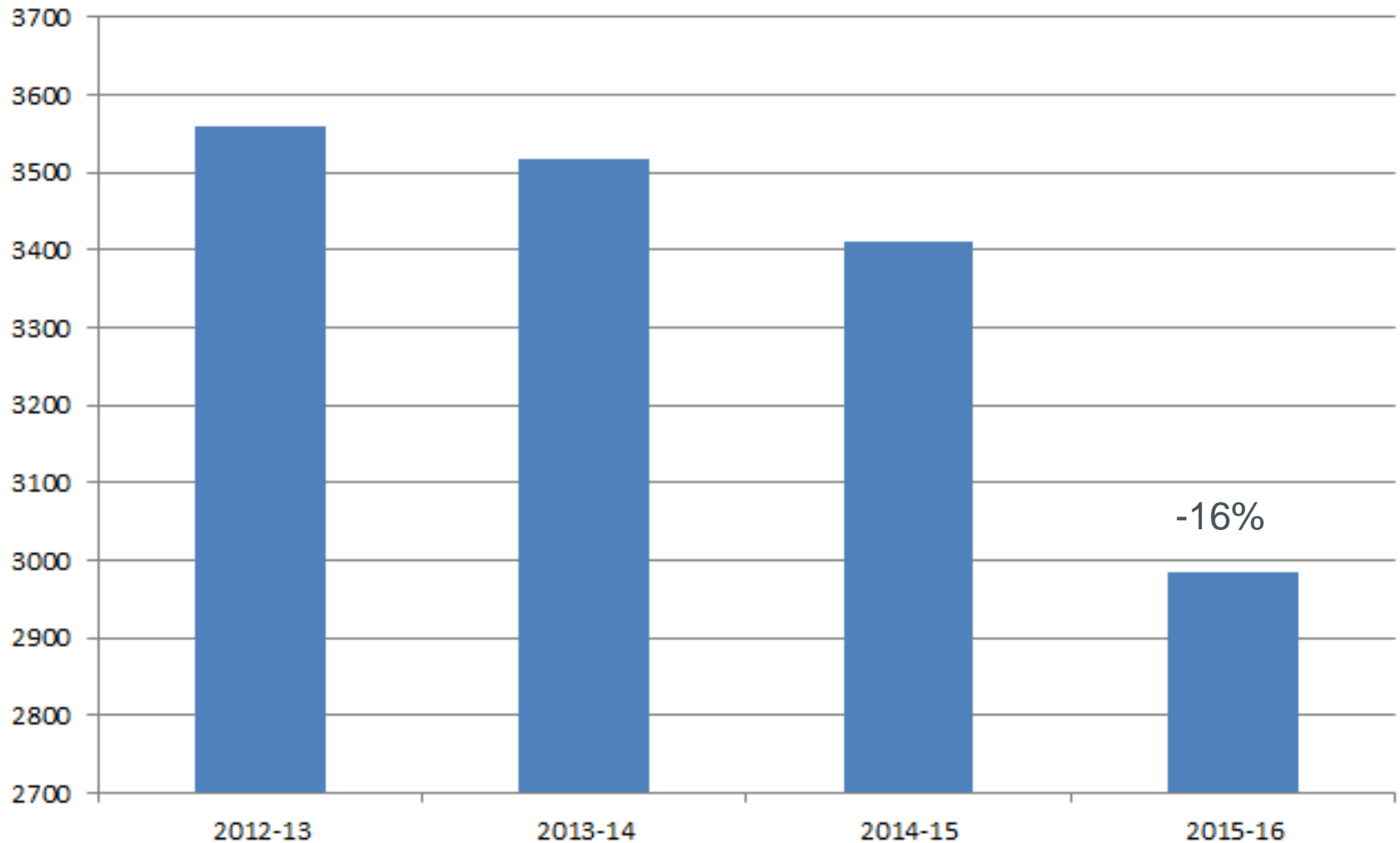
Number of Responsive Repairs per annum



Number of Emergency Day Time Repairs per annum



Number of Emergency Out of Hours Repairs per annum



Re-engineered Refurbishment



BISF



PRC

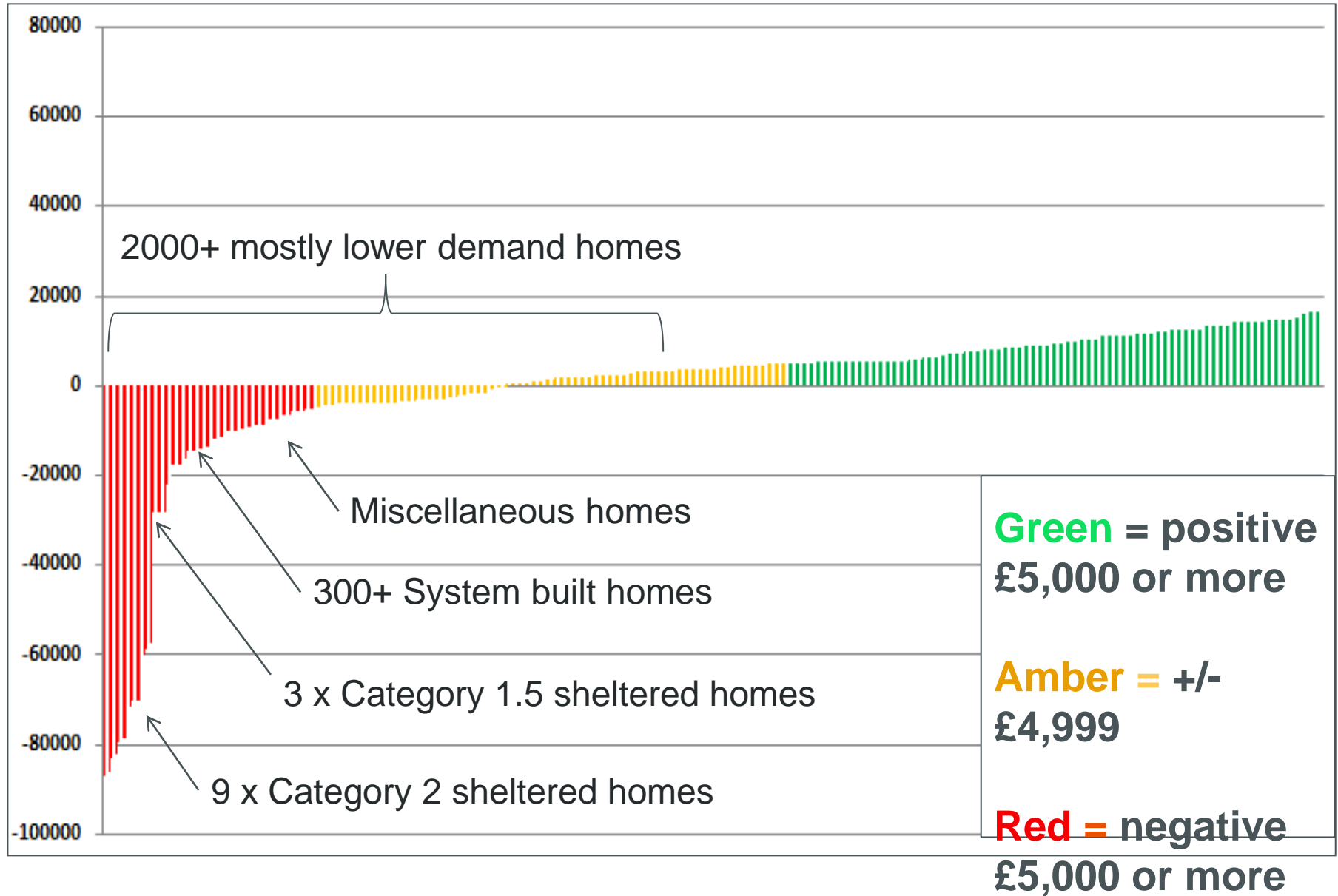


Before

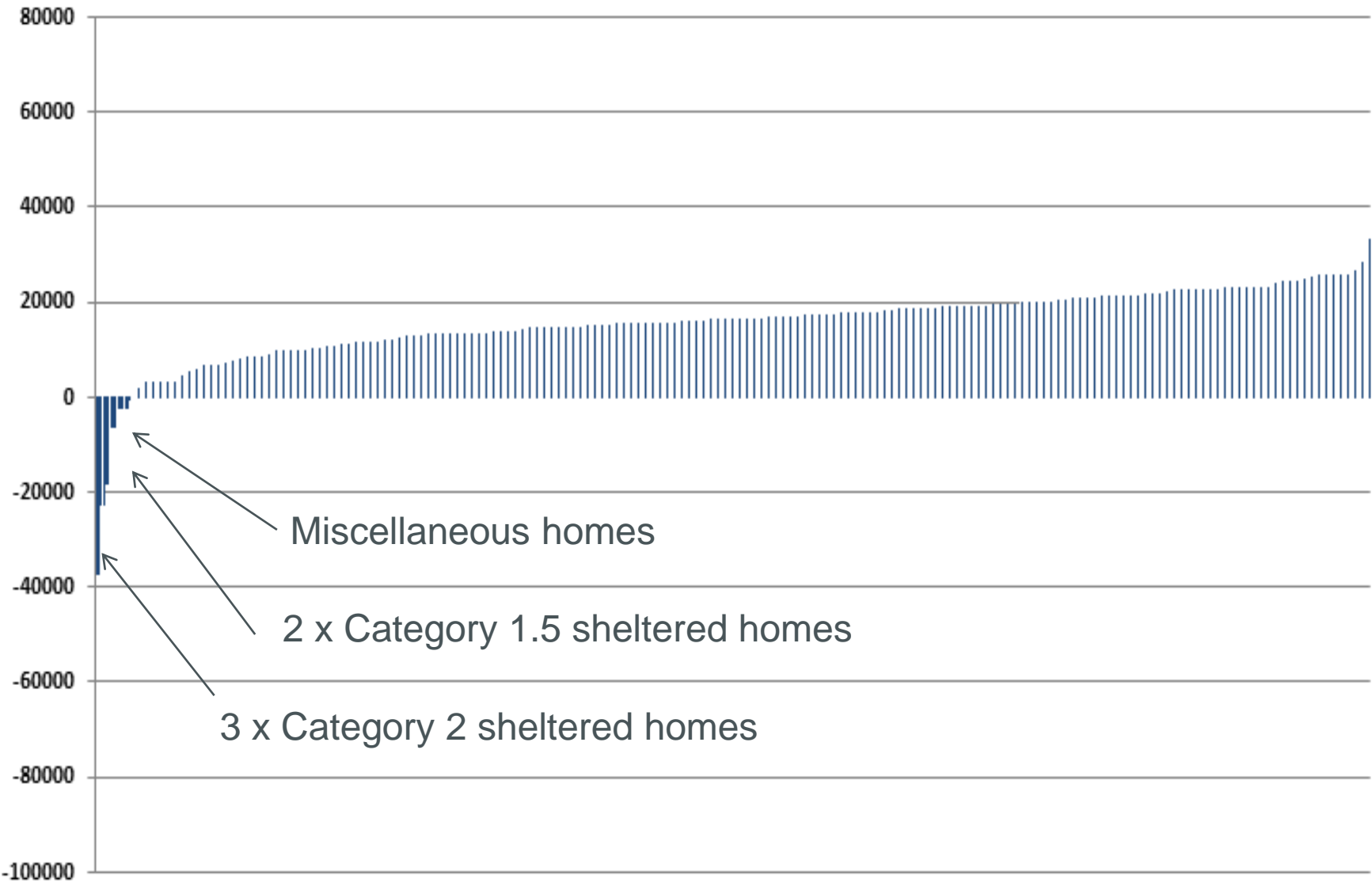
After

The Impact on Stock Value

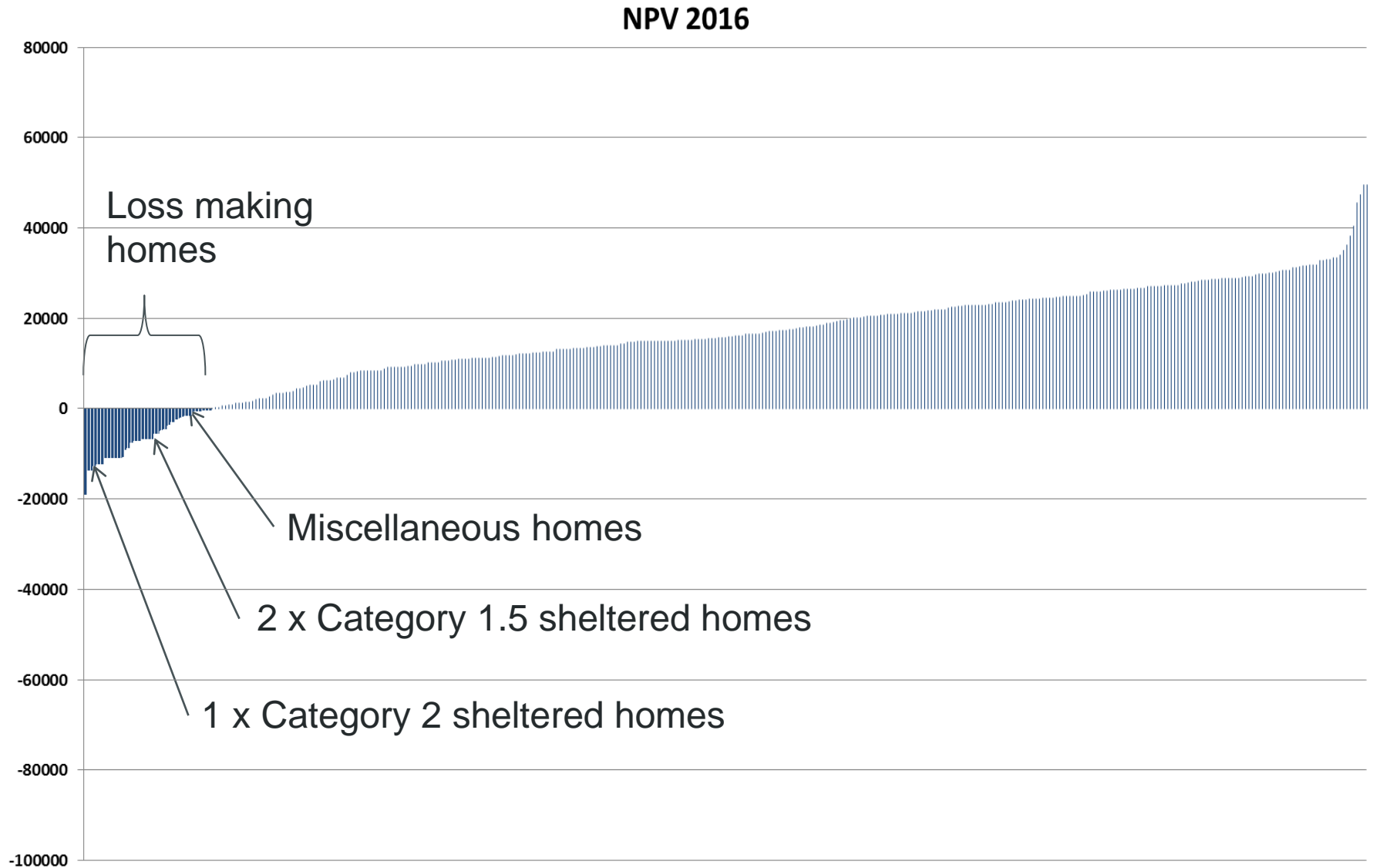
NPV per home – March 2009



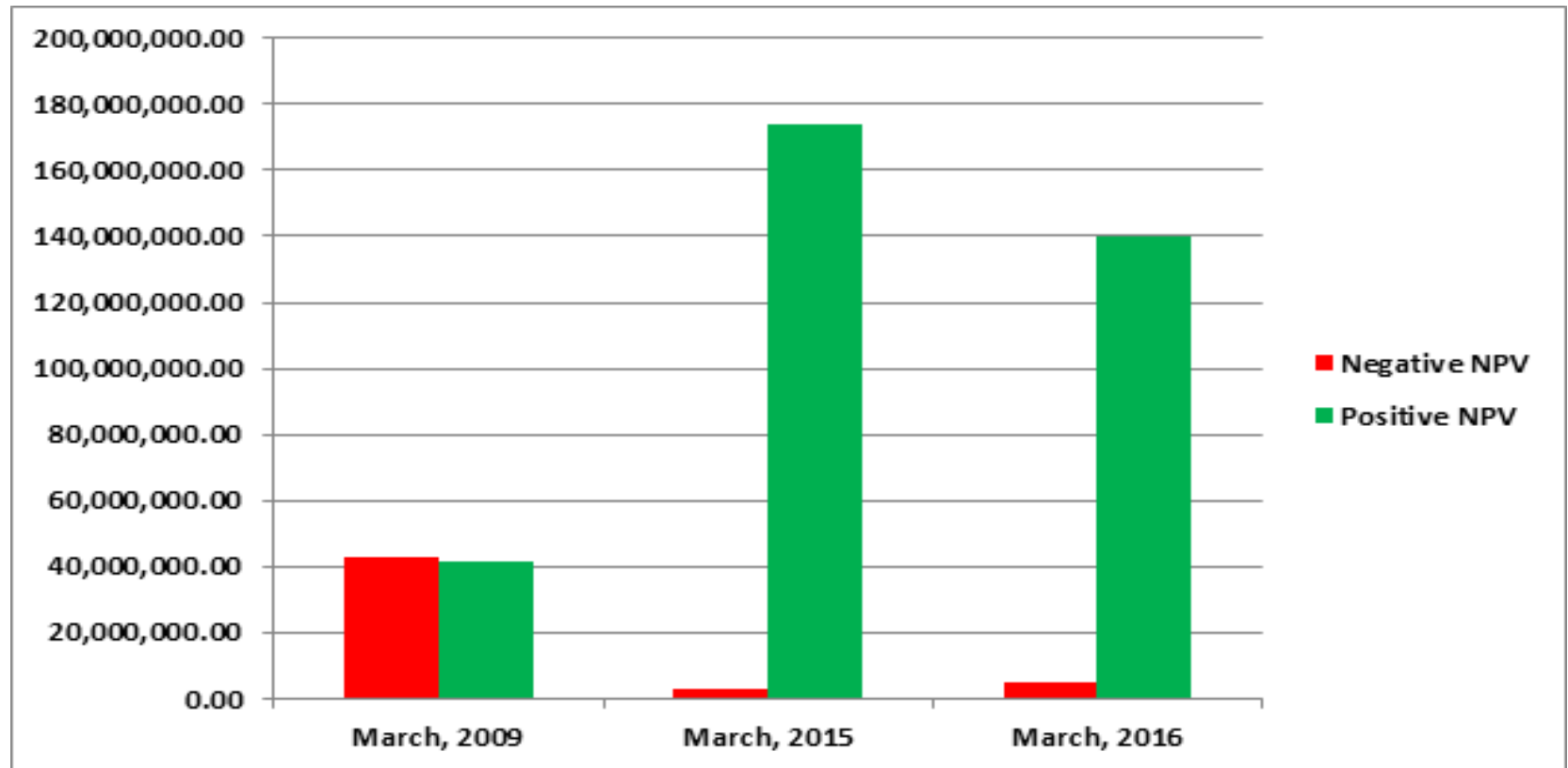
NPV – March 2015 (inc bedroom subsidy since 2013)



NPV – March 2016 (inc -1% rent, extended component life & H.M.L M&M costs)

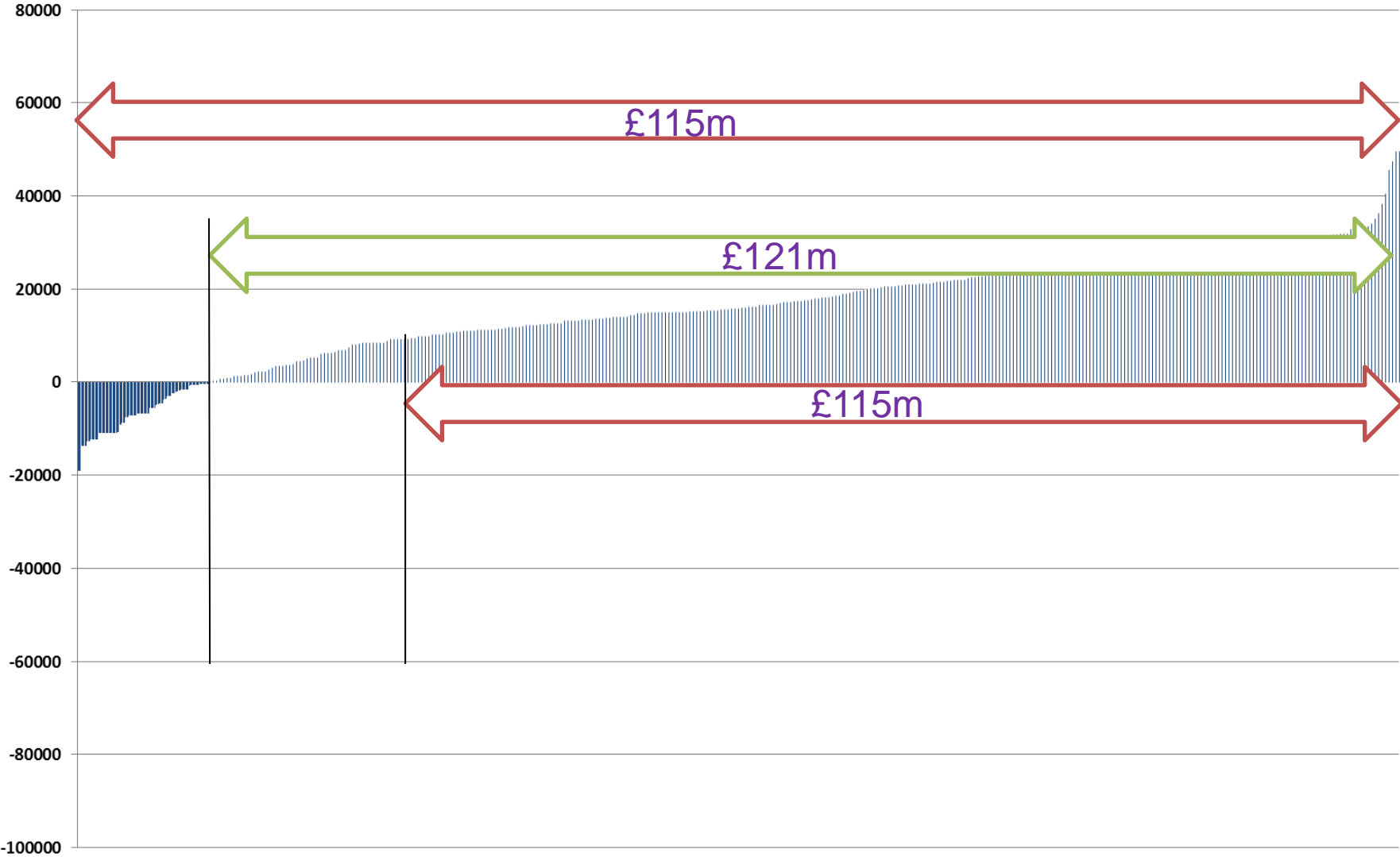


NPV Position – livin's journey



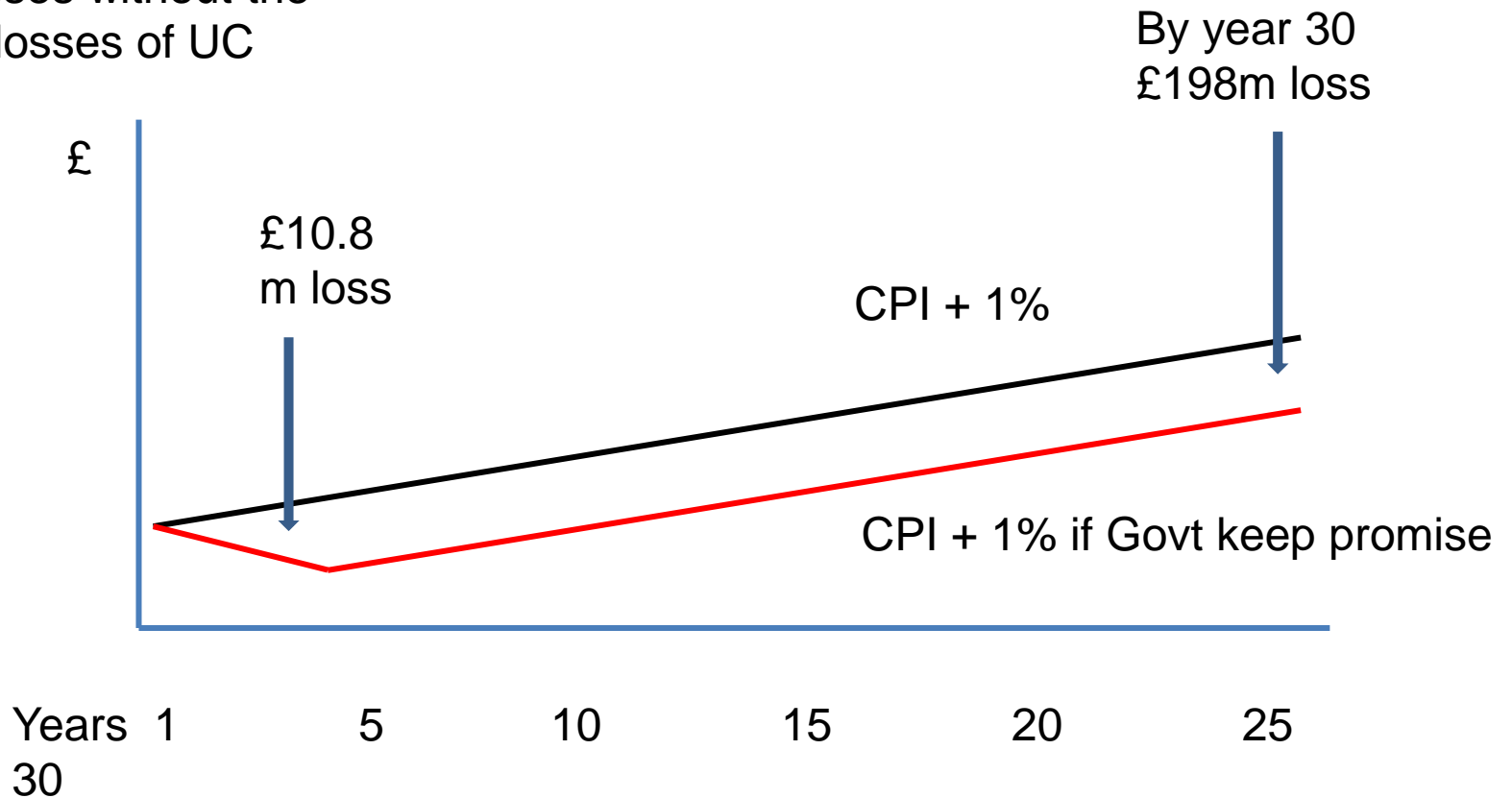
	At transfer 2009	March 2015	Post rent reduction
+NPV	+£41.3m	+£174.161m	+£140.534m
-NPV	-£43.0m	-£2.857m	-£5.474m
Net NPV	-£1.7m	+£171.304m	+£135.060m

Hidden loan security capacity



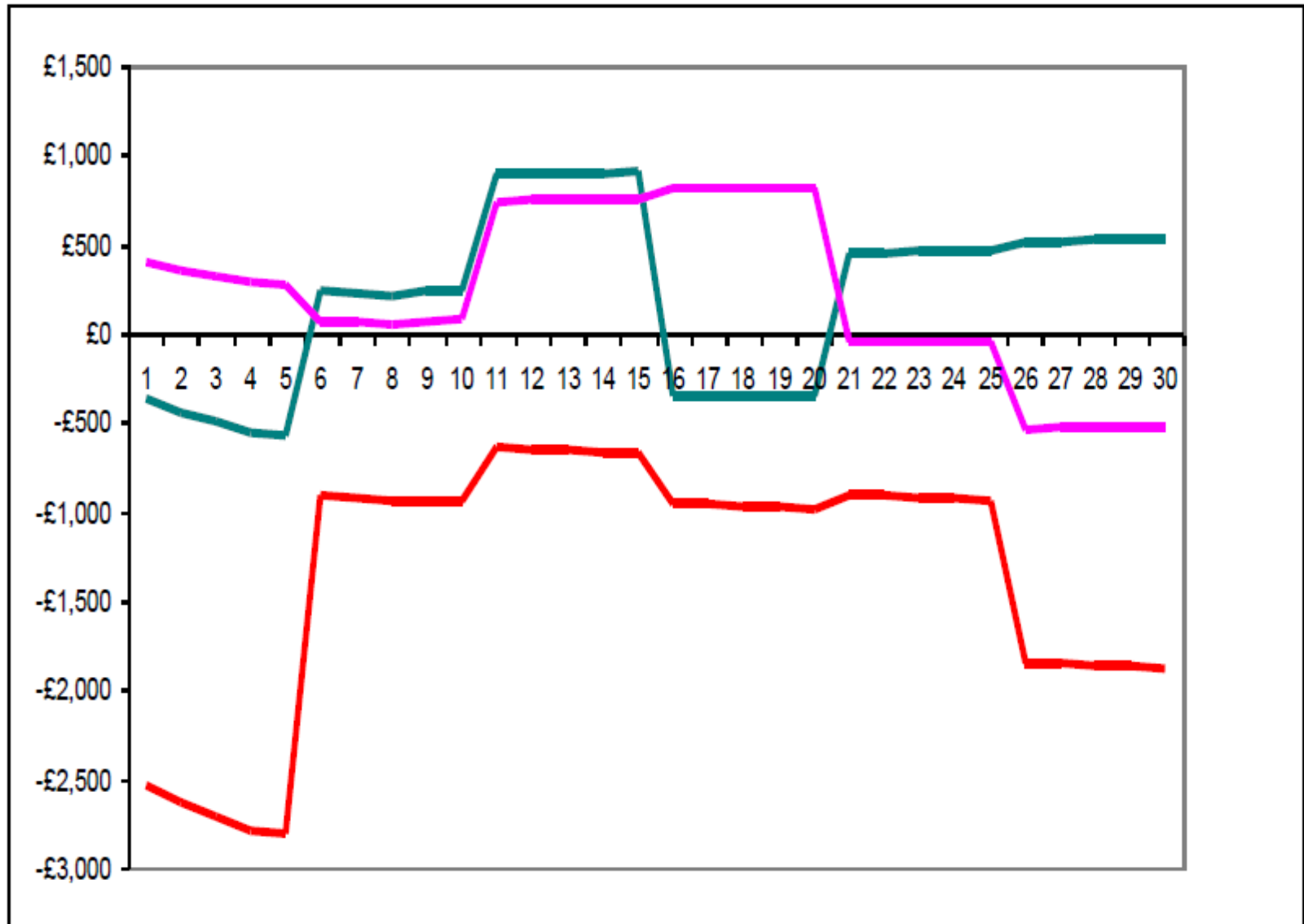
The 1% rent Cut

£100k p/a convergence
rent losses without the
added losses of UC



What else could you do
with NPVs?

Low value asset - Tactical Disposals?



Target Homes?

Gross Yield	Net Yield	Cumulative NPV over 30 years	16.17	17.18	18.19	19.2	20.21	21.22	22.23	23.24	24.25	25.26	26.27	27.28	28.29	29.3	30.31	31.32	32.33	33.34	34.35	35.36	36.37	37.38	38.39	39.4	40.41	41.42	42.43	43.44	44.45	
6.29%	1.14%	£15,692.45	£1,136.37	£1,011.30	£888.77	£776.48	£761.38	£746.41	£731.59	£716.92	£702.41	£688.07	£673.90	£659.90	£646.08	£632.45	£-553.12	£605.75	£-551.82	£12.20	£567.16	£554.68	£542.41	£530.34	£518.47	£506.80	£495.33	£484.06	£-146.40	£462.12	£451.45	
7.69%	1.27%	£15,175.85	£1,073.18	£952.40	£833.88	£725.32	£711.77	£698.30	£684.94	£671.69	£658.55	£645.54	£-827.03	£619.91	£607.30	£594.85	£-58.49	£570.39	£558.40	£546.58	£534.92	£523.42	£-277.86	£500.95	£489.97	£479.16	£468.53	£458.07	£447.79	£437.68	£427.75	
7.44%	2.11%	£24,149.14	£1,661.24	£1,500.49	£-674.15	£1,201.43	£1,173.44	£1,145.99	£1,119.05	£1,092.64	£1,066.74	£1,041.35	£1,016.47	£992.09	£-124.38	£944.80	£921.89	£899.46	£877.49	£288.36	£834.95	£814.36	£794.22	£774.51	£755.24	£736.39	£717.96	£-50.48	£682.33	£665.11	£648.29	
7.67%	2.09%	£24,156.39	£1,593.32	£1,437.19	£1,285.71	£1,146.44	£1,120.12	£1,094.28	£1,068.91	£-604.43	£1,019.59	£995.64	£972.14	£949.10	£926.52	£236.83	£882.70	£861.45	£840.64	£-71.86	£800.30	£780.76	£761.63	£742.92	£724.60	£706.68	£689.15	£672.01	£655.24	£638.85	£622.82	
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2.34%	-4.59%	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	£-22,529.22	
7.66%	1.25%	£15,237.60	£1,062.44	£942.38	£824.55	£716.62	£703.33	£690.12	£677.01	£663.99	£651.09	£638.30	£625.64	£-110.83	£600.71	£588.45	£-664.83	£564.38	£552.57	£540.92	£529.43	£518.10	£506.94	£495.95	£485.12	£474.46	£-207.74	£453.65	£443.50	£433.53	£423.72	
7.46%	1.08%	£13,211.86	£988.50	£873.47	£760.32	£656.76	£645.28	£633.84	£-1,094.22	£611.07	£599.77	£588.54	£577.38	£566.31	£-139.84	£544.45	£533.67	£523.01	£-416.58	£502.02	£491.71	£481.52	£471.47	£461.55	£451.76	£442.12	£432.61	£423.24	£414.01	£404.93	£395.99	
7.46%	1.08%	£13,183.10	£988.50	£873.47	£760.32	£656.76	£645.28	£633.84	£-1,094.22	£611.07	£599.77	£588.54	£577.38	£566.31	£-157.62	£555.33	£544.45	£533.67	£523.01	£-416.58	£502.02	£491.71	£481.52	£471.47	£461.55	£451.76	£442.12	£432.61	£423.24	£414.01	£404.93	£395.99
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8.13%	2.23%	£24,156.61	£1,605.79	£1,448.80	£1,296.54	£1,156.53	£1,129.91	£1,103.77	£-638.53	£1,052.94	£1,028.25	£218.95	£980.28	£956.99	£934.17	£911.80	£889.89	£868.43	£-81.63	£826.81	£806.66	£786.93	£767.61	£748.72	£730.22	£712.13	£694.44	£677.14	£660.21	£643.67	£627.49	
7.46%	1.08%	£13,211.86	£988.50	£873.47	£760.32	£656.76	£645.28	£633.84	£-1,094.22	£611.07	£599.77	£588.54	£577.38	£566.31	£-139.84	£544.45	£533.67	£523.01	£-416.58	£502.02	£491.71	£481.52	£471.47	£461.55	£451.76	£442.12	£432.61	£423.24	£414.01	£404.93	£395.99	
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8.01%	2.13%	£24,146.28	£1,557.64	£1,403.93	£1,254.72	£1,117.55	£1,092.11	£1,067.12	£1,042.57	£1,018.48	£994.83	£971.62	£948.85	£926.52	£904.62	£215.60	£-379.07	£841.48	£821.28	£801.48	£782.09	£763.11	£744.52	£726.32	£708.51	£691.07	£2.31	£657.33	£641.01	£625.05	£609.44	
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29.36%	5.36%	£15,797.85	£1,145.83	£1,020.11	£896.99	£784.14	£768.80	£753.61	£738.57	£723.69	£708.98	£694.43	£680.07	£665.88	£651.89	£-29.48	£624.46	£611.04	£-546.69	£584.80	£-424.69	£559.36	£546.95	£-223.83	£522.74	£510.94	£499.34	£487.95	£476.76	£465.78	£455.00	
7.89%	1.44%	£15,797.85	£1,145.83	£1,020.11	£896.99	£784.14	£768.80	£753.61	£738.57	£723.69	£708.98	£694.43	£680.07	£665.88	£651.89	£-29.48	£624.46	£611.04	£-546.69	£584.80	£-424.69	£559.36	£546.95	£-223.83	£522.74	£510.94	£499.34	£487.95	£476.76	£465.78	£455.00	
7.69%	1.27%	£15,175.85	£1,073.18	£952.40	£833.88	£725.32	£711.77	£698.30	£684.94	£671.69	£658.55	£645.54	£-827.03	£619.91	£607.30	£594.85	£-58.49	£570.39	£558.40	£546.58	£534.92	£523.42	£-277.86	£500.95	£489.97	£479.16	£468.53	£458.07	£447.79	£437.68	£427.75	
6.62%	1.20%	£16,230.86	£1,136.37	£1,011.30	£888.77	£776.48	£761.38	£746.41	£731.59	£716.92	£702.41	£688.07	£673.90	£659.90	£-49.09	£632.45	£619.01	£-519.81	£-551.82	£579.83	£567.16	£554.68	£542.41	£530.34	£518.47	£506.80	£495.33	£484.06	£472.99	£462.12	£451.45	
7.01%	1.28%	£16,698.40	£1,145.83	£1,020.11	£896.99	£784.14	£768.80	£753.61	£738.57	£723.69	£708.98	£694.43	£-73.82	£665.88	£651.89	£638.08	£-616.71	£611.04	£597.82	£584.80	£571.98	£559.36	£546.95	£534.74	£522.74	£510.94	£-137.32	£487.95	£476.76	£465.78	£455.00	
7.67%	2.09%	£24,156.39	£1,593.32	£1,437.19	£1,285.71	£1,146.44	£1,120.12	£1,094.28	£1,068.91	£-604.43	£1,019.59	£995.64	£972.14	£949.10	£926.52	£236.83	£882.70	£861.45	£840.64	£-71.86	£800.30	£780.76	£761.63	£742.92	£724.60	£706.68	£689.15	£672.01	£655.24	£638.85	£622.82	
7.67%	2.09%	£24,156.39	£1,593.32	£1,437.19	£1,285.71	£1,146.44	£1,120.12	£1,094.28	£1,068.91	£-604.43	£1,019.59	£995.64	£972.14	£949.10	£926.52	£236.83	£882.70	£861.45	£840.64	£-71.86	£800.30	£780.76	£761.63	£742.92	£724.60	£706.68	£689.15	£672.01	£655.24	£638.85	£622.82	
7.29%	1.98%	£24,156.39	£1,593.32	£																												

Tactical asset disposal?

- Fixed Term Tenancies - enabling disposal or change of tenure to enable action.
- Reduced cost investment to reflect planned disposal.



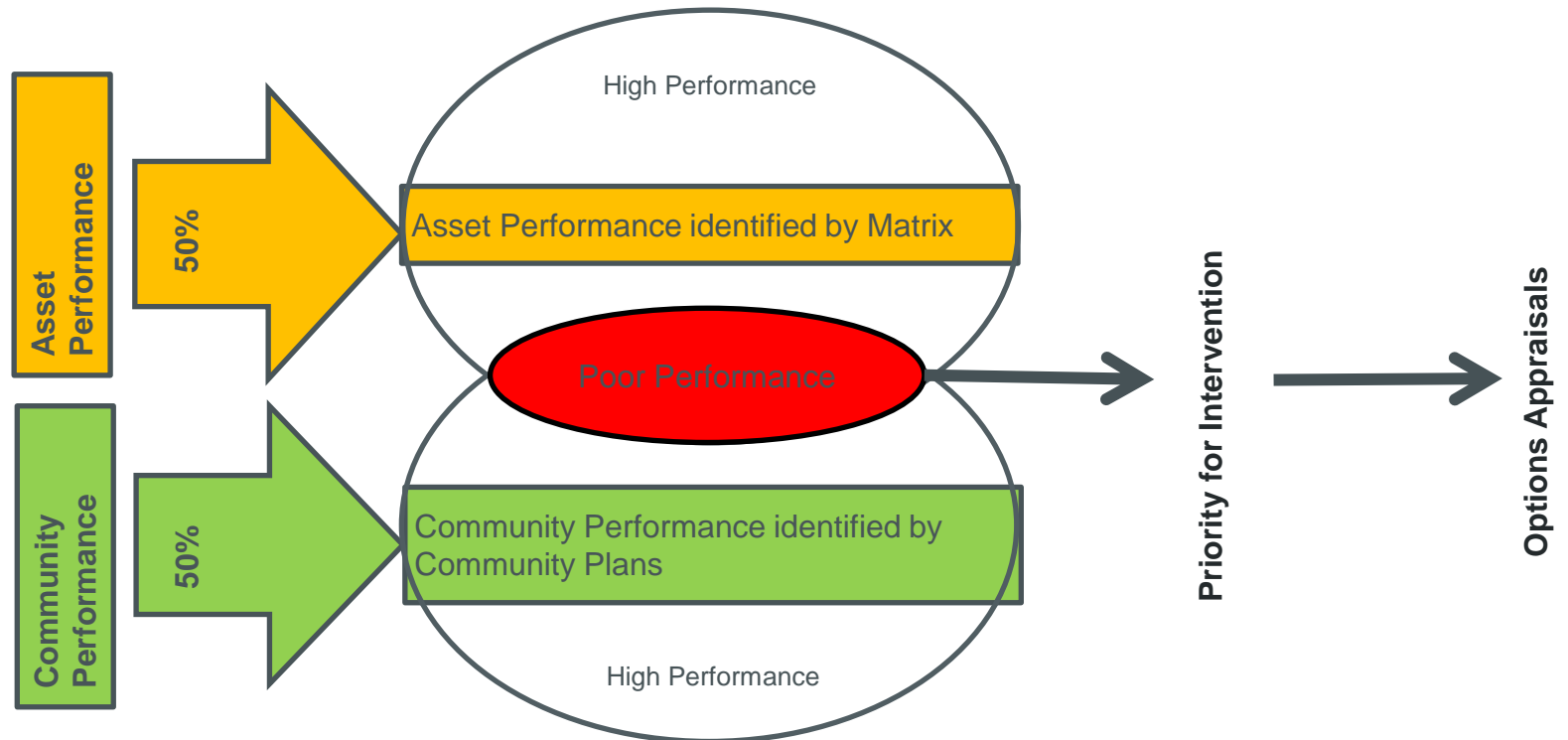
The current Approach to Asset Management

- Served livin well to tackle most urgent challenges.
- Insufficiently granulated.
- Needed to join up AMS/Communities/Sustainability.
- Added demand data, planned works 5y/10y/15y stratified management.
- Gross Yields used and stretched Component Cycles.

Sustainability Matrix (Toolkit) V1

Weighting						x 3		x 2		x 1		x 1	
Area	Street	Report	Property Type	No. of properties	Demand	Score	Turnover	Score	Social housing densit	Score	Private rented densit	Score	NPV
Spennymoor Town	Ullswater Close		3 Bedroom House	33	3+	-5	6%	10	27%	-5	3%		23120
Spennymoor Town	Mount Pleasant Close		1 Bedroom Flat	12	6+	-10	33%	-10	27%	-5	3%		3483
Spennymoor Town	Mount Pleasant Court		1 Bedroom flat 60+	12	6+	-10	14%	5	27%	-5	3%		4500
Spennymoor Town	Tudhoe Moor		4 Bedroom Flat	1	6+	-10	0	10	27%	-5	3%		22225
Spennymoor Town	Tudhoe Moor		3 Bedroom Flat	1	6+	-10	0	10	27%	-5	3%		22225
Middlestone Moor	Heath Road		Remodelling	12	N/A	N/A			50%	-10	2%		8236
Spennymoor Town	York Hill	1	Regeneration area	102	N/A	N/A			27%	-5	3%		-2487
Byers Green	Various		1 Bedroom Bungalow	14	6+	-10	14%	5	15%	5	2%		11996
Byers Green	High Street		2 Bedroom Flat	4	6+	-10	0	10	15%	5	2%		14877
Byers Green	Various		2 Bedroom House	40	1	10	20%	-5	15%	5	2%		13769
Byers Green	Various		3 Bedroom House	16	3+	-5	0	10	15%	5	2%		13769
Ferryhill Village and Cleves Cross	Brancepeth Road		3 Bedroom Maisonette	3	6+	-10	0	10	35%	-10	3%		15556
Ferryhill Village and Cleves Cross	Morpeth Close		1 Bedroom Flat	14	6+	-10	29%	-10	35%	-10	3%		2650
Dean Bank	All streets	1	3 Bedroom House	38	6+	-10	42%	-10	31%	-10	8%		-6320
Dean Bank	All streets	1	2 Bedroom House	22	6+	-10	36%	-10	31%	-10	8%		-6320
Chilton and Chilton Lane	All streets		3 Bedroom House	45	6+	-10	27%	-10	23%	-5	10%		21092
Chilton and Chilton Lane	All streets		2 Bedroom House	20	6+	-10	50%	-10	23%	-5	10%		883
Chilton and Chilton Lane	All streets		3 Bed Maisonette	4	6+	-10	0	10	23%	-5	10%		16941
West Cornforth	All streets	1	1 Bedroom Flat	10	3+	-5	40%	-10	40%	-10	7%		2808
West Cornforth	All streets	1	1 Bedroom Bungalow	39	3+	-5	15%	5	40%	-10	7%		-852
West Cornforth	All streets	1	2 Bedroom House	73	3+	-5	14%	5	40%	-10	7%		10382
West Cornforth	All streets	1	3 Bedroom House	73	6+	-10	14%	5	40%	-10	7%		10382
Bishop Middleham	All streets		1 Bedroom Bungalow	10	1	10	20%	-5	19%	5	4%		14318
Fishburn	All streets		1 Bedroom Flat	4	6+	-10	0	10	24%	-5	5%		2343
Trimdons	All streets	1	1 Bedroom Bungalow	90	3+	-5	18%	-5	25%	-5	5%		7943
Trimdons	All streets	1	2 Bedroom Flat	8	6+	-10	50%	-10	25%	-5	5%		9937
Shildon - Central	Various		Bedsit Bungalow	11	6+	-10	0	10	31%	-10	6%		8093
Shildon - Central	Various		1 Bedroom Flat	22	6+	-10	18%	-5	31%	-10	6%		8303
Shildon - Central	Various		2 Bedroom House	62	6+	-10	10%	5	31%	-10	6%		18643
Shildon - Central	Various		3 Bedroom House	63	3+	-5	3%	10	31%	-10	6%		18643
Shildon - Central	Various		3 Bedroom Flat	1	6+	-10	100%	-10	31%	-10	6%		16338

Assets and Communities Toolkit June 2015



Options Appraisal Template

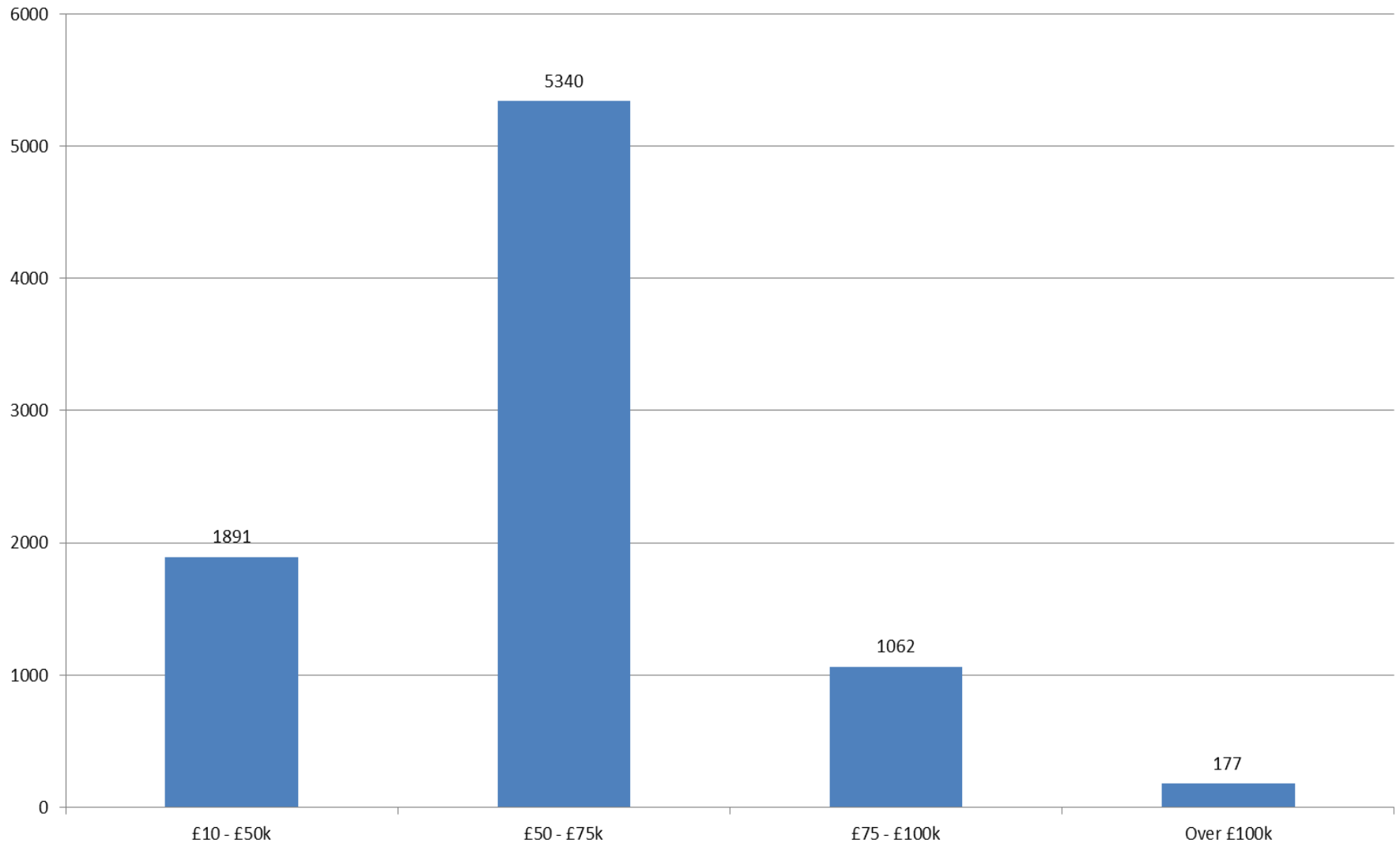
	Corporate Theme	Customer Focussed Service	Efficient Assets			Continuous Improvement	Well Governed and Viable	
	Strategic Objective	Improve lives, neighbourhoods and communities	Match assets to demand	Increase sustainability of homes and tenancies	Improve homes	Establish a first class reputation	Improve efficiency and value for money	Scores
	Weighting	3	5	5	3	2	5	
OPTIONS	Do nothing [invest to DHS]	2	1	2	2	2	1	36
	Demolish	3	3	3	0	3	2	55
	Remodel	2	4	3	3	2	2	64
	Sell OMV	2	4	3	2	1	4	69
	Sell to other RP	3	2	3	2	1	3	57
	Sell [Homesteading Area Based]	4	4	4	3	2	3	80
	Sell [Homesteading Individual]	4	4	4	3	2	3	80
	Sell (Shared Ownership)	4	4	4	3	2	4	85
	Sell [Shared Equity]	4	4	4	3	2	2	75
	Move to PRS	3	3	3	3	2	3	67
	Physical Regeneration of Area	2	2	2	3	3	2	51

Strategic Risks example – Options Appraisal

Risk Reference	Description	Sell			Demolish and Landscape			Demolish and Rebuild		
		L	I		L	I		L	I	
CF1	Failure to focus on the customer	4	2	8	4	3	12	1	1	1
CI2	Failure to deliver the Corporate Investment Programme			0			0			0
EA1	Failure to deliver effective asset management	2	1	2	2	3	6	4	3	12
EA2	Failure in the supply chain			0			0			0
EA3	Failure to implement our Green Agenda			0			0			0
EA4	Failure to deliver the Development strategy	1	1	1	1	1	1	1	1	1
EP1	Failure to manage organisational capacity			0			0			0
EP2	Failure to maintain a positive reputation	4	1	4	4	2	8	2	2	4
WG1	Failure to recognise and react to the current political and economic climate			0			0			0
WG2	Failure to effectively manage the organisations finances	1	2	2	1	2	2	5	3	15
WG3	Failure to effectively maintain corporate governance			0			0			0
WG4	Failure to manage effective procurement			0			0			0
WG5	Failure to effectively manage business continuity incidents			0			0			0
WG6	Failure to deliver VFM	1	1	1	4	3	12	4	4	16
	Totals			18			41			49

But are NPVs enough
to meet the Regulatory
Standard?

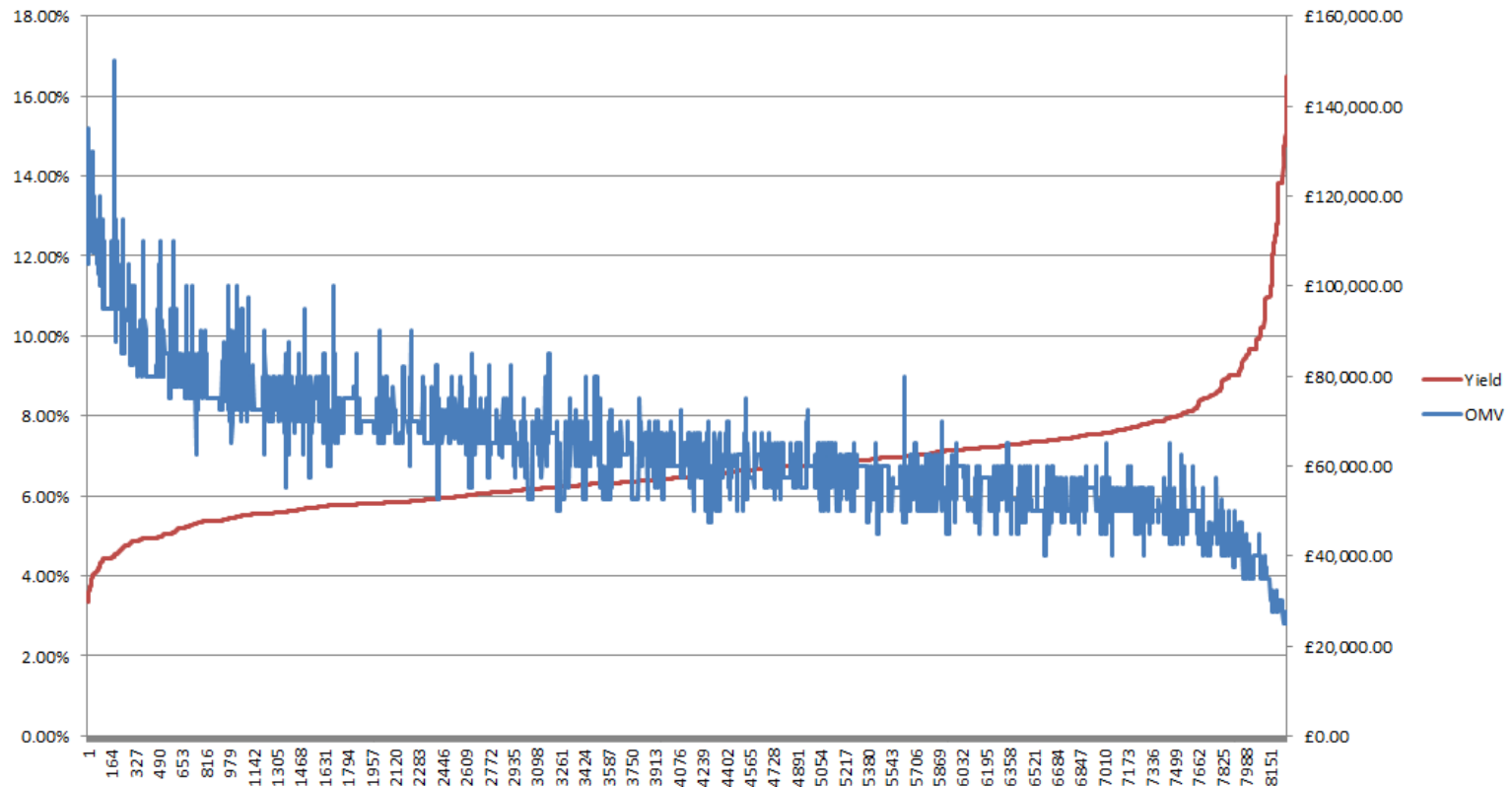
Gross Yields? - Open Market Values 8,290 homes = £519m. Average £62.6K



Gross Yields – Rental income v Open Market Value – 2014/15 rents

Left X Axis is Yield %

Right X Axis is OMV



July 16, homes with a gross yield of +6% = 95.04%

Gross Yields - a misleading view?

Gross yield does not expose differences between high and low management and maintenance costs of a home so gives an inflated sense of return on asset.

A **net yield** is more helpful to understand the true financial performance of a home.

How to calculate the Net Yield of livin's homes



£100k OMV home. Rent income for home £5,000...less costs:

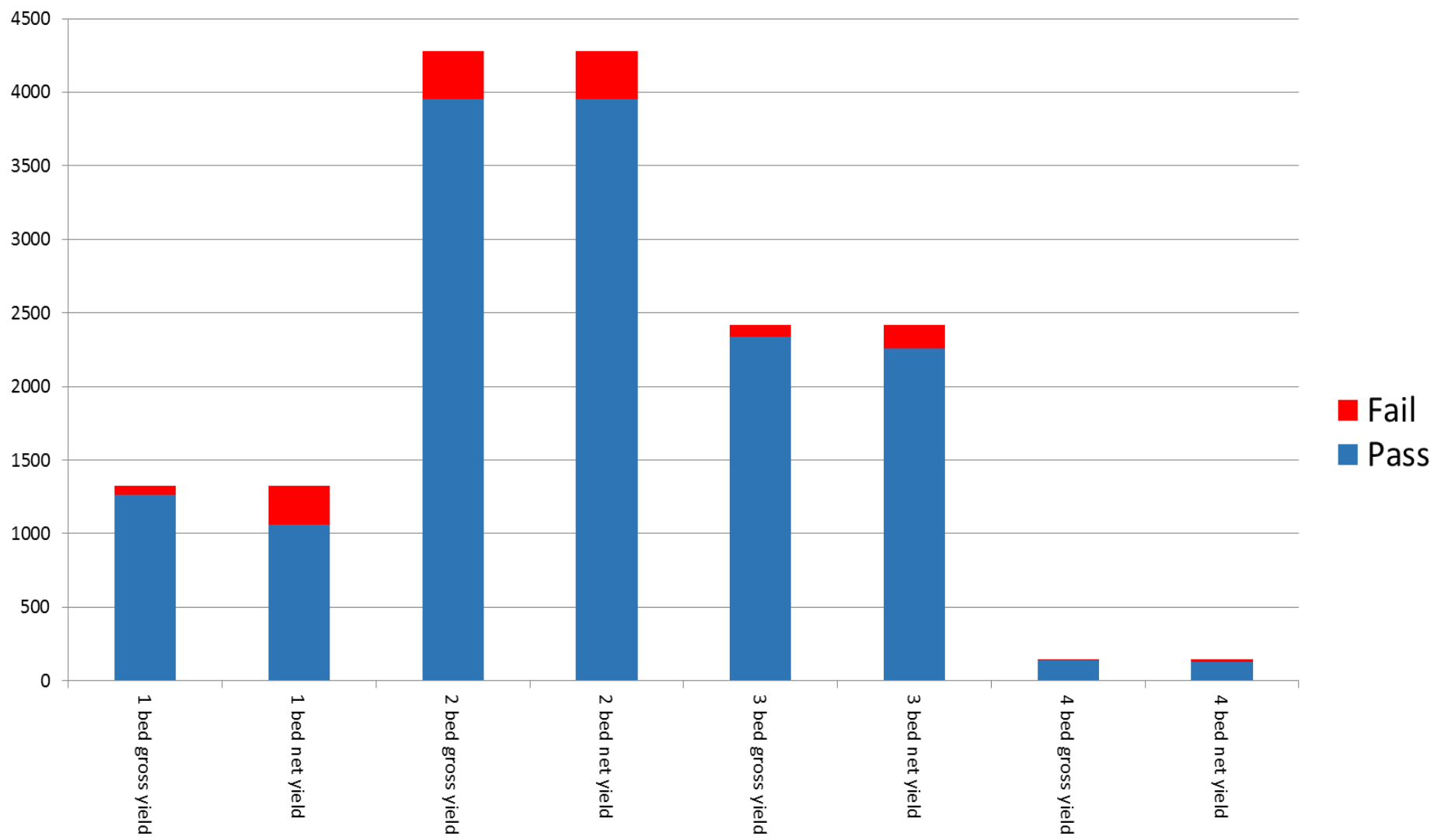
- Insurance premiums of £135
- Cost of funds £1,800
- Replacing fixtures and fittings £200
- Capital replacements and external cyclical decorations etc £300
- Maintenance £175
- Void rent loss 2.8% average £140
- Management (12.5% of rent (+VAT if commercial)) £625

Total costs £3,400; net income £1,600

Lower Gross Yield homes can out perform higher Gross yield homes

high management and high repair costs - Maple Avenue			medium management and medium repair costs			low management and low repair costs	
Market value	£53,824			£53,824			£53,824
Rent income	4113.12			4113.12			4113.12
Management cost	2469.01			1248.01			685.22
Maintenance cost	347.4			248.41			148.13
Partnering R&M	234.76			234.76			234.76
Gas Servicing Cyclical	176.47			176.47			176.47
Void cost	148.24			148.24			148.24
Net Income	737.24			2292.43			2782.22
Gross Yield	7.64%		Gross Yield	7.64%		Gross Yield	7.64%
Net yield	1.37%		Net yield	4.3%		Net yield	5.2%

livin's yields against targets



Gross and Net yields

Gross Yield targets = 375 or 4.4% of stock failing target.

Net Yield targets = 643 or 7.6% of stock failing target.

Currently developing Social Value criteria for community assets to justify any retention of poorer performing assets that support communities.

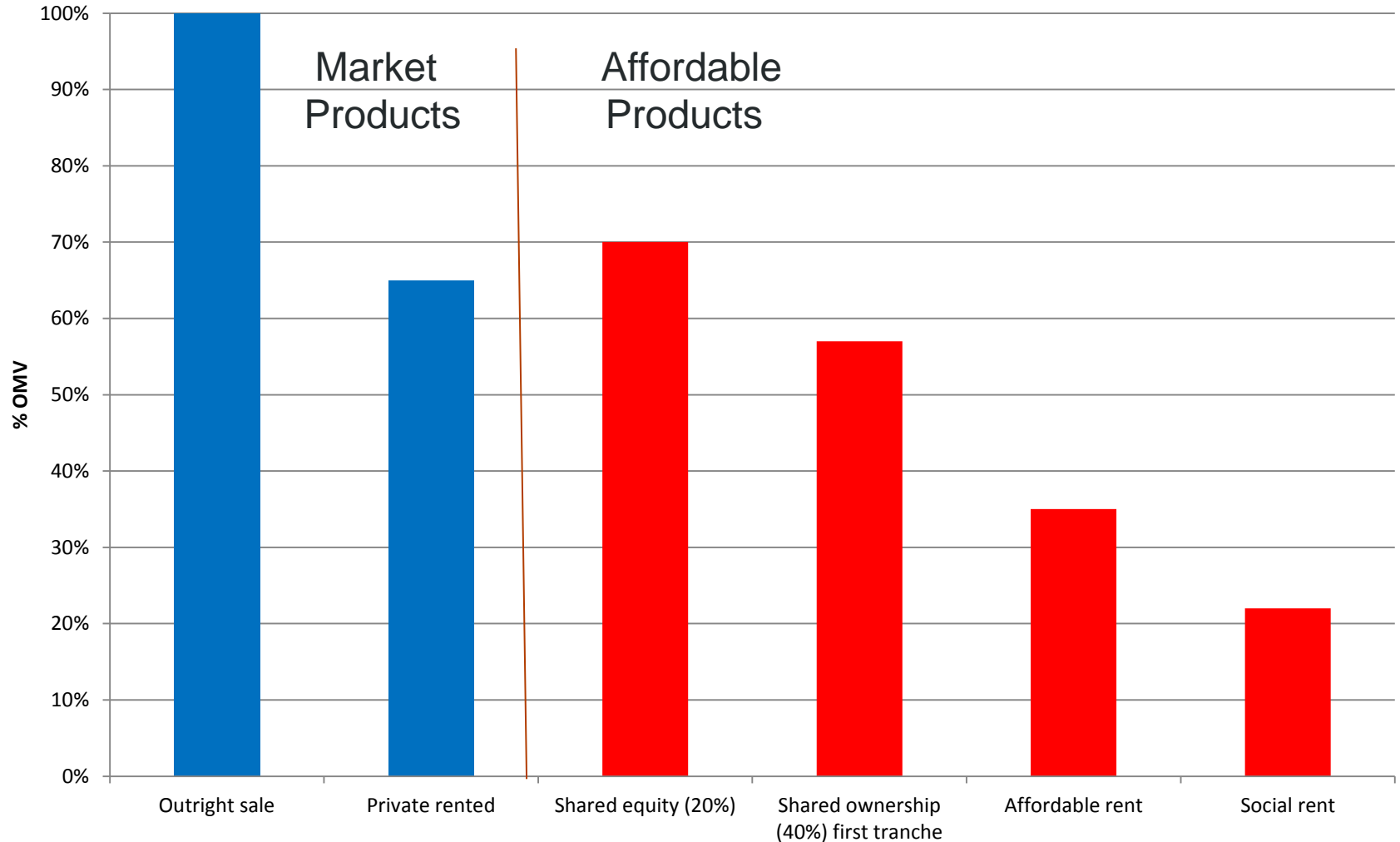
Existing Use Value v's Potential Use

Value
Living homes average

OMV £62,500

EUV-SH £14,049

savills



Sell Old homes and buy New ?

£160k

£

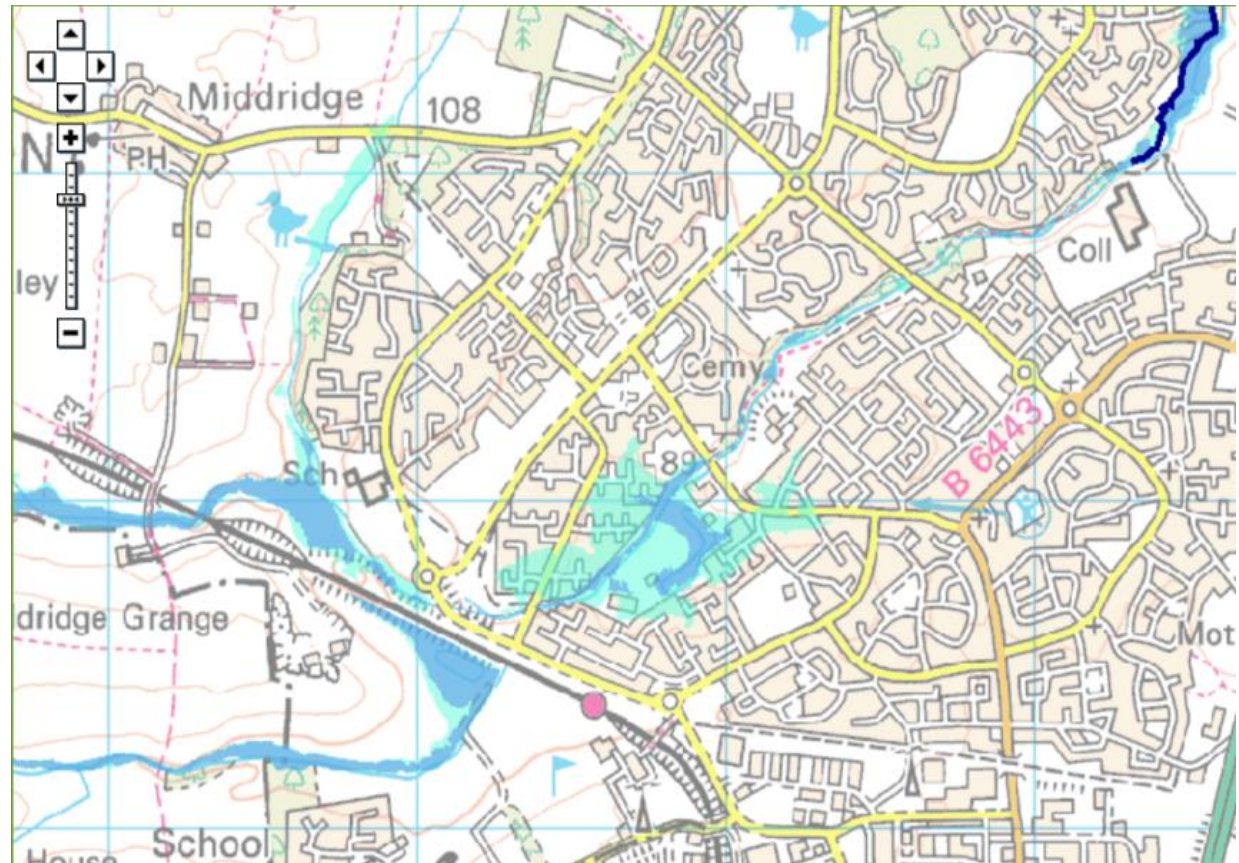


£120K (s106 =

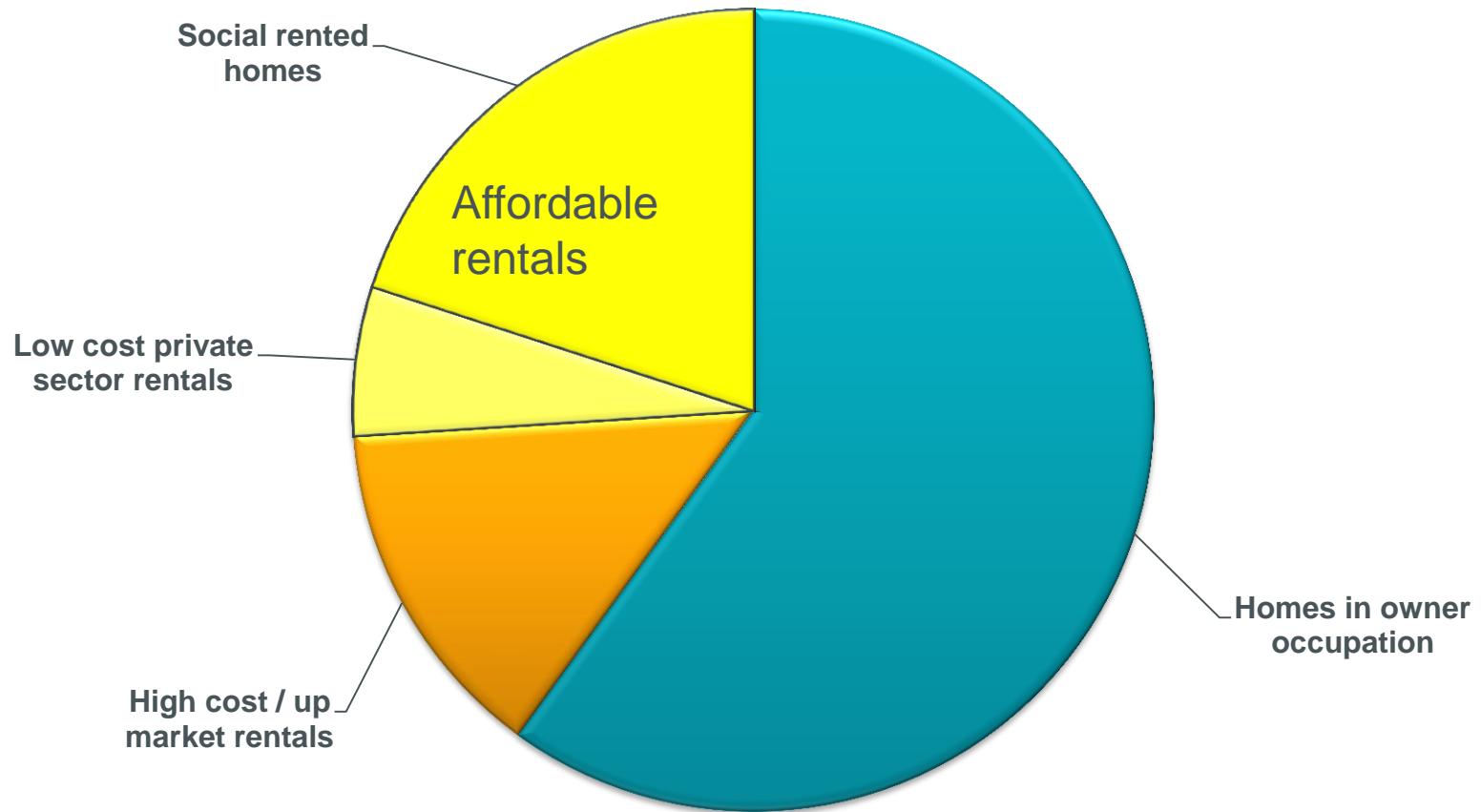


Dealing with Flood Risk

In the UK, one in six properties is currently at risk from flooding to some degree, and we can expect a further 11-16 cm of sea level rise by 2030.



Percentage of low income housing to middle income housing 30% vs 70% ?



Where are we now?

- Toolkit is primary tool for assessing stock performance.
- Investment cycles and tactical disposals (limited at present).
- Fine tuned NPV's via three variable bands of management and repair costs and a +£2k NPV target.
- Use of NPV, Gross and Net yields to determine performance with options appraisals.

Business case for
Energy efficient
homes?

Updated Home Energy Conservation Act 1995 (HECA) guidance January 2017

In 2014 Government introduced the Fuel Poverty (England) Regulations.

These regulations gave effect to the fuel poverty target to ensure that as many fuel poor households as is reasonably practicable have a minimum EPC energy efficiency rating of **Band C by 2030**.

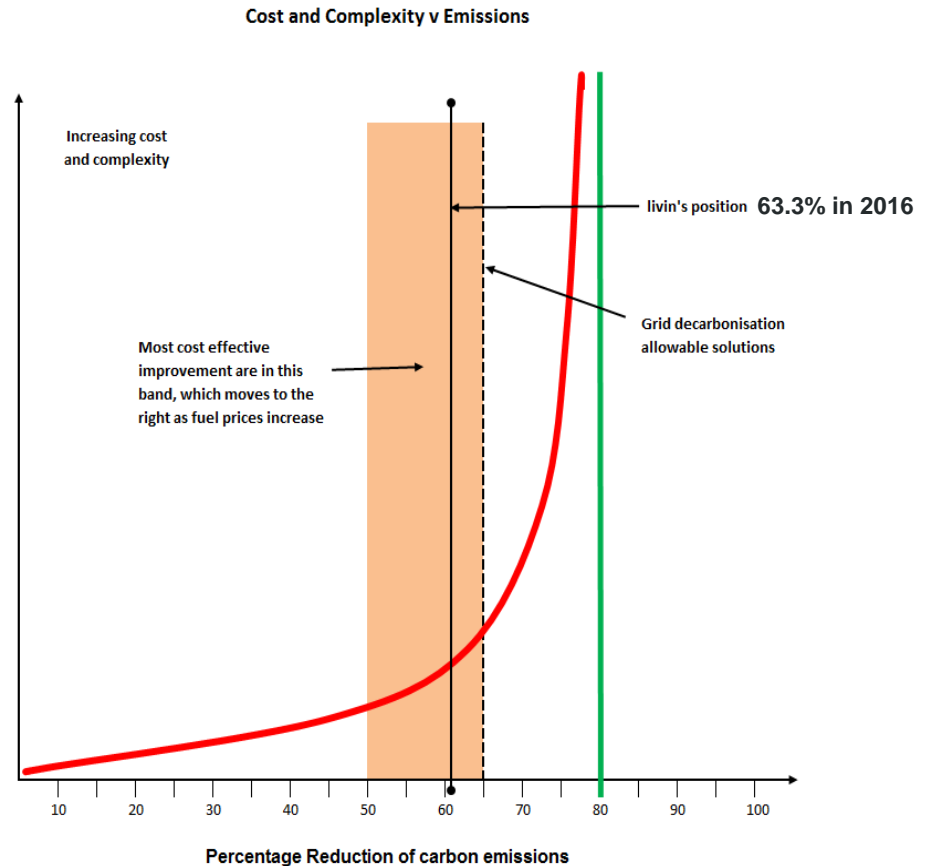
In 2015 Government published 'Cutting the cost of keeping warm: with two interim milestones to ensure that as many fuel poor households as is reasonably practicable achieve a minimum energy efficiency rating of EPC **Band E by 2020**, and **Band D by 2025**.

livin Greener Strategy

Government target 34% carbon reduction on 1990 levels by 2020 & 80% by 2050.

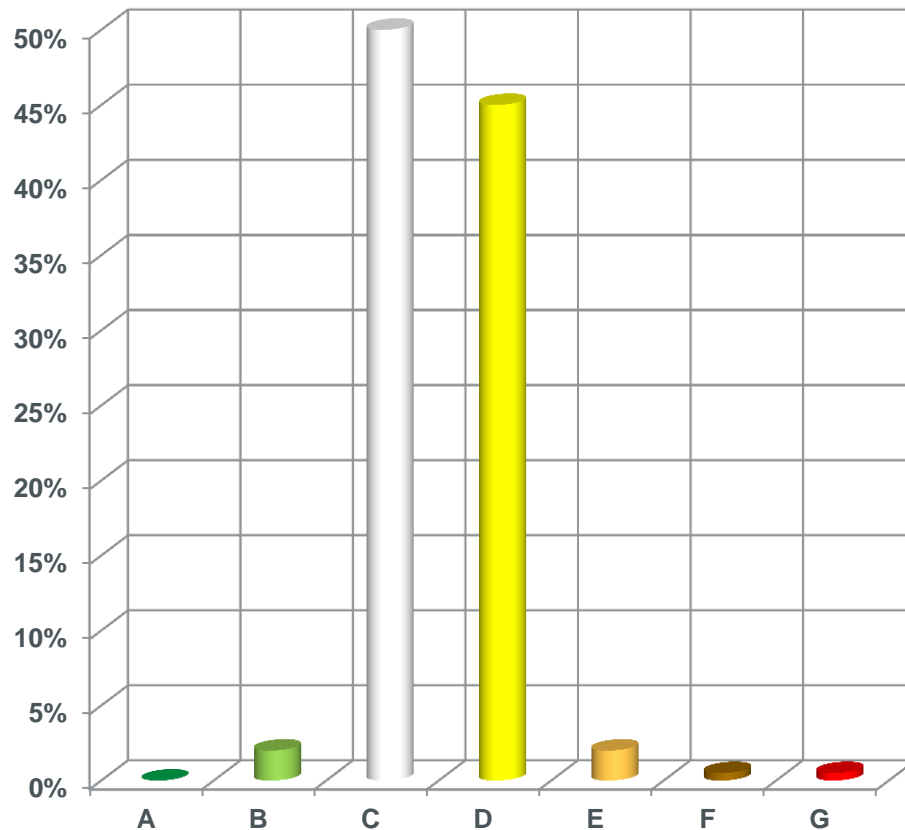
Durham County Council target is 40% by 2020

..... but it gets more complex & expensive to achieve.

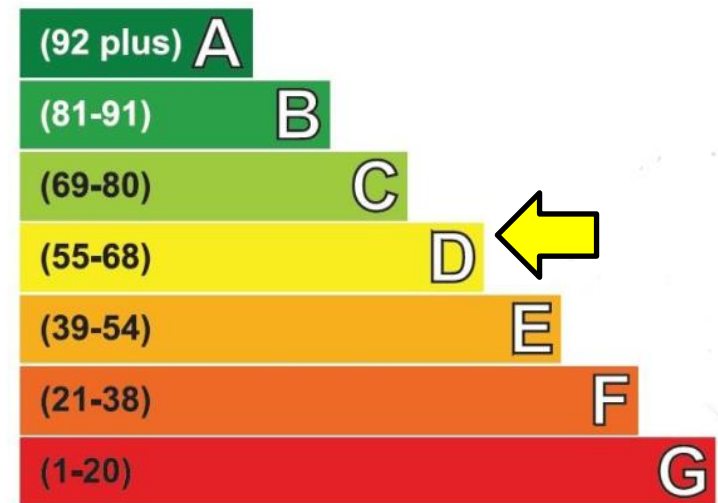


livin Greener Strategy 2016

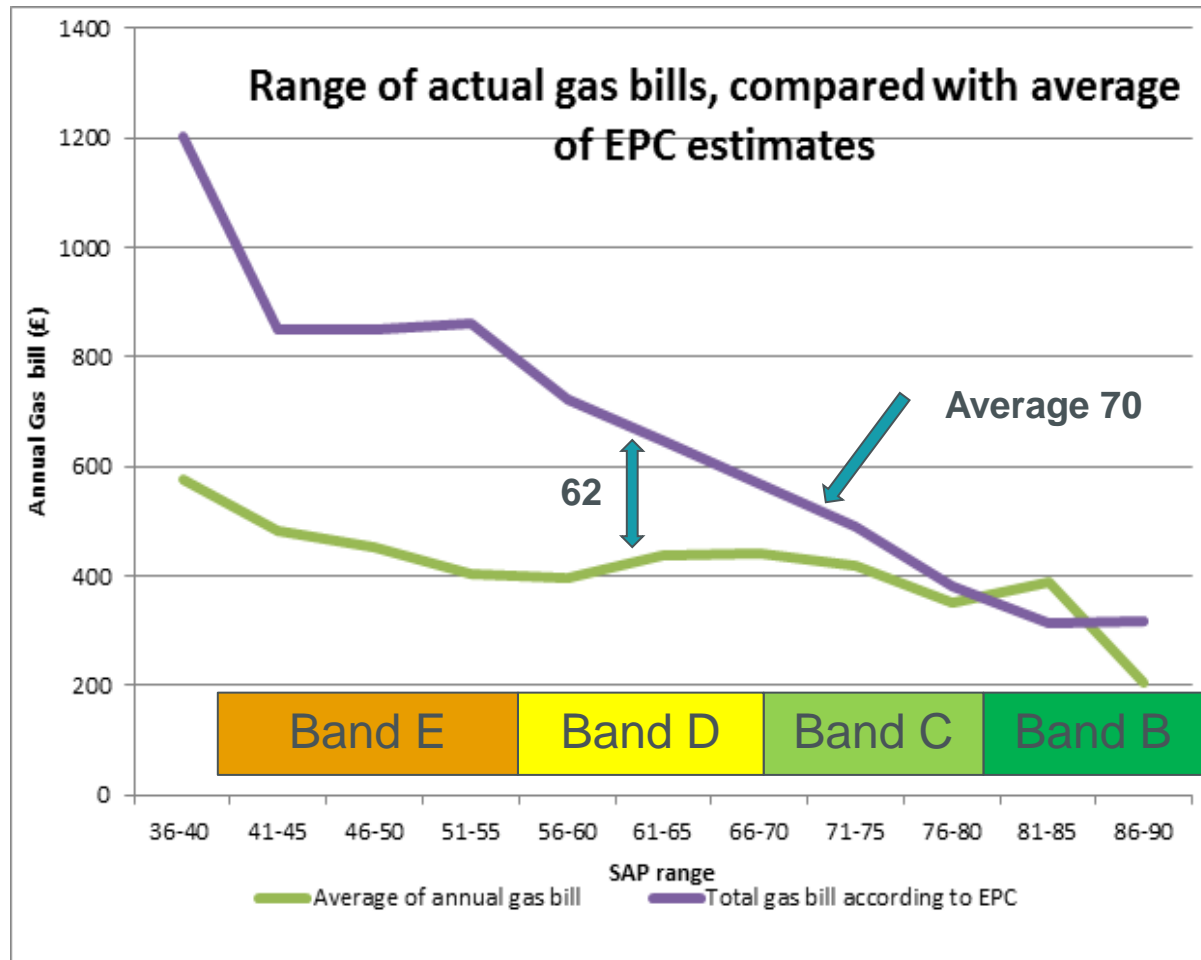
EPC Rating



All homes to meet a minimum SAP62 (Band D)



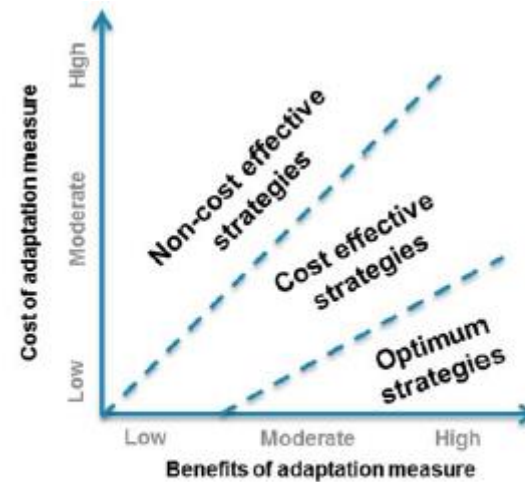
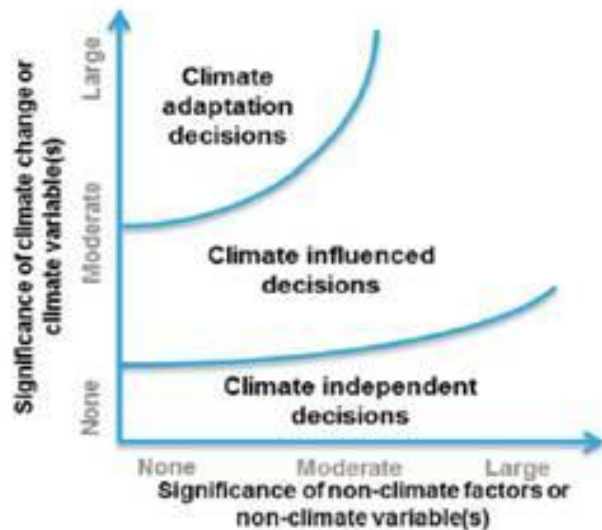
How low income households heat their home



Source - National Energy Study 2. Figure 7, page 8.
Sustainable Homes

Asset management - design for climate change

Higher wind speeds, more frequent sudden rain fall, colder snaps and periods of summertime overheating.



Cost-benefit comparison for adaptation strategies

Examples of Climate Specification Change

- Fully clipped roofs at eaves, verge and full nailing pattern.
- Deep flow gutters now specified.
- Lightly tinted glass and deeper reveals for all new windows.
- External shading to windows where appropriate.
- Avoid light/highly reflective finishes adjacent windows.

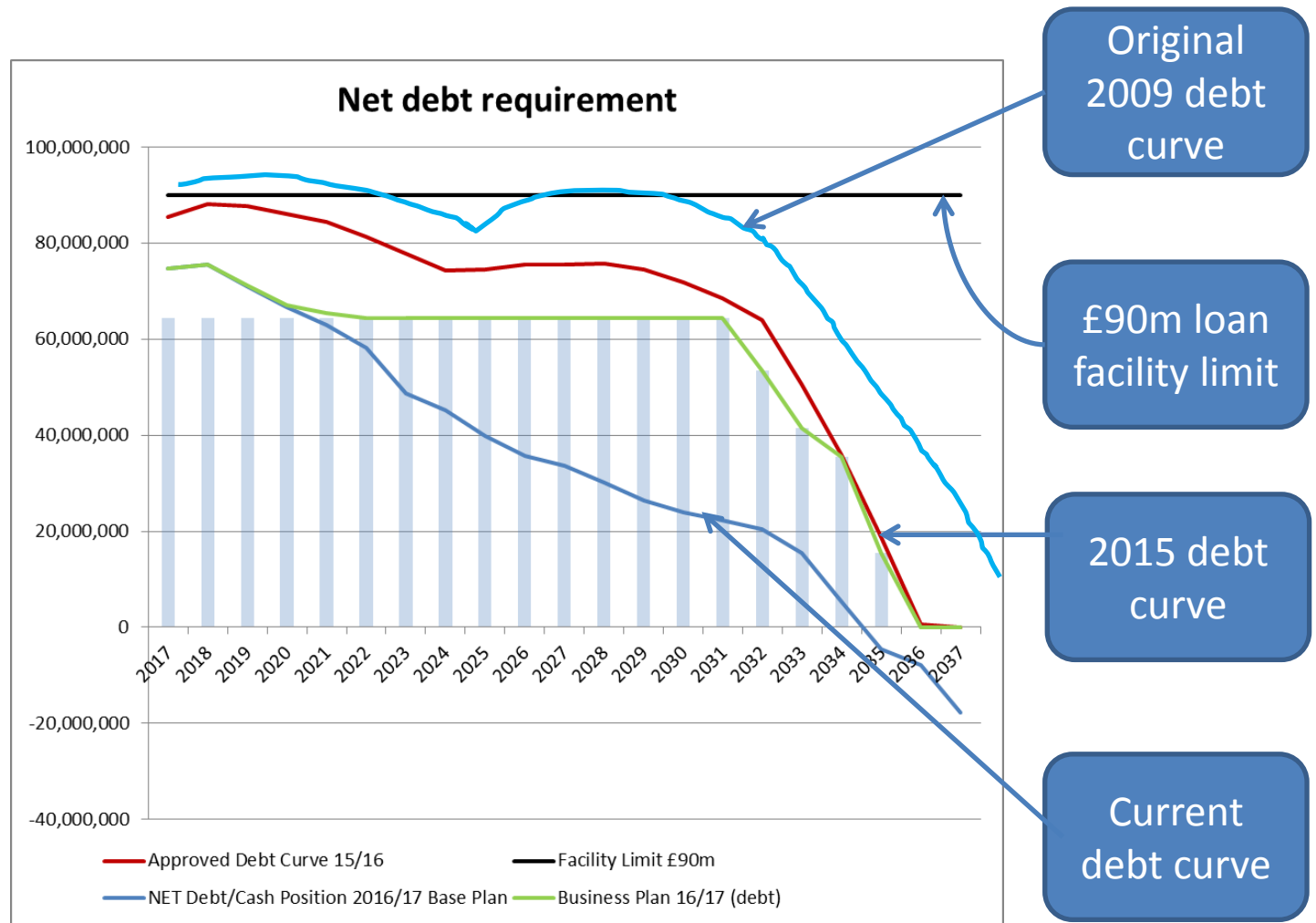
2015 - Further Value Engineering

- Tenant responsible for more repairs.
- Voids, no new toilet seats and shower heads. £40k p/a.
- Relaxing time taken to complete routine repairs.
- Flexible void targets - utilising demand intelligence.
- Extended component cycles = savings £20.8m over 30 years.

2015 - Further Value Engineering

- Reduction of contractor & living workforce = £1,173k annual saving.
- Ceased the 800 tenants garden service = £110K per annum.
- New Grounds Maintenance contract = double digit savings.
- New R&M / Capital works contract = double digit savings.
- Co-Location of Contractor = £140k annual saving.

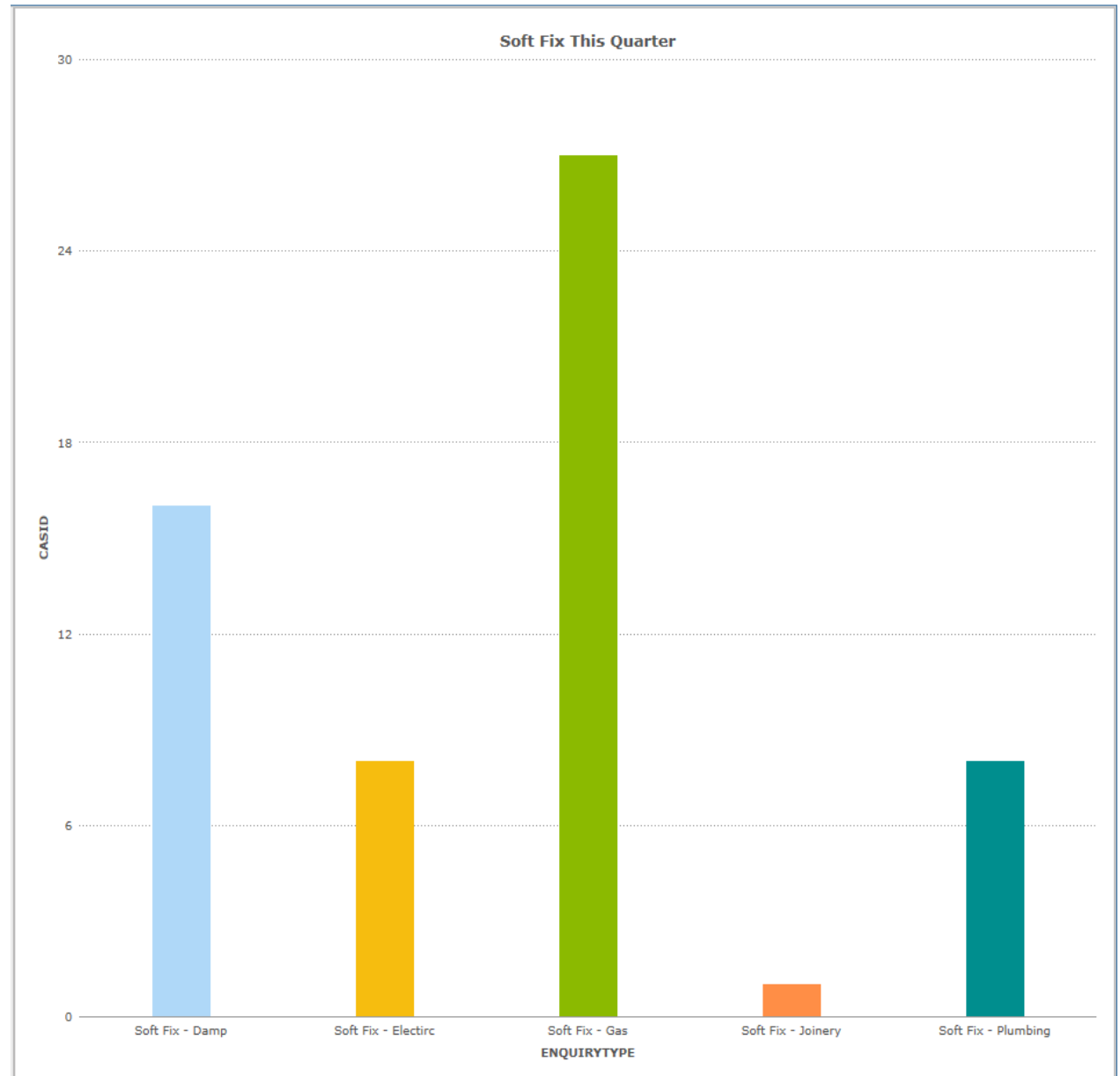
Financial capacity



Soft Fix - Repairs over
the phone

No materials used for 26% of repairs.

Potentially 18% of repairs to be done over the phone.



Soft Fix

- **Gas**: Boiler reset, re-pressurize, gas meter reset, thermostat
- **Damp**: ventilation, cleaning advice, identify damp v condensation
- **Electric**: Total loss, faulty appliance identification, dome bulb change
- **Joinery**: keys stuck in door
- **Plumbing**: toilets running, pipes banging, bleeding

Challenges

- Behaviour change – staff and tenants
- Judgement and confidence

Benefits

- Reduced deployment / Cheaper
- Knowledge increase of staff
- Avoid recharge
- Quicker service
- More likely to fix in future

Soft Fix



= 94% Cheaper

Soft Fix

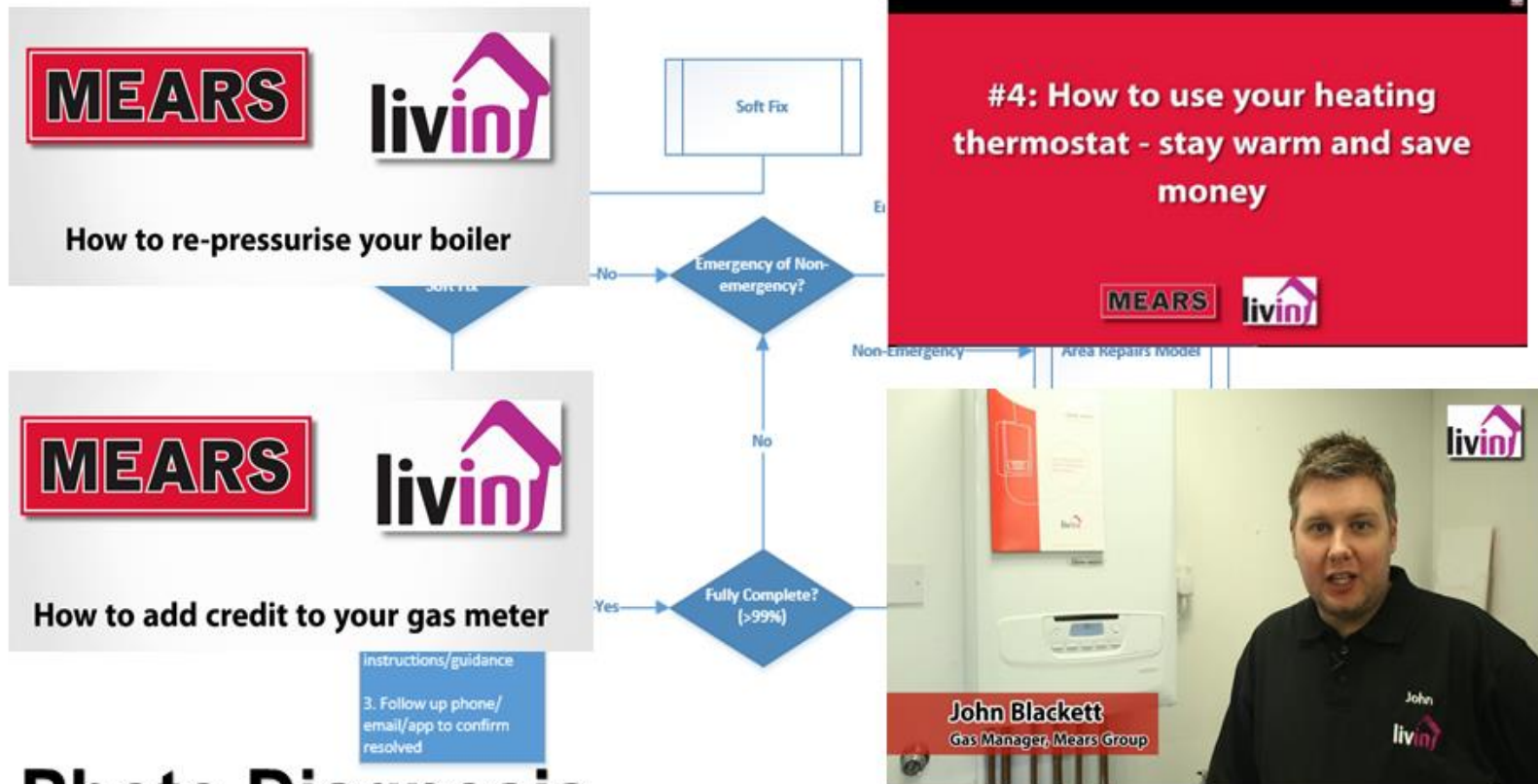


Photo Diagnosis

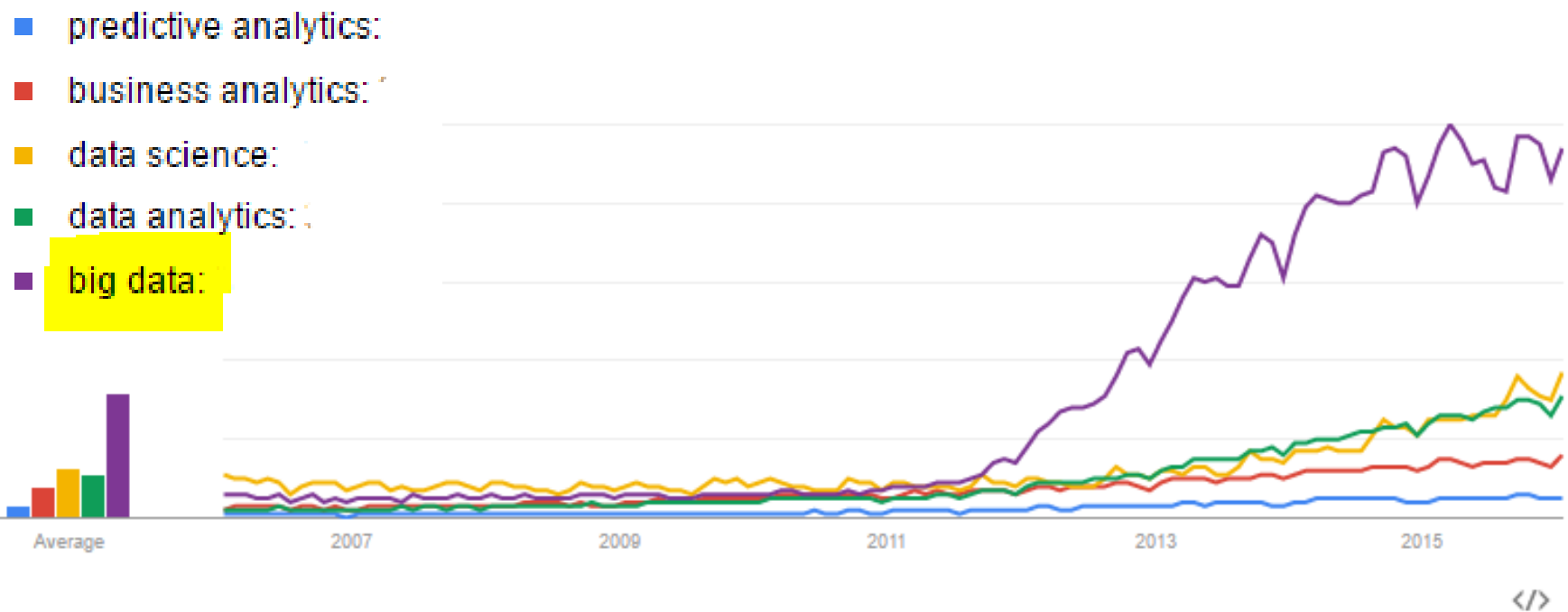
Predictive Analytics

What is Predictive Analytics?

The use of statistical techniques from predictive modelling, machine learning, and data mining that analyse current and historical maintenance facts to exploit patterns to identify risks and model future opportunities.

Data Scientist and two Data Analysts currently working on Housing maintenance and housing management data.

Interest in Analytics - Google Trends



So Who Uses Predictive Analytics?

- Not-for-Profit Sector



How data is used

Tax – Non-compliance, Fraud, Service Quality

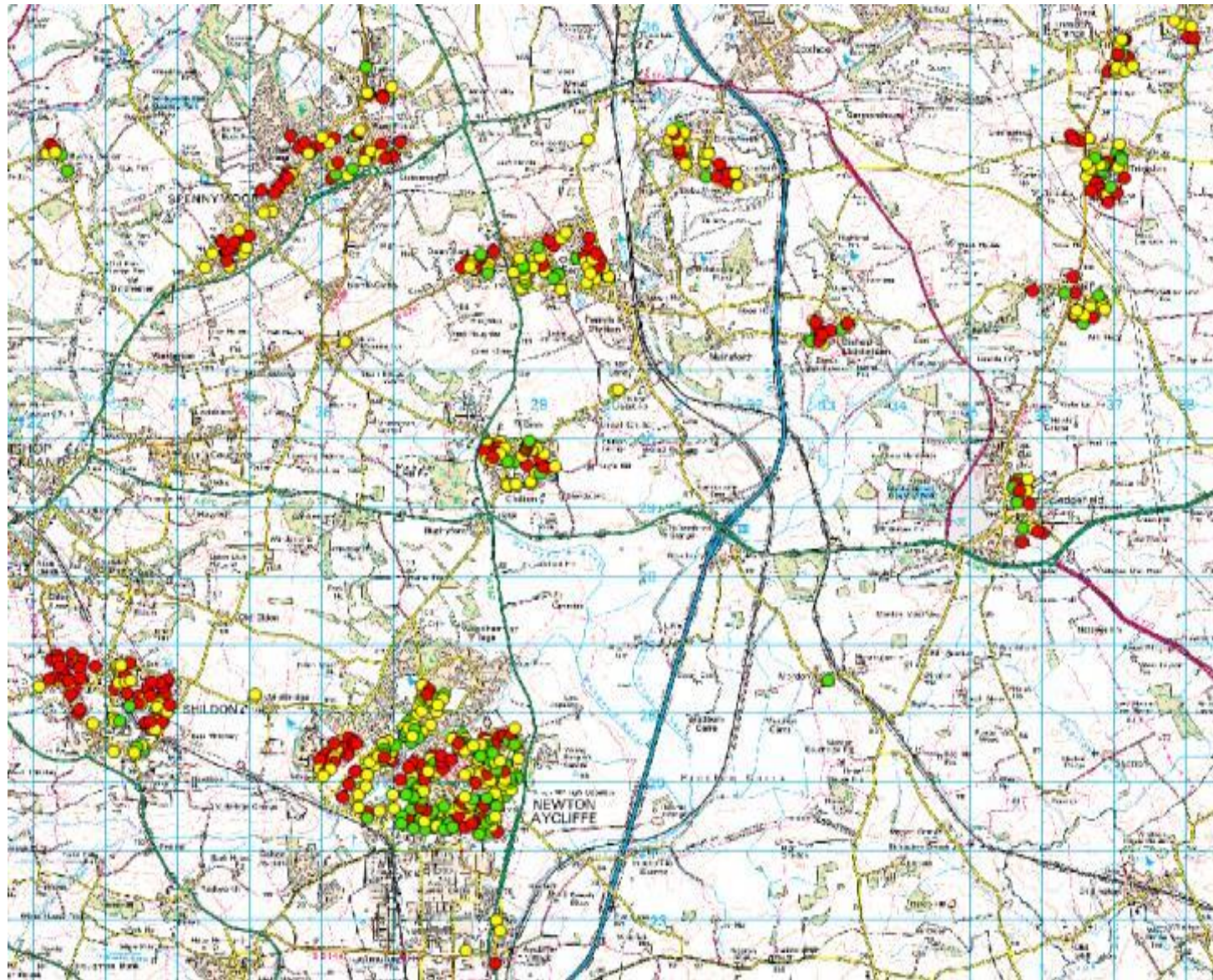
Charities – Campaign Response, Segmentation, Legacy Giving

Education – Retention, Acquisition, Student Performance,

Healthcare – Patient Re-admission, Personnalisation, Patient Out come

Police – Crime Prediction, Satisfaction Modelling, Demand Forecasting, Operational Analytics

Window Repairs – 2008 to 2014



Key:

Green = 0 – 1
repair per
property

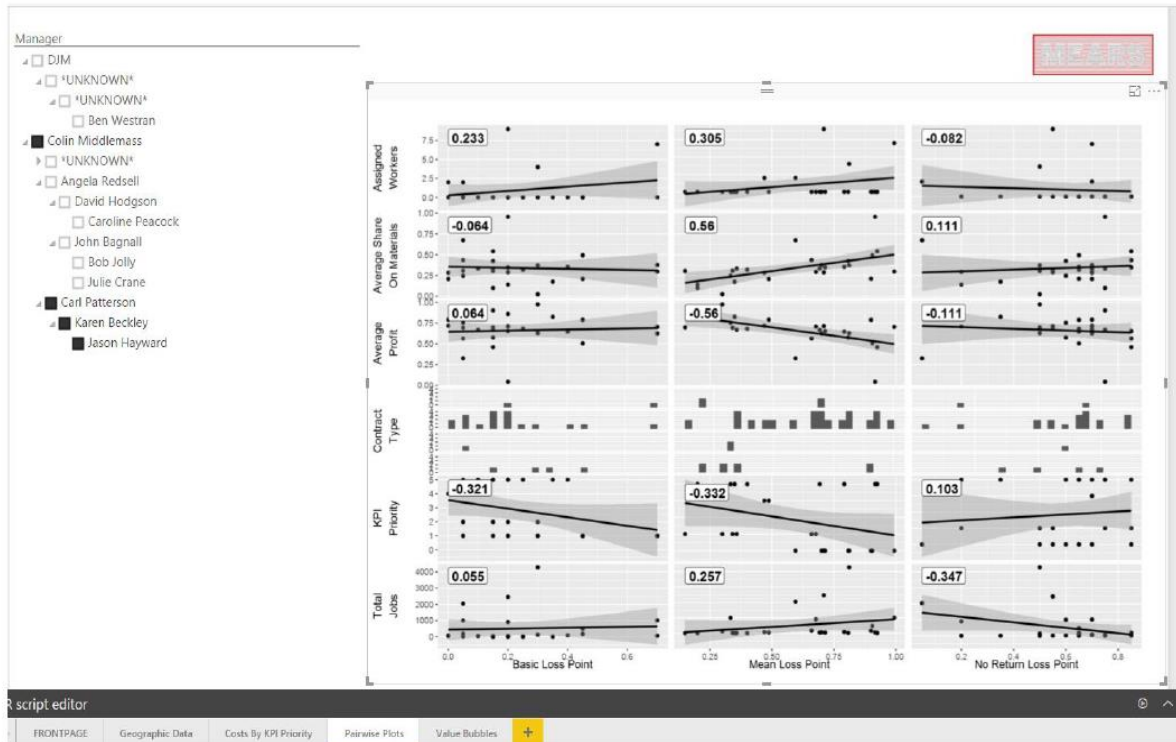
Amber = 1.01
– 2 repairs
per property

Red = 2.01 >
repairs per
property

Data mining, machine learning and use of Artificial Intelligence

MEARS

BI Capabilities: *Data Mining*



Using customised R scripts to measure the correlation coefficient of the data points, patterns can reveal themselves.

This is the bread-and-butter of Data Science – identifying which variables may influence one another is vital in creating an accurate model of the business.

Embracing Internet of Things (IoT)

& Soon...Embracing the Internet of Intelligent Things (IoT)

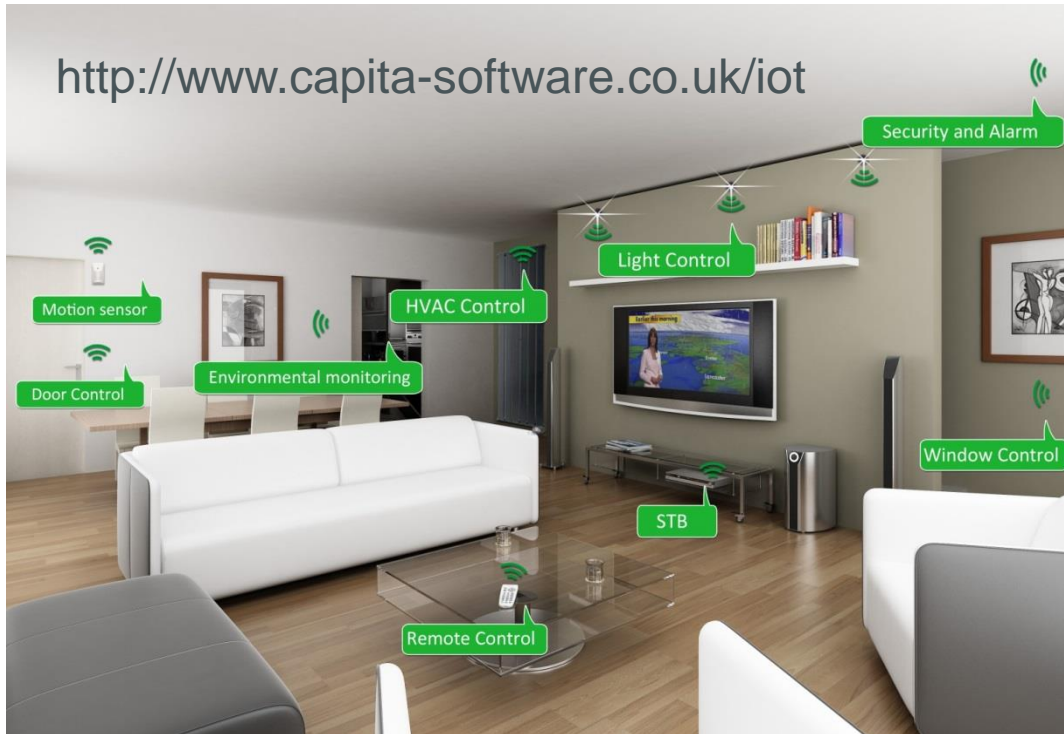
Sensors, meters, digital controls, and analytics to track and manage the flow of information. By the end of 2016 cities will use 1.6 billion connected things with Smart Buildings making up the biggest share:

“Smart commercial buildings will be the highest user of Internet of Things (IoT) until 2017, after which smart homes will take the lead with just over 1 billion connected things in 2018,” .

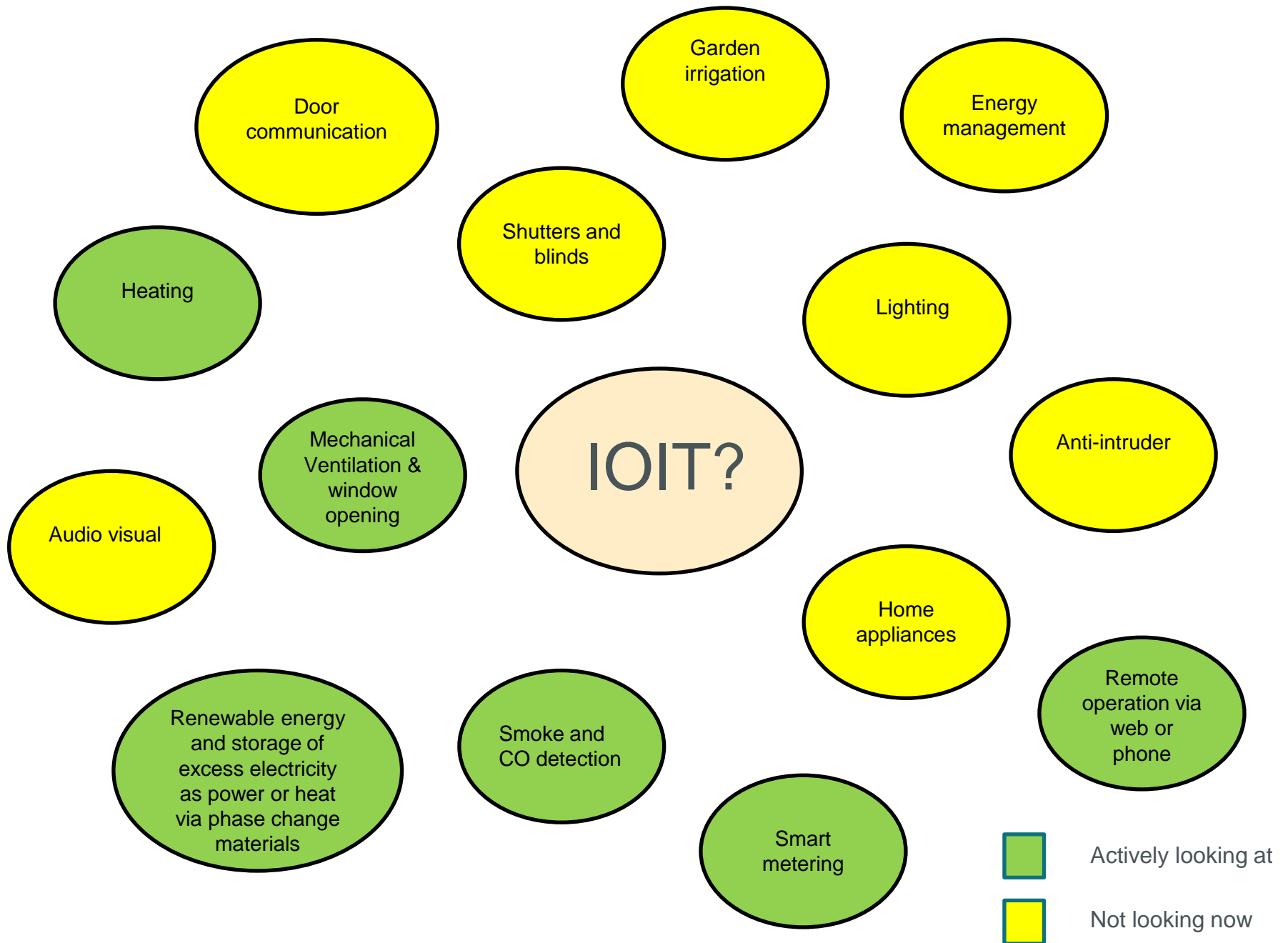
Bettina Tratz-Ryan, Research Vice President at Gartner.

In March 2017 piloting 120 homes with real time analytical data sent to controller.

The SMART Home is coming



- Accurate, real-time data enables providers to better plan maintenance and repairs planning, more efficient purchasing and more informed decisions.
 - Reduced administration, phone calls, fewer property visits required to diagnose issues and carry out repairs.
-
- Accurate data from sensors will allow providers to monitor households that appear to be struggling, and work proactively with them before someone becomes ill or a property becomes damaged.
 - Data on the environmental performance of homes could shape the design and build of homes and deliver new insights into fuel poverty and the link between mental health/location.



Data as an Asset

Business Intelligence as Tool to help manage assets

- Supermarkets use our shopping habits to build up a demographic profile of what we buy and how much we spend, then target us with personalised vouchers and offers.
- Tesco, meanwhile, is using data about what its 16 million Clubcard holders buy in its stores to serve targeted adverts to online users of its new free movie service, Clubcard TV.
- Waitrose paid data analytics firm *Beyond Analysis* to use "aggregated and anonymised data" about shoppers' Visa card transactions with other retailers to help it decide on new store locations.

Managing Intangible assets?



**YOUR DECEMBER EDITION
OF UK CONSTRUCTION EXCELLENCE**

2016



Intellectual
Property
Office

UK Intangible Investment and Growth: New measures of UK investment in knowledge assets and intellectual property rights



Research commissioned by the Intellectual property Office and carried out by:

Peter Goodridge
Imperial College Business School

Jonathan Haskel
Imperial College Business School; CEPR and IZA

Gavin Wallis
Bank of England

Keywords: innovation, productivity growth
JEL reference: O47, E22, E01

Submitted version: July 2016

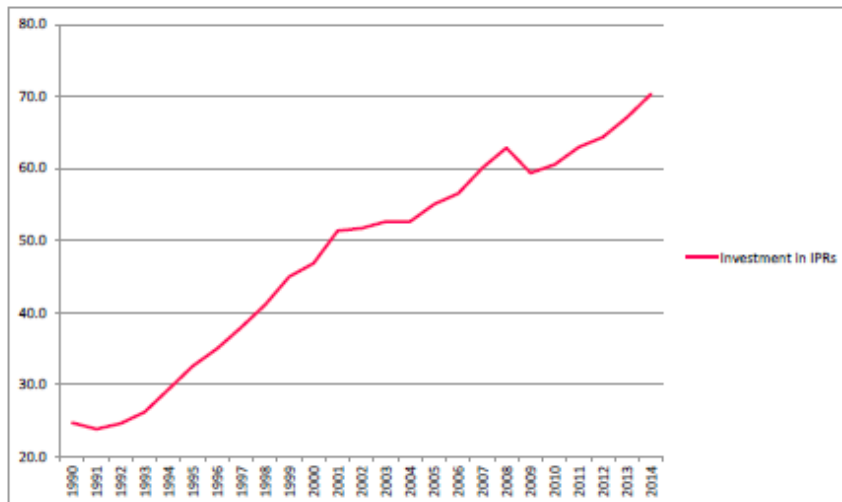
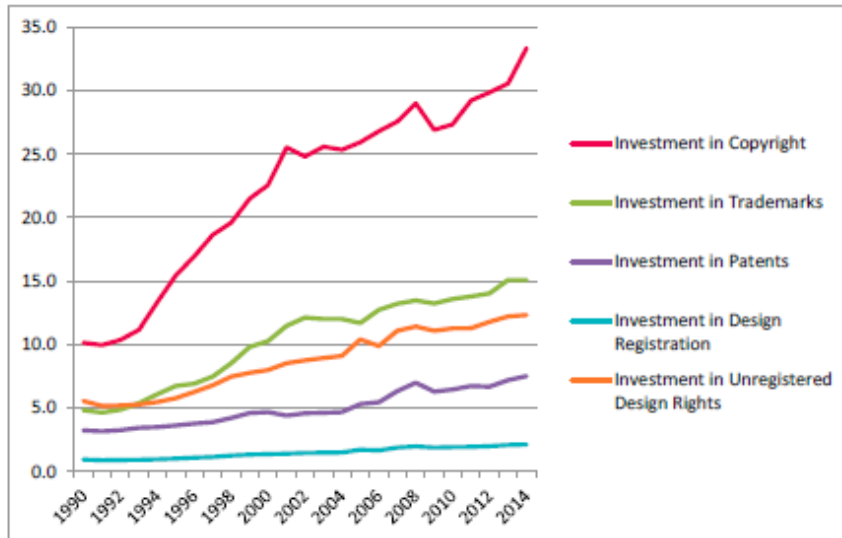
This is an independent report commissioned by the Intellectual Property Office (IPO). Findings and opinions are those of the researchers, not necessarily the views of the IPO or the Government.

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Intellectual Property Office is an operating name of the Patent Office

2016/03

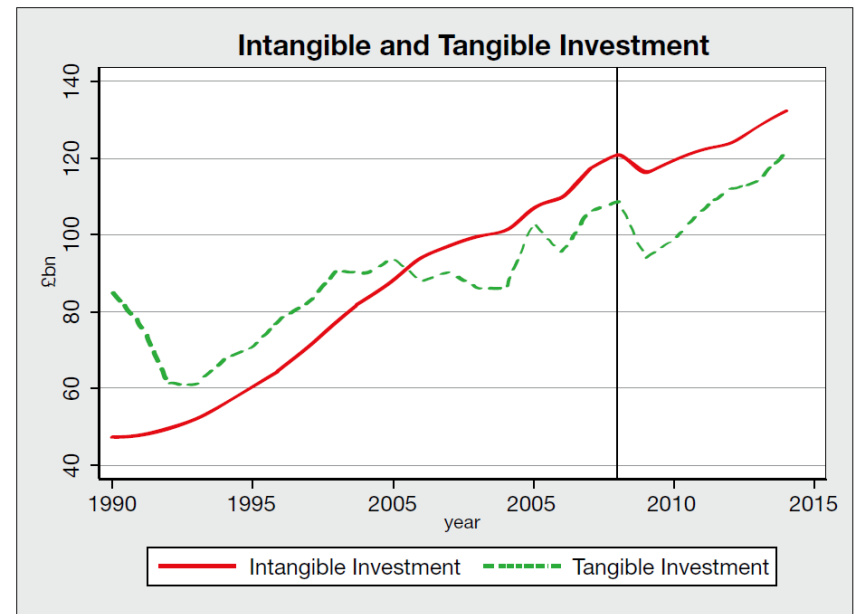
Figure 6: UK investment in IPR-protected assets by IPR type, nominal, £bns



Note to figure: Estimated UK investment in intangible assets protected by IPRs. Investment in copyright estimated as 100% of investment in artistic originals and software. Investment in trademarks estimated as 100% of investment in advertising and market research. Investment in patents estimated as 38% of investment in scientific R&D plus 2% of investment in design. Investment in registered design estimated as 11% of investment in design plus 3% of investment in scientific R&D. Investment in unregistered design estimated at 87% of investment in design, that is, the remainder of design investment not allocated to patents or registered design.

Managing Intangible assets?

Market sector tangible and intangible investment, £bn, 1990-2014



Source: ONS data for tangibles, this paper for intangibles. All data in current prices

Regulatory Standard & Assets 2012

What is the aim of the VFM standard?



- That boards have a comprehensive and strategic view on VFM related to their objectives and how they best use the range of resources available to them to achieve those objectives.
- They operate as efficiently, economically and effectively as possible.
- They consider best use of their assets and seek the best strategy for delivering value from them whilst meeting their objectives.
- They are transparent and can be held to account by key stakeholders.

Regulatory Standard & Assets 2012

Regulator's expectations on approach to Return on Assets

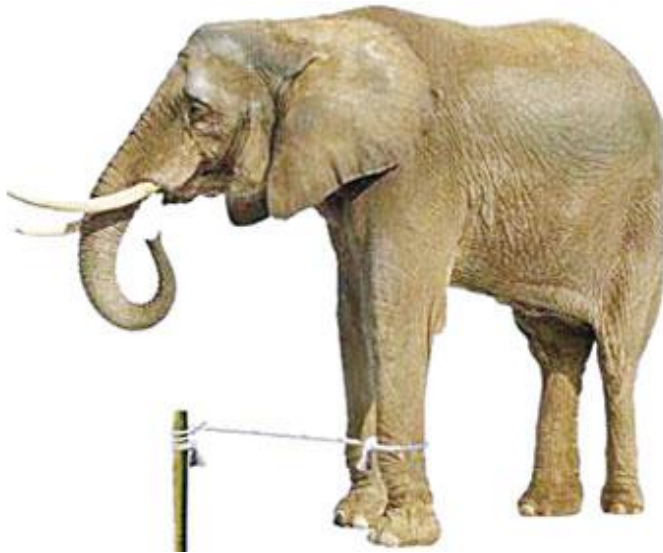


- Specific requirement within the VFM standard that a provider should enable stakeholders to understand the return on assets measured against the organisations objectives.
- Expect providers to have an intelligent approach to the use of its resources, including consideration of trade-offs and opportunity costs.
- Assurance that providers have strategy for optimising return on assets, including appraisal of all potential options for improving VFM.



**Wayne Harris – Director Property &
Development**

The elephant in the room - Breaking Learnt Behaviour?



Wayne Harris – Director Property & Development

Knowing Your Asset Portfolio

Panel Discussion

The Future of Asset Management – Beyond 2025

Michael Appelby, *Altair Ltd*

Charlotte Semp, *Notting Hill Housing Trust*

Mick Turner, *Homes and Communities Agency*

Kevin Heslop, *Sanctuary Group*

Knowing Your Asset Portfolio

Chair's Closing Remarks

Steve Douglas

Partner

Altair Ltd

Knowing Your Asset Portfolio

We hope you enjoyed the day

the studio, Leeds

Thursday 9 February 2017

#nhcasset17

Knowing Your Asset Portfolio

Professional Practice Session 1

Effective Models of Procurement

Sarah Parr

Director

Altair Ltd

Effective models of procurement

Sarah Parr
Director- Altair

9 February 2017



Altair

Introduction



A changing landscape

- Investment programmes have fallen since completion of Decent Homes
- Uncertainty surrounding future programmes due to rent cuts
- M&A activity across the sector set to continue
- Greater integration of repairs and investment programmes
- Contractor collapses and acquisitions
- Move to in-house provision by many landlords

Common Models – Investment Works

- (i) Multiple contractors across multiple workstreams and/or geographies
- (ii) Long-term partnering agreements
- (iii) Joint Ventures
- (iv) In-house provision



What are framework agreements?

The Public Contract Regulations 2015 (Regulations) define a framework agreement as:

“an agreement between one or more contracting authorities and one or more economic operators, the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.”

What are frameworks not?

They're not a list of 'approved' contractors which allows you to pick your favourite and negotiate with them!



Benefits of Framework Agreements

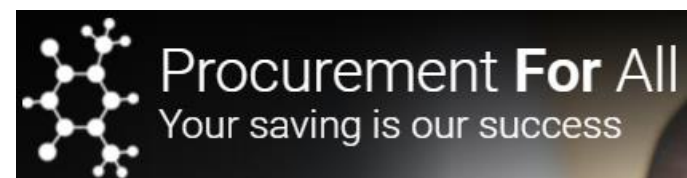
- Typically reduce procurement timescales
- Can reduce procurement risk
- Simple to use
- Better prices.....sometimes!
- Commitment from suppliers
- Support with contract management and specifications
- Centralised social investment work
- A useful procurement tool for uncertain volumes or ongoing competition

The downsides...

- Usually only allows a maximum contract of four years
- Sceptical supplier market
- Fees for use
- Can still result in lengthy procurement process
- Central Purchasing Body – may be prescriptive about contract management approach

Altair

Choosing a framework



Crown
Commercial
Service



LHC



Choosing a framework

- ✓ Scope of works and services
- ✓ Geography
- ✓ Your organisation named on contract notice
- ✓ Central Purchasing Body
- ✓ Contractors/service-providers/suppliers
- ✓ Call-off methods allowed
- ✓ Costs
- ✓ Added value
- ✓ Information/reporting requirements

The future of frameworks?

- Collaboration across local landlords?
- More in-house organisations looking to be suppliers?
- Use by individual buyers as a tool to manage uncertainty?
- Post-Brexit changes to procurement legislation?
- Increased focus on development?



Any Questions?

Sarah Parr, Director
Altair Ltd

sarah.parr@altairltd.co.uk

Property ■ People ■ Strategy & Governance ■ Finance

Knowing Your Asset Portfolio

Professional Practice Session 2

Energy Efficiency – Where Are We Now?

Simon Roberts

Housing Standards and Quality

EESSH

Scotland's Energy Efficiency Programme (SEEP): Where are we now?

Northern Housing Consortium
Knowing Your Asset Portfolio:
Value, Efficiency, Effectiveness
9 February 2017

Simon Roberts
Scottish Government:
Housing Standards and
Quality

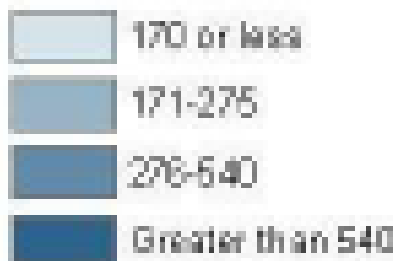


Climate Change



Present Day

Average annual wind-driven rain per wall (l/m^2)



2080s p90 High emissions scenario

Source: DEFRA (2012), A Climate Change Risk Assessment for Scotland



The Scottish Government

Scottish Energy Strategy:

The future of energy in Scotland



 Scottish Government
Riaghaltas na h-Alba
gov.scot

January 2017

DRAFT CLIMATE CHANGE PLAN

The draft third report on policies and proposals 2017-2032

January 2017

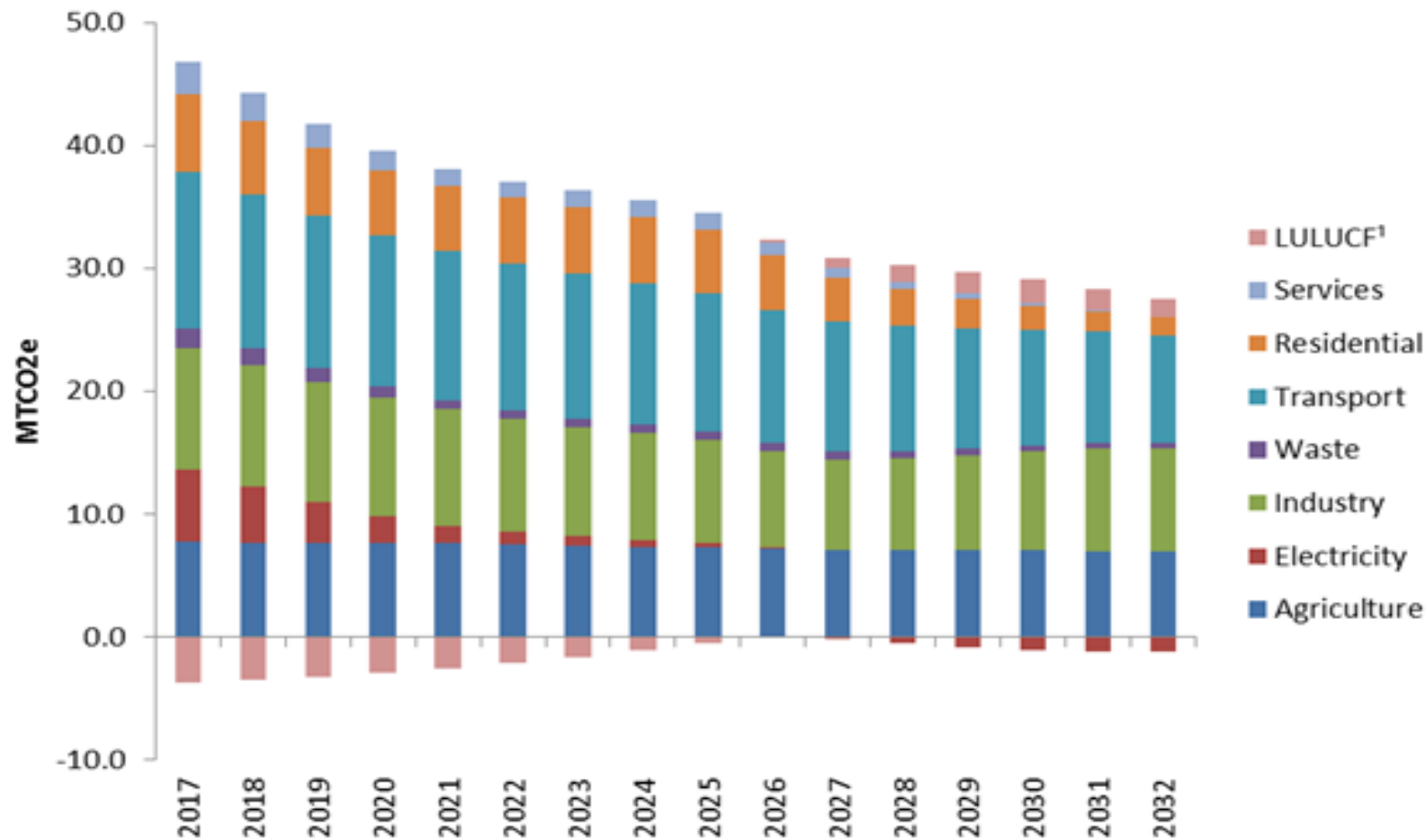


 Scottish Government
Riaghaltas na h-Alba
gov.scot

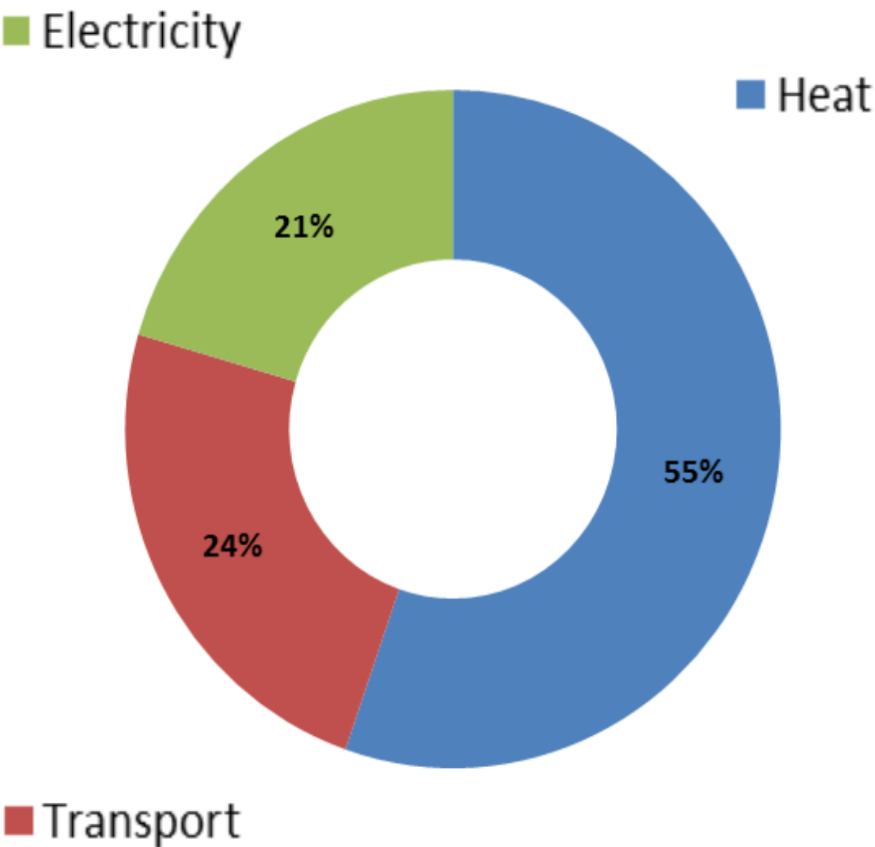


The Scottish Government

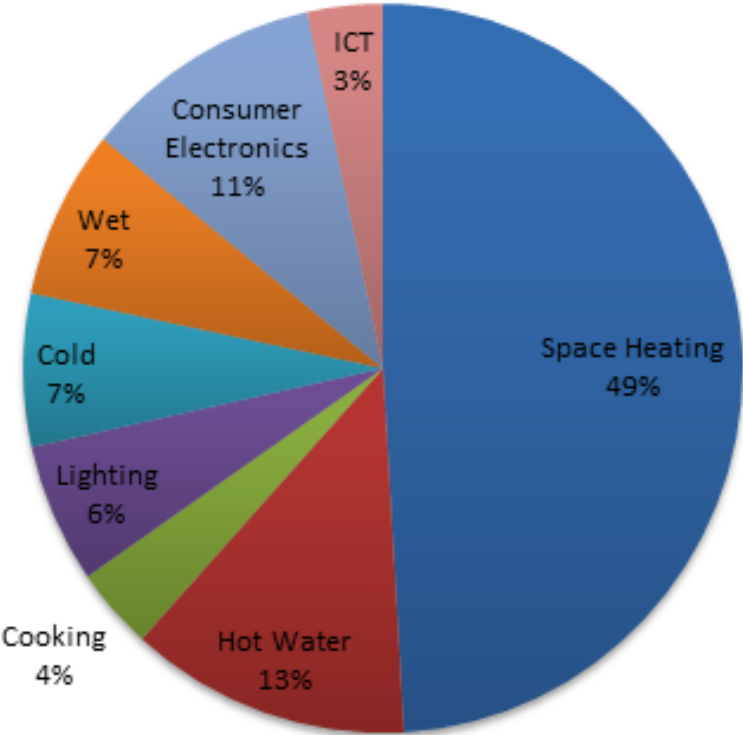
Pathway to 2032



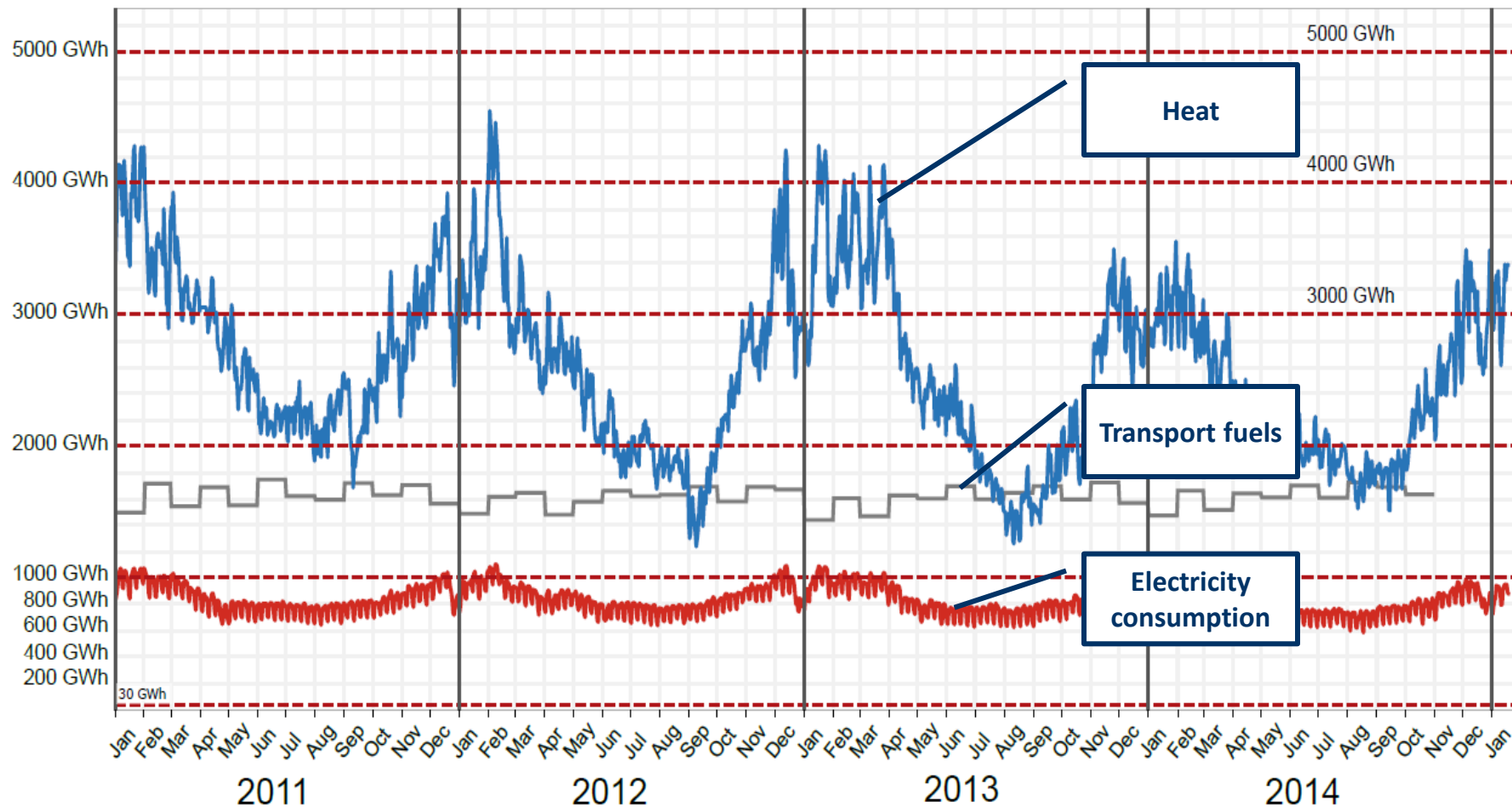
Scottish energy consumption



Domestic energy consumption



GB energy consumption - per day

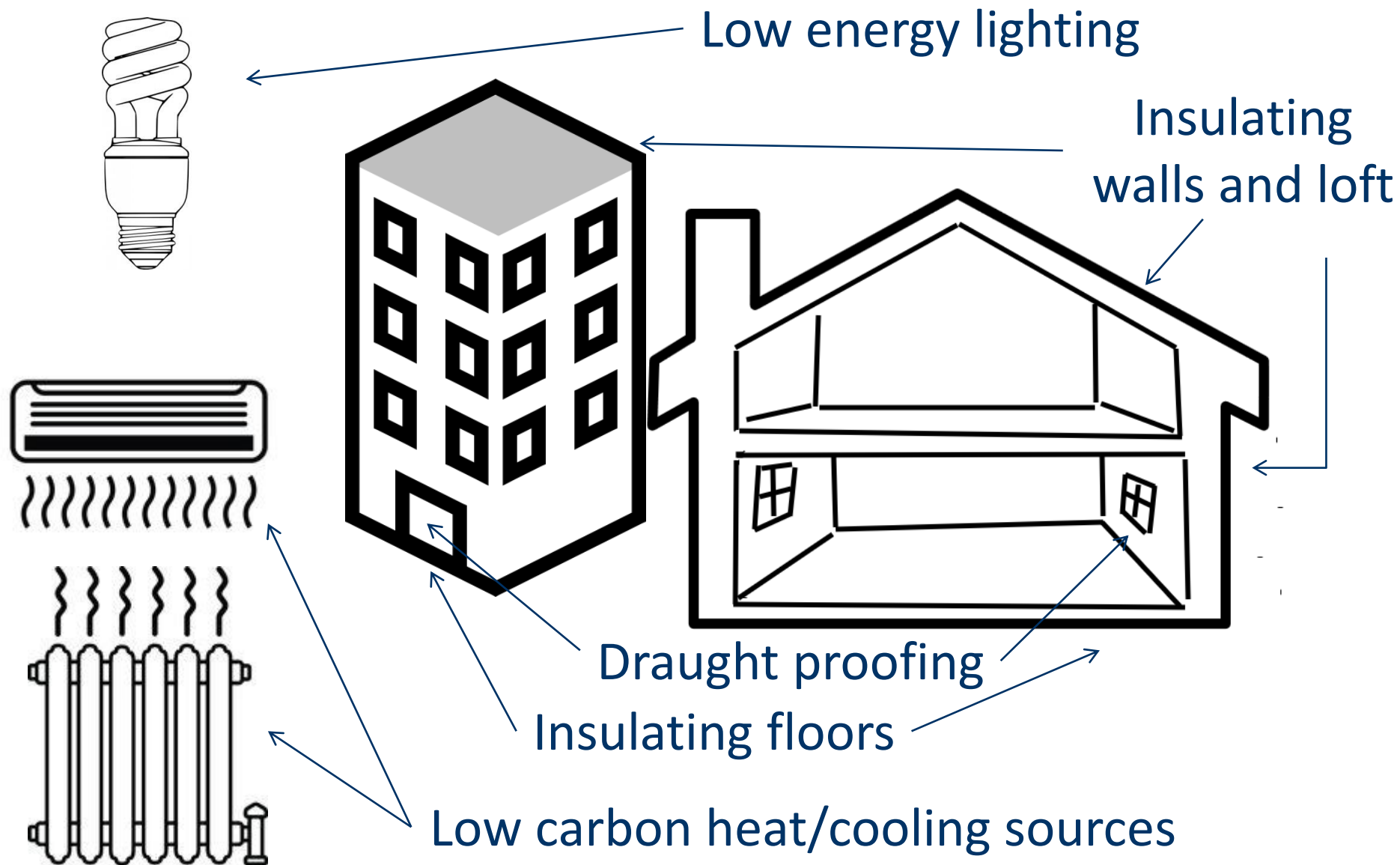


Source: University of Sheffield



The Scottish Government

In practice this means:



2050 Vision

Scotland's buildings are near zero carbon by 2050 and this is achieved in a way that is socially and economically sustainable.

Aim

Scotland's Energy Efficiency Programme aims to reduce the energy demand and decarbonise the heating of Scotland's built environment in a way that is socially and economically sustainable.

Objectives

- By 2030 94% of non-domestic buildings' and 80% of domestic buildings' heat is supplied using low carbon heat technologies
- Improvements to the fabric of Scotland's non-domestic buildings result in a 10% reduction, and Scotland's domestic buildings results in a 6% reduction, in their heat demand by 2032.

Domestic Energy Efficiency

**HEEPS:
Area
Based
Schemes**

**Warmer
Homes
Scotland**

**Home
Energy
Scotland**

**HEEPS:
Loans**

ECO

EESHS

Non-Domestic Energy Efficiency and District Heating

**Resource
Efficient
Scotland**

**Low
carbon
infrastruc
ture:
LCITP**

**Local
Energy:
CARES
and LECF**

**Non
Domestic
Building
Regulation**

**District
Heating,
RHI,
energy
efficiency
Loans**

**Heat
Network
Partner-
ship**

- Based on minimum energy efficiency (EE) ratings to be achieved by 2020.
- Designed to deliver energy efficiency improvements while being affordable for landlords.
- Takes account of fuel types and dwelling types, including those that are harder to treat.
- Planned to be integrated into the Social Housing Charter at review point with annual return on compliance to the Scottish Housing Regulator.

EESH minimum ratings for 2020

	EE Rating (SAP 2009)	
Dwelling type	Gas	Electric
Flats	69	65
Four-in-a-block	65	65
Houses (non-detached)	69	65
Detached	60	60
Other fuels – current minimum requirements (SHQS).		

- Social housing sector currently modelled at 64% compliant.
- £310m estimated cost for 88% compliance using only “Reasonable Measures.”
- £900m estimated total cost for 99% compliance using all available measures.
- Savings in fuel cost – £130m pa for tenants, average of £210 & possibly more depending on fuel price inflation.
- Reduced carbon emissions – 1,275 tonnes per dwelling or 761kt for social housing sector – equivalent to household emissions from Aberdeen and Dundee combined.

- When EESSH was introduced in 2014 we made a commitment to review it in 2017
- The review will be in two stages – we will bring together a working group from the social housing sector
- Stage 1: progress to date, how well funding options are working, what is happening in the private sector, and any changes needed to the 2020 target or guidance
- Stage 2: looking beyond 2020 – a target for 2050, milestones on the way, decarbonisation, broader or taller?

Progress to date

EPC Rating	Over two-fifths of Scottish dwellings now EPC rating C or higher (SAP 2009)
Insulation Measures (dwellings)	Majority of lofts insulated 71% of cavity walls insulated 14% of solid walls insulated
Fuel Poverty	35% of households in fuel poverty in 2014 ~ 60% of households in EPC E, F, G are fuel poor Older, off-gas dwellings more likely to be fuel poor.
Non-domestic Public Sector Energy Efficiency Framework	Potential to support up to £300 million of energy efficiency retrofit activity across the Scottish public sector estate.
Greenhouse Gas Emissions	In 2014 Scotland-wide emissions down 45.8% on 1990. Residential emissions in 2014 down 26% on 1990; public sector emissions down 36.2%; and business and industry emissions down 39.6%.
District Heating	112 operational schemes supplying around 10,000 homes and a range of public, commercial and industrial buildings.



Consultation launched on 24th January.

It can be found at: <https://consult.scotland.gov.uk/energy-and-climate-change-directorate/scotlands-energy-efficiency-programme/>

As well as consulting on design and development of SEEP, we're also consulting on Local Heat & Energy Efficiency Strategies and Regulation of District Heating, which can be found at: <https://consult.scotland.gov.uk/energy-and-climate-change-directorate/local-heat-and-energy-efficiency/>.

Later this year we will also be consulting on:

- Regulation of Private Rented Sector
- Design of Scotland Act 2016 EE/FP powers (inc ECO) in Scotland

Thank you



Knowing Your Asset Portfolio

Professional Practice Session 3

Designing a Customer Focused Service – Learning from Service Improvement in Other Sectors

William Fell

Associate Director

Altair Ltd

NHC Event break-out session

“Designing a people customer focused service - learning from other service improvement in sectors”

William Fell

9th February 2017

Purpose of today's session

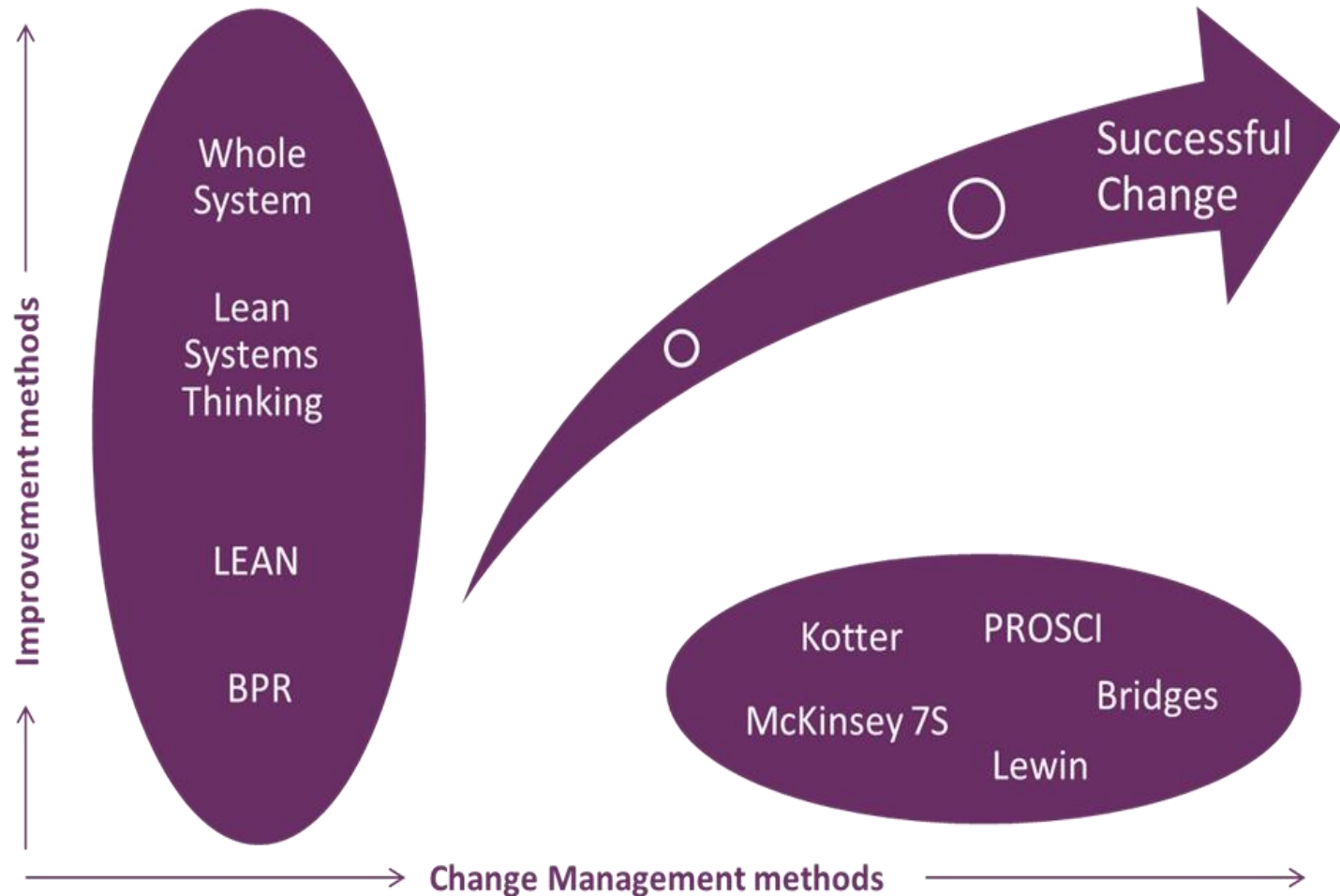
To share and discuss how other sectors are approaching improvement, transformation and change; to explore how they could be utilised, adapted and applied to achieve “Asset Portfolio – Value, Efficiency, Effectiveness” in the Housing sector.

Agenda for today's session

- Latest approaches and methods in other sectors
- The evolution of improvement methods
- Change Management
- Human behaviours – Re-thinking thinking!
- Summary of latest initiatives in other sectors
- Open discussion:

Can the latest approaches to improvement, transformation and change be adapted and applied to Asset Portfolio Management in the Housing sector?

Service Improvement, Transformation & Change



The evolution of improvement methods

- Lean is a method and set of "tools" for achieving excellence in customer service by eliminating waste and optimising the flow of customer value through the workplace.
- Systems Thinking is a framework for seeing inter-relationships rather than individual things, for seeing patterns rather than static snapshots.
- Lean Systems Thinking combines Lean and Systems Thinking, emerging as a set of general principles based on the Plan-Do-Check-Act method.
- Whole System extends Lean Systems Thinking, brings in a people-based approach utilising Change Management tools & techniques allowing us to seek to understand the whole system and 'learn our way' towards complex problem solving and effective action.

Whole System



- Practical and pragmatic extension of Peter Checkland's original CATWOE design
- For any process, service, team or organisation to work anywhere near its best, all eight aspects must be optimised and embedded.

Change Management

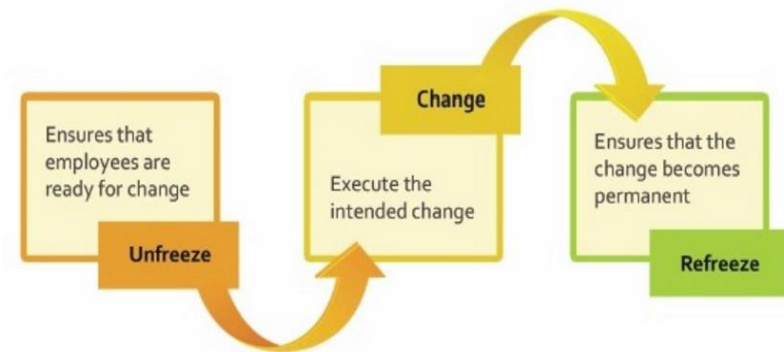
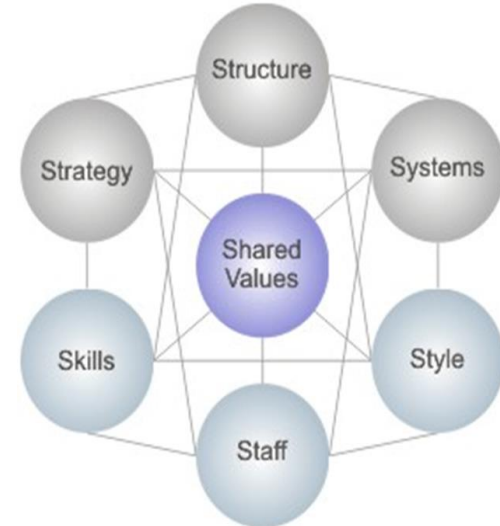
- “It is not the strongest species that survive, nor the most intelligent, but the ones who are most responsive to change”.

Charles Darwin

- Change Management is the process, tools and techniques to manage the people side of change to achieve the required business results.
- In order to manage change, several models have been developed:
 - McKinsey 7-S Model
 - Lewin's Change Management Model
 - Kotter's Eight Step Change Model
 - Prosci ADKAR Model

Change Management models

- McKinsey 7-S Model:
 - A management model developed by Robert H. Waterman, Jr. and Tom Peters; The 7 S's are structure, strategy, systems, skills, style, staff and shared values.
- Lewin Model:
 - Kurt Lewin was a German-American psychologist who developed a change management theory and model which is one of the most commonly applied models within the field of change management. It consists of three phases which are the Unfreeze phase, the Change or Transition phase and the Freeze or Refreeze phase.

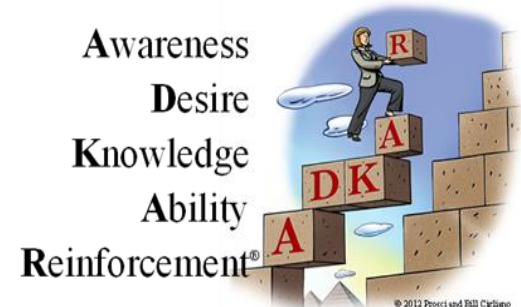


Change Management models

- Kotter's 8 Step Change Model:
 - The leadership and change management guru, John Kotter, a professor at Harvard Business School and world-renowned change expert, introduced his 8-step change process in his 1995 book "Leading Change".
- Prosci ADKAR Model:
 - This is a goal-oriented change management model to guide individual and organisational change; created by Prosci founder Jeff Hiatt, ADKAR is an acronym for the five outcomes an individual must achieve for change to be successful: awareness, desire, knowledge, ability, and reinforcement.



Prosci® ADKAR® Model



Human behaviours – Re-thinking thinking!

Organisations are addressing how to:

- ...prepare their people to identify and solve complex problems creatively (individually or in groups)?
- ...transform the workplace from a system that today is based on targets & blame to a system where people can be trusted to be curious, self-guided and self-motivated?
- ...create a workforce to solve today's and tomorrow's problems!?
- ...create a free-thinking environment rather than solutions to help people be a good obedient workforce?



PARTS

VS.



WHOLE



STRUCTURES

VS.



PROCESSES



LINEAR

VS.



NON-LINEAR



HIERARCHIES

VS.



NETWORKS



ANALYSIS

VS.



SYNTHESIS



OBJECTS

VS.



RELATIONSHIPS

Altair Summary of latest initiatives in other sectors

- In-house Improvement or Transformation Team – moving to second generation implementation
- In-house Change Management Team
- Specified methods, models and approaches including toolkits
- Modern methods of process capture e.g. digitalisation tools
- Visual Management – moving to second generation implementation
- Change Management Office (CMO)
- People profiling initially as part of recruitment now spreading to existing team make-up

Open discussion



Can the latest approaches to improvement, transformation and change be adapted and applied to Asset Portfolio Management in the Housing sector?

Thank you and close



William Fell

Lean Systems Thinking &
Change Management
Practitioner

M: 07768 244 205

E: will.fell@altairltd.co.uk

Knowing Your Asset Portfolio

Professional Practice Session 4

The Role of the Private Sector in Asset Management – Making It Work

Chris Hare, *Regional Manager, Keepmoat*

Drew Robertson, *Property Category Manager,
Anchor Trust*

Contract Approach and Strategy



Happy living for the years ahead



Agenda

- Historic Position
- Journey and Drivers
- Key Principles
- Selection and contract structure
- Benefits
- Challenges



Historic Position/Profile

- 1000 Properties Nationally (Care, Rental, Leasehold)
- 80,000 repairs plus planned works of £45m PA
- 485 contractors
- High tactical management burden (local delivery teams)
- Data visibility
- 5 Regions



Journey/Drivers

- To reduce the overall supply base and governance costs (Team VA and Structure refocus)
- To establish opportunity to improve service and **cost** year on year
- To develop increased visibility of cost impacts (granularity)
- To improve opportunity assessment
- To establish true category management and CI



Key Principles

Assumed trust

Common goals while recognising different drivers

Cost not price focused

Collaborative not contractual

Holistic

Open and transparent (open book but not cost plus)

Proportional and applicable

Strategic not tactical CI driven

Long term commitment



Approach-Selection

- OJUE?
- Focus on contractor selection and clarity of purpose not contract terms – Don't plan to fail
- Detailed capability and cultural audits (bridge gaps)
- Change management internal external (culture and expectations)
- Relationship development (clarity of expectations)
- Contract flexibility
- Collaboration built in



Benefits to date

- Increased asset Data
- Common data platforms
- Detailed analysis capability
- Joint problem and CI approach

Achieved

20% reduction in average cost of repairs

Reduction in emergency calls

Increased clarity on reporting repairs

VSM established and long term improvement strategy identified

Improved service levels

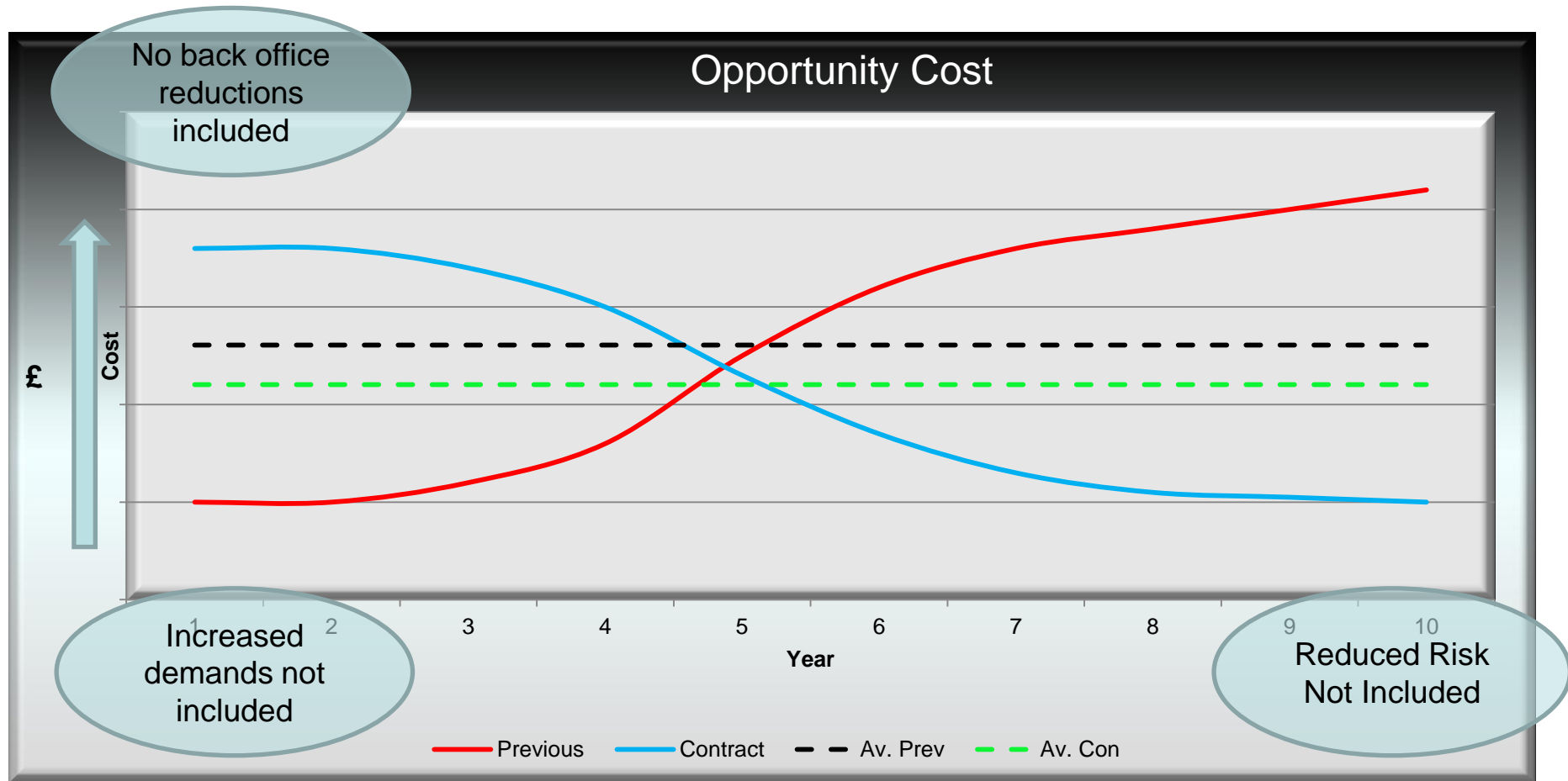


TCA

- The **Total Cost of Acquisition (TCA)** is the fully burdened price including life cycle administration governance etc. i.e. the full cost impact on Anchor
- The price can appear to be cheaper to use an alternate contractor while the TCA to Anchor may be more expensive so all decisions should be based on the TCA



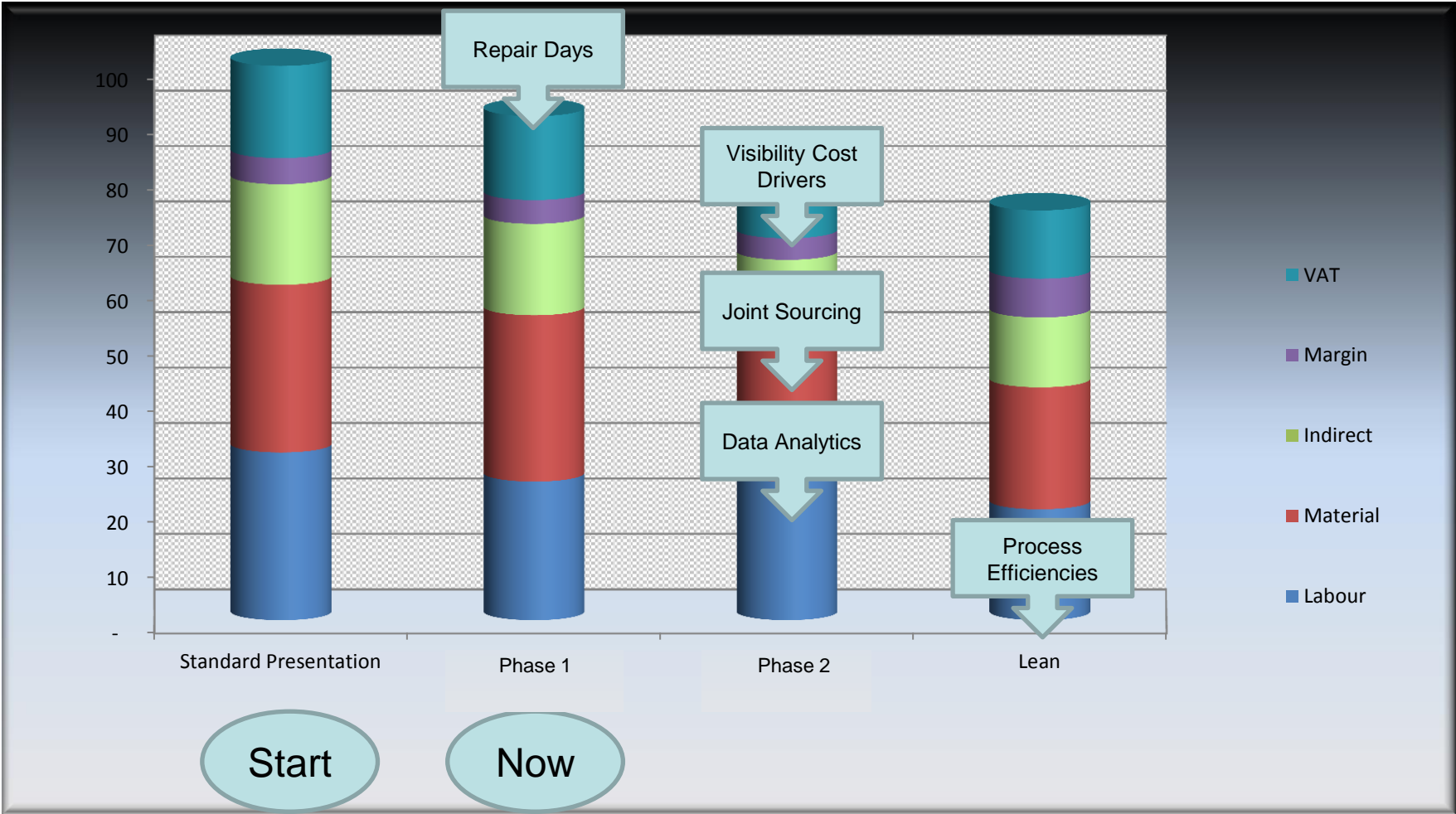
Lifetime Opportunity Cost



Happy living for the years ahead



Next Steps (scratched surface)





Challenges

Cultural shift and change management (stake holder buy in)
Benefit analysis and understanding
CI tools and understanding
Appetite All
Defining common goals
Openness
Reducing focus on contract (perceived risk)

Keepmoat's Perspective

- Relationship based on trust and collaboration, not adversarial
- Fixed overhead allows Anchor to leverage more services from us (electrical servicing, FRA works)
- Variable overhead e.g. benefits from efficiency fuel savings (repair days)
- Continuous improvement
- Gain mechanism from saving – incentivises efficiency
- Robust KPI framework governance

Keepmoat's Perspective

- 10year contract, so we can invest
 - ICT
 - Training
 - Plant
- Guaranteed sustainable margin
- Better procurement deals...more leverage with supply chain
- Anchor's behaviours challenged

NHMF Best Contract 2017



Happy living for the years ahead

Knowing Your Asset Portfolio

Professional Practice Session 5

Regeneration, Stock Rationalisation and Consolidation

James Hill

Head of Asset Investment

The Riverside Group



Regeneration, stock rationalisation and consolidation

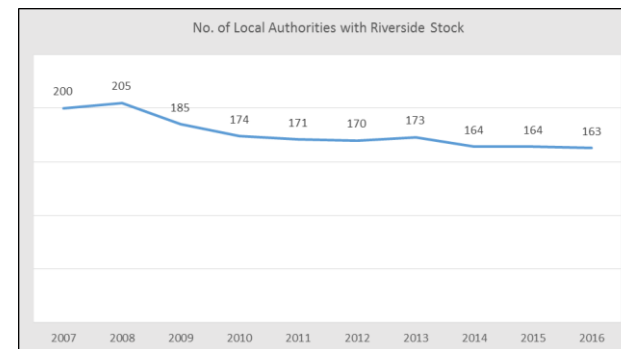
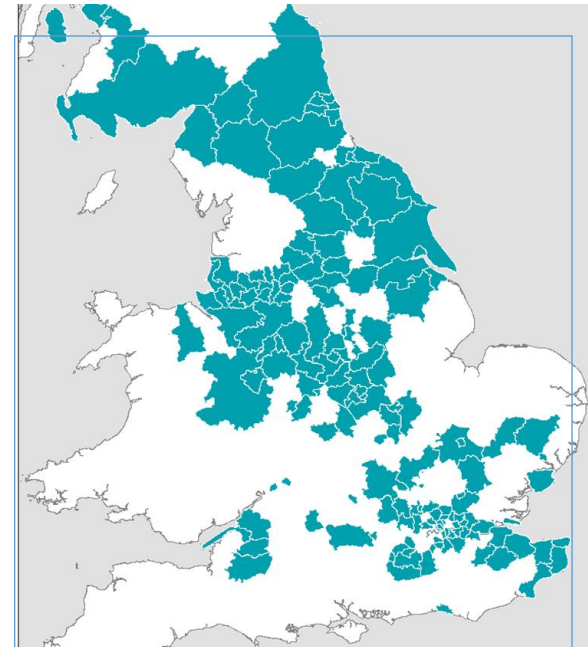
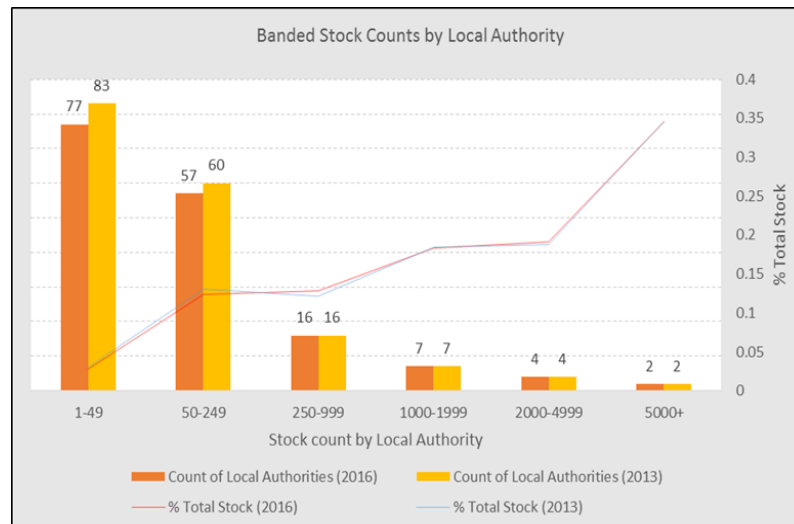
James Hill, Head of Asset Investment

The Riverside Group

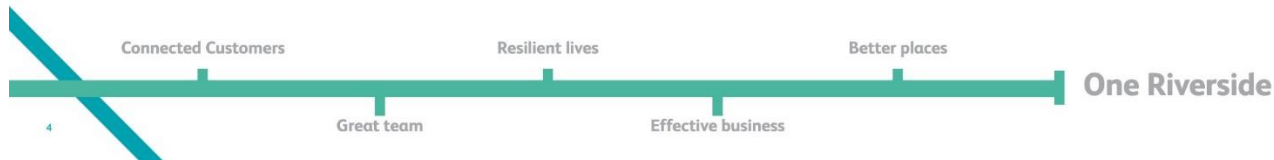
Transforming **lives**
Revitalising **neighbourhoods**

Size and shape

- We currently operate in 163 Local Authorities
- Ownership pattern is 'lumpy':
72% of stock is in just 13 local authorities where we own > 1000 homes.
3% of stock is in 77 LAs where we own <50
- Riverside's footprint has reduced: 10 fewer LAs since 2013. High-water mark 205



Think Homes – efficiency challenge





- Launched 2007
- To address local market failure in Merseyside
- The product:
 - A property 'improved' to mortgageable standard
 - Aimed at 'excluded' first time buyers = affordable
 - 25% grant off full market value
 - Some DIY needed
 - No rent to pay
 - Live in the property as main home
 - Grant claw back in first 5 years like RTB
 - Freehold transfers after year 5.
 - What's the catch ?



Helping buyers to get a foot on the property ladder.

Deposit
not always
required

**Own
Place**
www.ownplace.org

If you've been struggling to get on the Housing ladder, Ownplace could be the solution. Ownplace is a unique concept designed to help aspiring owner occupiers.

Refurbished homes in Merseyside start at just £39,375

Croxteth Avenue



Herrick Street



Rydal Street



Longfellow Street



What's the catch?

Where Ownplace differs is that qualifying purchasers will receive a massive **25% discount** from the purchase price. (T&C apply). Ownplace is not a shared ownership and buyers **own 100%** of their homes. Ownplace homes are designed for owner-occupiers and will not be sold to Property Investors, Developers, Speculators or Landlords.*

Still interested? Get further details.

Call 0151 343 9060

Ownplace, Brennan Ayre O'Neill, 12 High St Bromborough, Wirral, CH62 7HA

Ownplace is marketed by Brennan Ayre O'Neill on behalf of Ownplace Housing. Ownplace Housing is a charitable industrial and provident society. *Legal restrictions will apply

Using Own Place for wider regeneration



Botanic Road, Liverpool – de-conversions for Own Place

The programme so far:

Own Place Summary- Financial Year	No. of Properties	Own Place Total Cost	Historic Cost Write- off	Total TRG Cost	Sale Proceeds	I & E Surplus	Average Surplus	RCGF Generated on Disposal
2007/08	21	373,875	338,144	712,018	1,006,579	294,561	14,027	313,996
2008/09	40	811,676	864,104	1,675,780	1,819,531	143,751	3,594	797,002
2009/10	39	732,925	648,403	1,381,328	1,628,625	247,297	6,341	632,478
2010/11	41	898,260	675,919	1,574,179	1,777,475	203,296	4,958	621,248
2011/12	27	972,947	456,079	1,429,025	1,828,125	399,100	14,781	382,151
2012/13	97	2,275,710	843,517	3,119,227	4,315,500	1,196,273	12,333	614,184
2013/14	85	1,882,351	1,418,005	3,300,357	3,994,750	694,393	8,169	818,448
2014/15	50	1,245,675	726,970	1,972,645	2,540,250	567,605	11,352	414,540
2015/16	48	1,558,630	822,177	2,380,807	2,458,125	77,318	1,611	424,910
Total	448	10,752,049	6,793,318	17,545,366	21,368,960	3,823,594		5,018,957
Average		24,000	15,164	39,164	47,699	8,535		

Dealing with problematic stock from stock transfers

Liverpool + Hull



Post-HMRI solutions



Arnside Road, Liverpool – HCA funded Own Place

The Shipperies/Old Fire Station, Liverpool



HCA clusters funding round 2

EVOLVE

FACILITY SERVICES



Drivers for change

- Market change – high profile failures – Rok, Connaught.
- VAT increase to 20%
- Price –v- quality issues.
- Drive for efficiencies.
- Result - strategic review of options/ business cases (via Ark) :

1) Set up new entity from scratch – set-up costs/time.

2) Joint ventures – tried 2. Both failed. Complex.

3) Acquire existing company. Who's out there ? (market intelligence).

- Informal approach to Evolve joint owners.
- Outline terms agreed.
- Advantages for us – Bespoke, one client, easy fit. 'Oven ready'
- Ethos – commercial entity. Performance with profit.

Challenges/issues

- Set a completion date – work towards it. (6 months for us).
- Appoint the right team to advise:
 - ❖ Solicitors with experience (not your 'usual' – both sides).
 - ❖ Accountants – for DD/tax/analysis/valuation.
 - ❖ Project team – senior staff /specialisms with external advice (we used Ark for business planning + as 'honest broker').
- What's a fair price to acquire ? EBIT x ?
- Independent valuation needed for Board approval.
- Need the business case. The cost and return on investment.
- Due diligence – vital across several areas, particularly:
 - Finance/audit - do the books tell the story ?
 - Legal – sale agreement/disclosures/warranties/tax deed.

Planning for acquisition

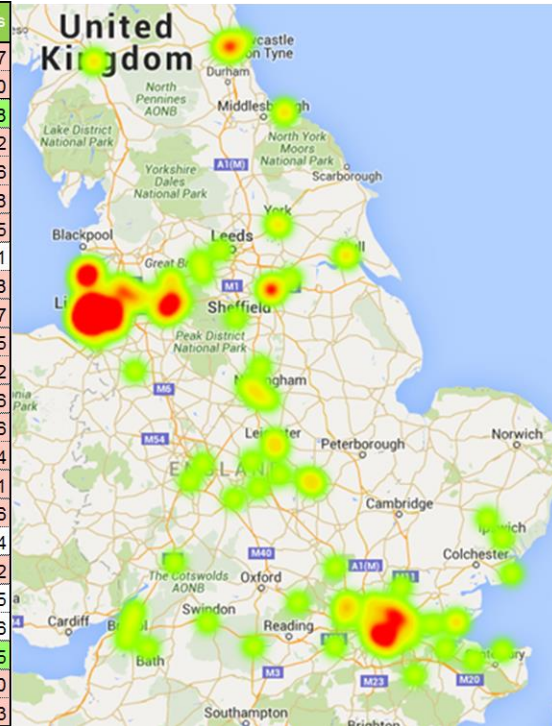
- Generally, consider all risks and mitigate. Take a view – you won't resolve it all. Informal arrangements exist.
- One point of contact/co-ordinator. Be proactive.
- Riverside's project plan included:
- Legal – fee quote; briefing; share purchase agreement; deferred payment mechanism; due diligence; negotiation.
- Governance – M&A's for new entity; new Board (skills/training); ToR; Co Sec; policies; procedure agreement; Group structure; parent step-in rights; division/subsidiary. Ltd Co ?

EVOLVE
FACILITY SERVICES

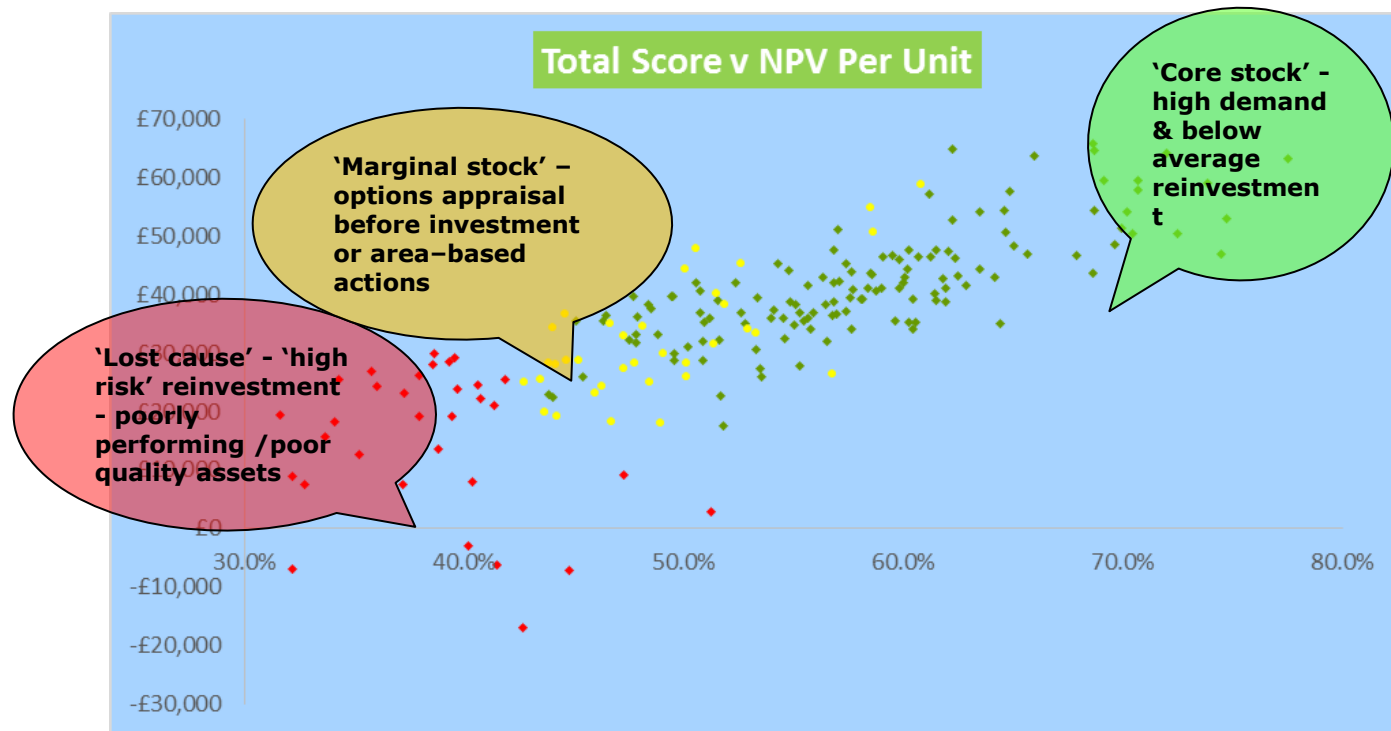


Understanding Riverside's assets

LA area	Units	LA area	Units	LA area	Units
Ashfield	24	Hillingdon	22	Runnymede	7
Barking and Dagenham	28	Ipswich	37	Salford	20
Bath and North East Somerset	8	Islington	17	Sefton	288
Berkshire	21	Kent	14	Sheffield	12
Birmingham	51	Kettering	39	South Gloucestershire	46
Brent	23	Kingston upon Hull	38	Southend-on-Sea	28
Bristol	10	Kirklees	26	Southwark	35
Bromley	90	Knowsley	236	St Helens	101
Calderdale	19	Lambeth	105	Stockport	38
Carlisle	69	Leeds	10	Swale	47
Central Bedfordshire	8	Leicester	107	Swindon	15
Cheshire East	11	Liverpool	855	Tameside	42
Cheshire West and Chester	26	Manchester	201	Tendring	16
Dartford	12	Medway	12	Tewkesbury	26
Doncaster	120	Mid Suffolk	19	Thurrock	14
East Northamptonshire	6	Newcastle	100	Tonbridge and Malling	31
Enfield	36	Newham	44	Waltham Forest	26
Epping Forest	8	North Tyneside	42	Warwick	54
Erewash	54	Nottingham	43	Watford	22
Greenwich	48	Oldham	31	West Lancashire	55
Halton	181	Redbridge	36	Wigan	126
Harlow	14	Redcar & Cleveland	44	Wirral	365
Havering	8	Rochdale	39	Wycombe	10
Hertsmere	34	Rugby	6	York	33



Understanding stock 'performance'



Rationalisation – key drivers

- Its' good practice – too many RP's per LA = less co-ordinated.
- LIFE model – (Lead, Influence, Follow, Exit)
- Costs – isolated/distant stock more expensive to manage.
- Local management = better services/engagement with tenants.
- Sustainability issues – poor performing stock.
- Generating income – void sales – supporting development etc.



Lewes, Sussex – tenanted transfer to Saxon Weald HA – 272 units

Option appraisals

- Applied to schemes – sheltered and supported
- Individual appraisals take account of:
 - Demand, location, voids, configuration/layout, DDA, condition.
 - Cost in use, SP risk, historic cost, SHG, planning, title, charges.
 - Value current and potential, market demand, *alternative uses*.
 - LA views, tenants views, RP interest.



Priestley Nook, Pendle

Transfers of tenanted stock

- What about stock swaps ? DIY or use consultants ?
- Consult with residents/advocates – follow good practice.
- Competitive tendering or single negotiation ?
- What's an acceptable price ? EUV; 'competitive' EUV ?
- What's the best offer for tenants ? Not just about price.
- Prep your data well in advance – legal/SCS/asbestos/DDA/arrears.
- Inform HCA/LA's of proposals (consult)
- Internal stakeholders – keep informed – any TUPE issues ?
- Business as usual until transfer – 1 year is the norm.



*Newbury scheme – transfer to
Sovereign HA*

Key lessons for stock transfers

1. Good communication is vital – keep stakeholders in the loop
2. Avoid disputes over repairs and maintenance
3. Understanding contractual obligations – what you're taking on
2. Quality of data and information available vital
3. Appoint experienced solicitors – no 'jobsworths'
4. Consultation with LA, HCA, staff and tenants – sell the deal
5. TUPE obligations
6. Front load legal work – title; charges; covenants
7. Don't focus on the small details – you'll lose focus



Lloyd Court, West Gorton – transfer to Guinness

Some recent transfers:

- Saxon Weald – competitive (272 units)
- Adactus HA – negotiated (112)
- Black Country/Walsall/Worcester HA's – negotiated (151)
- Notting Hill/Inquilab/Thrive - competitive – (130)
- Catalyst/ Sovereign/ Oxford Citizens/Elim/Rooftop – competitive (498)
- Sanctuary – 180 – (competitive)
- Calico/ Community Gateway – competitive (92)
- Weaver Vale HT – negotiated – (105)



Droitwich scheme – transfer to West Midlands consortium.

Estate remodelling/densifying



FIGURE 2_CALVERLEY CLOSE ESTATE



Knowing Your Asset Portfolio

Professional Practice Session 6

Increasing Use of Technology to Deliver Property Services More Effectively

Michael Appleby, Head of Organisational Excellence,
Altair

Kevin Heslop, *Director of Technology, Sanctuary Group*

Altair

Increasing use of technology to deliver property services more effectively

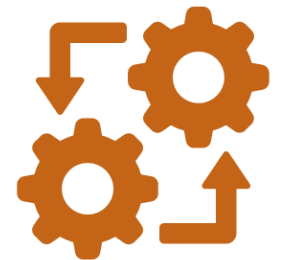
Michael Appleby
Director - Altair



Technological change

Background

- The sector is on a trajectory of rapid change.
- More widely, technological solutions are advancing.
- Customer demands, expectations and experiences are likewise transforming.
- Many are rethinking the types of services they provide, the way they are delivered, and how these are structured.
- By 2025 the typical housing organisation is likely to be very different to the one that we see today.
- Many are relying on technology to not only alter the way they operate, but also to deliver significant efficiencies.



Technological change

How does the sector see itself now?



Technological change

How is the sector transforming?

What are the main drivers for transformation?

Increasing efficiency – 61%

Improving customer experience – 53%

Delivering the corporate strategy – 34%

How are organisations transforming?

Processes
69%

Digitalisation
66%

Culture
61%

Customers
58%

Technological change

Interesting innovations – Property services

What are others doing now to transform the way they operate?



Smart Homes and the Internet of Things



Drones to support asset services



Wearable technology



Virtual reality



New service delivery models



Data, data and more data

Altair

Technological change

Interesting innovations

What about other sectors?



Gamification of services

first direct
The unexpected bank

Virtual contact centres



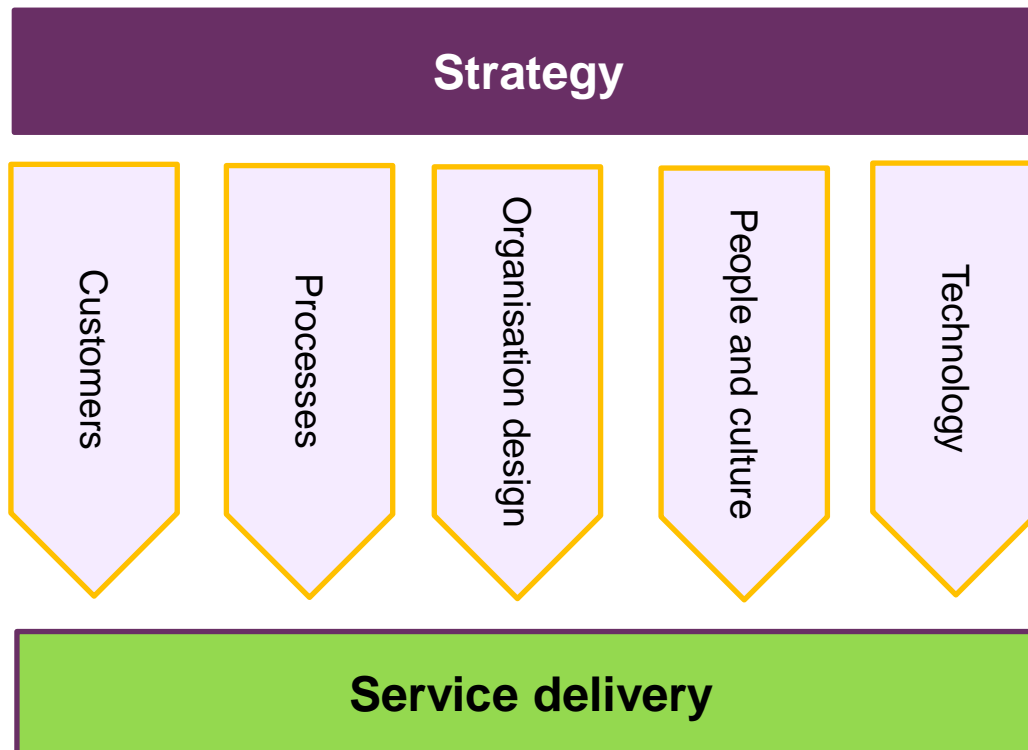
Developing artificial intelligence



Combines customer data and wearable technology to provide unique customer experiences

Technological change

It's not just about technology though!



The Altair logo consists of two overlapping purple circles. The word "Altair" is written in white, sans-serif font across the circles.

Altair

Contact:

Michael Appleby, Director

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- Property
- People
- Strategy & Governance
- Finance

OneSanctuary

Sanctuary's Asset Systems Transformation

Kevin Heslop

Sanctuary Group

- 100,000 homes in England and Scotland
- 11,000 staff
- 68 care homes
- £669 million turnover in 2016/17
- Developing 30,000 new homes by 2026
- Grown by mergers, acquisitions and new contracts over the past 25 years

Why change?

- Our growth presented a challenge – and an opportunity
- 30+ systems were in use across the Group
 - Disconnected processes
 - Duplicated data
 - Manual workarounds
 - Individualised processes

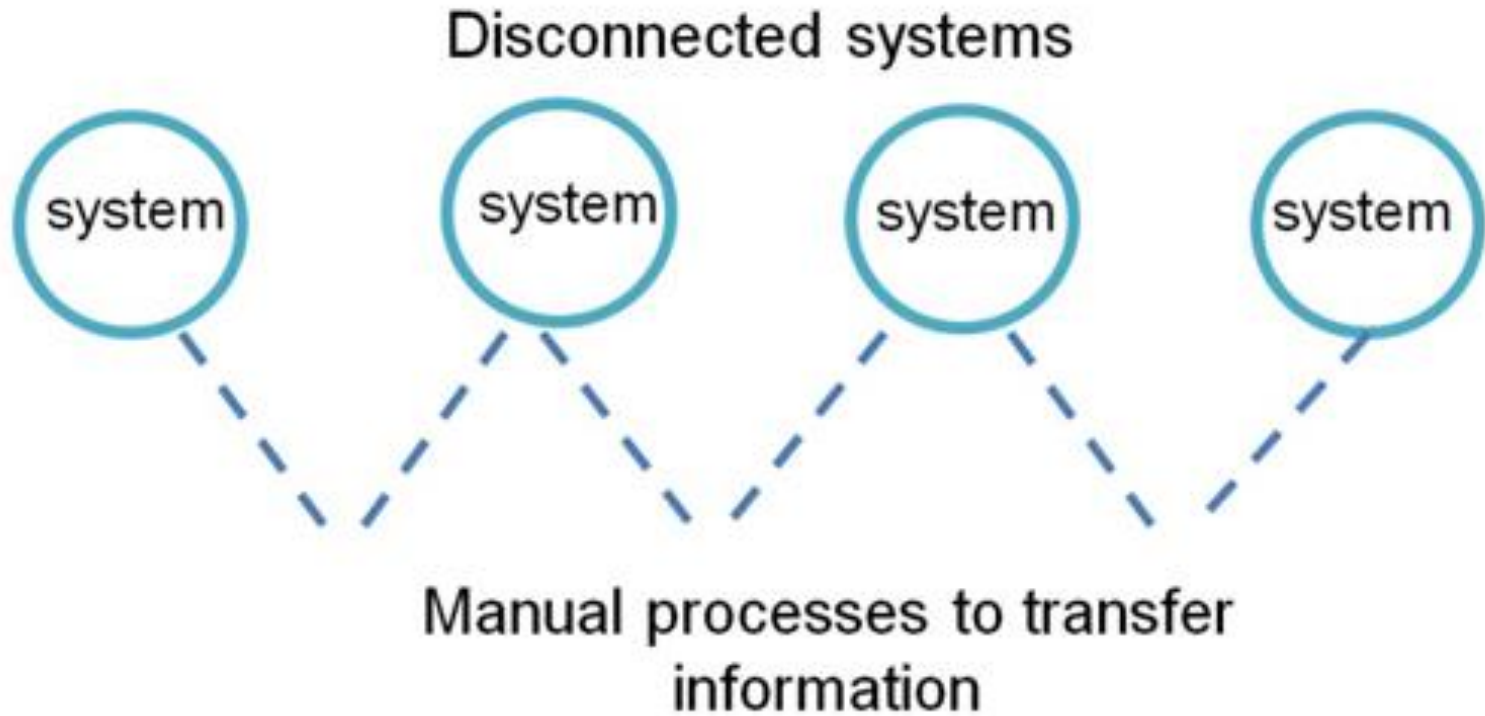
OneSanctuary

- Launched in 2013
- A Group-wide, long-term programme of activity looking at how we carry out daily activities.
- Made up of several releases.

OneSanctuary aimed to:

- Strengthen customer service.
- Improve our ways of working.
- Provide a strong foundation for growth.

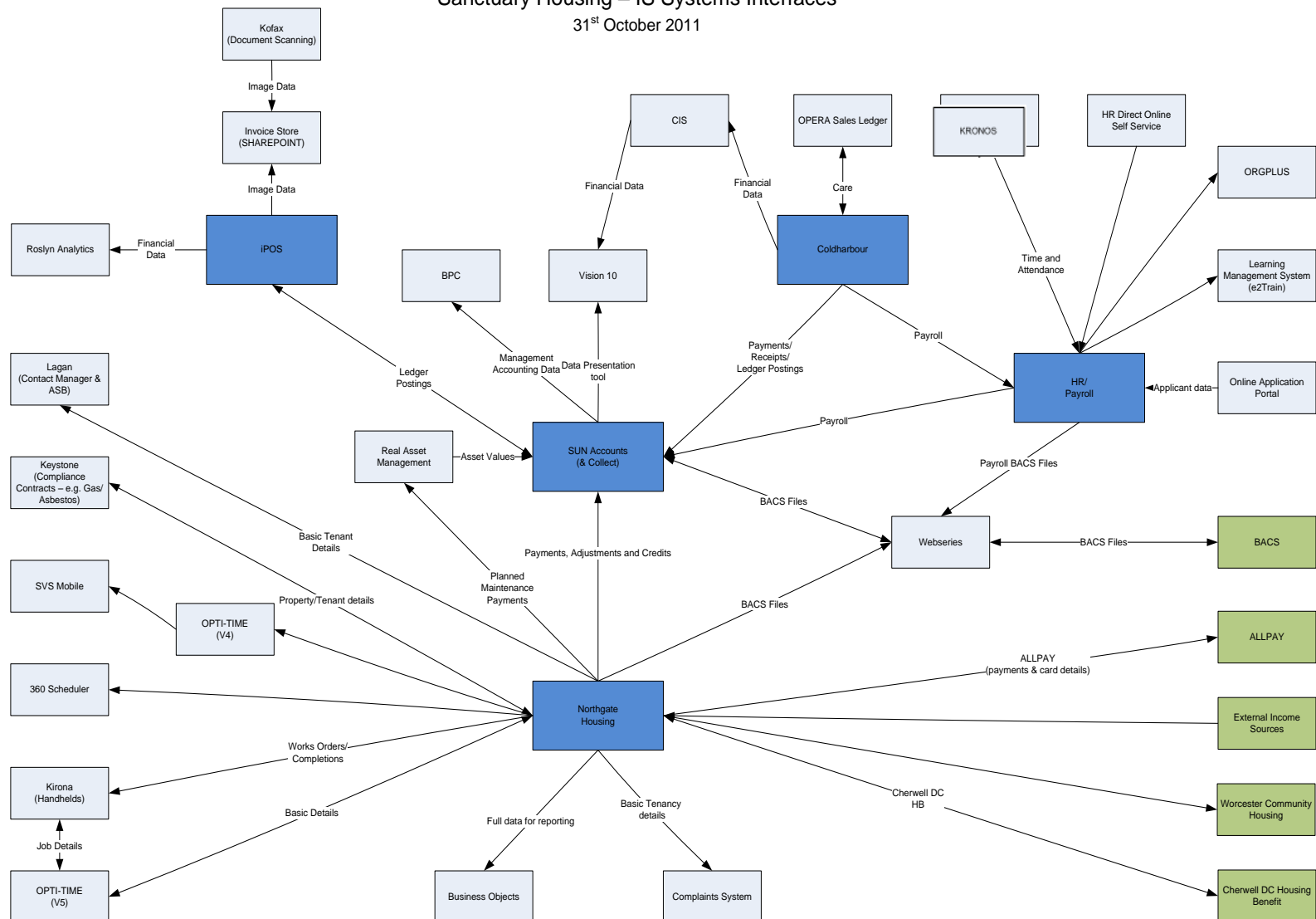
From...



What If - Sanctuary had a single platform

Sanctuary Housing – IS Systems Interfaces

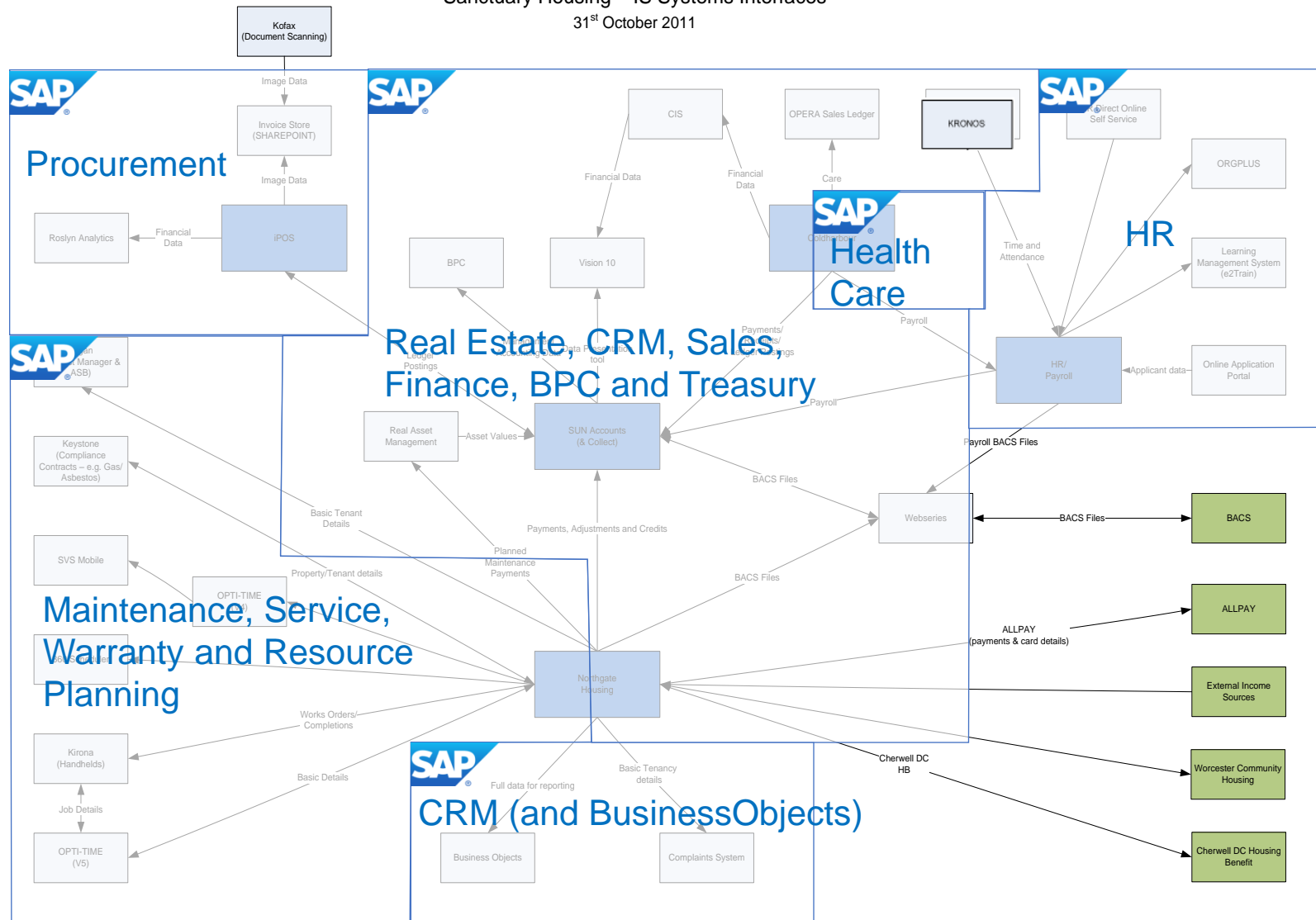
31st October 2011

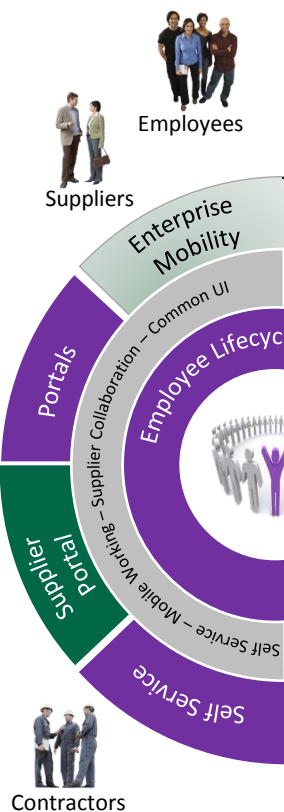


What If - Sanctuary had a single platform

Sanctuary Housing – IS Systems Interfaces

31st October 2011



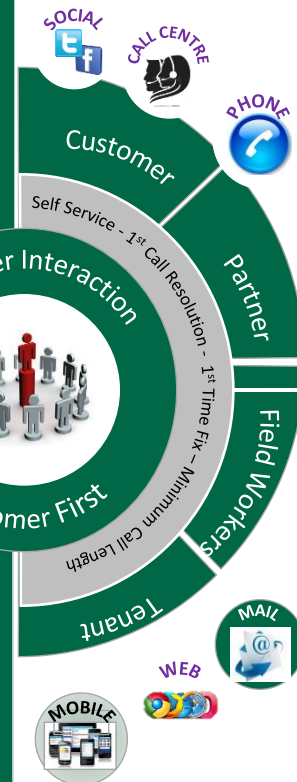


Business Intelligence & Reporting

Controls

Enterprise Content Management

Master Data Management



Finance Management Accounting Procurement	G/L & Statutory Reporting	Accounts Receivable	Cash & Bank Accounting	Accounts Payable	Fixed Assets	Project Accounting	Document Scanning & OCR	Treasury	Consolidation	Common Charges Mgt.
	Management Reporting		Cost Centre Accounting		Internal Order Management		Planning & Forecasting		Service Cost Management	
	Supplier Management	Requirement Management	Purchase Order Processing		Goods & Services Receipt	Sourcing Project Management		Sourcing	Contract Management	

Story so far

- January 2015 – Finance and Procurement
- April 2015 – HR
- May 2015 – Recruitment and L&D
- July 2015 - Service charges
- November 2015 – Fixed Assets
- August 2016 – Housing and Asset Mgt
- January 2017 - Maintenance

Outcomes

- All network users are now users of OneSanctuary (6,000 networked staff)
- Shared Service Centre for all HR, Accounts Payable and IT enquiries
- Standardised processes across operations
- Building knowledge base internally – investing in training for our team
- Benefits realisation and legacy decommissioning underway
- All required data migrated into OneSanctuary

Transformation – how?

- The 'OneSanctuary' programme, branding etc.
- Business led approach
- 1 year design workshops – process and system
- Out of the box SAP wherever possible (90%)
- 'Is there a reason to not use standard SAP here?'
- Design principles to assist staff
- Common processes across business units
- Genuine uniqueness established (and respected)

Transformation

- Benefits plan by process area
- Process, data and benefits owners
- Processes and systems first, transformational structure changes subsequent:
 - Shared Service Centre
 - Housing Tiered Service Model
 - IS / Finance Restructures
- 8 year ROI
- Further change to come (self service, mobility, first simplification via new SAP platforms)

The roadmap

- SAP enabled 'change'
- Customer Portals
- Staff Mobility
- Asset re-investment
- The SMART property
- Exchange On-line

Please get in touch

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Director of Technology

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Based in Worcester

Knowing Your Asset Portfolio

Professional Practice Session 7

Revolutionising Your Repairs Service

Charlotte Semp

Director of Strategy and Investment

Notting Hill Housing Trust

Knowing Your Asset Portfolio

Professional Practice Session 8

Future of Asset Management – in depth assessments, assets and data

Mick Warner, *Deputy Director for Regulatory Operations,
Homes and Communities Agency*

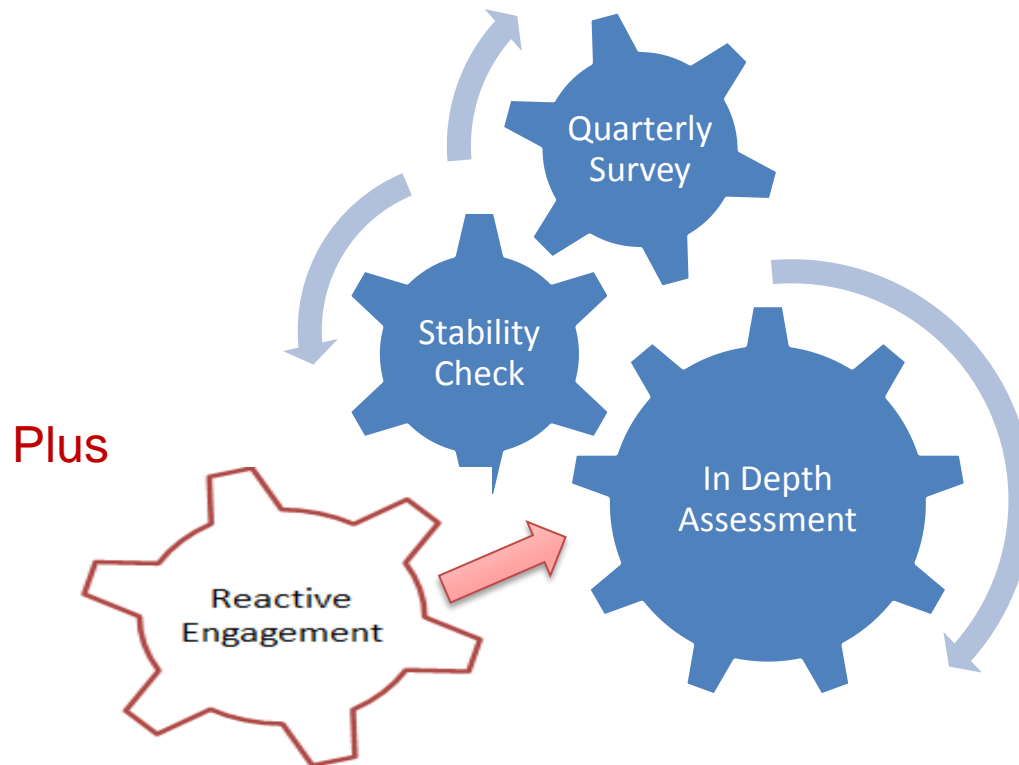
Sarah Parr, *Director, Altair Ltd*

Future of asset management – in depth assessments, assets and data

Sarah Parr
Director
Altair

Mick Warner
Deputy Director for Regulatory
Operations
Homes and Communities Agency

Elements of the new operational model



- Each IDA is a bespoke piece of work and will consider in detail the provider's viability (their ability to meet financial obligations) and their governance
- Each IDA is scoped to ensure we focus on the key issues impacting upon the particular provider's compliance. However, IDAs are framed around a consistent model, linked to the standards

Components of IDAs

Component	Element
Strategy	The provider's strategic direction, priorities and its operating markets
Structure	The provider's structure, the interaction between the various companies within the organisation and the activities they carry out
Financial Resilience	In-depth analysis of the provider's long term viability: financial strength and financial management
Risk profile and mitigation	Rounded assessment of the provider's understanding of the significant risks facing its business and how effectively it is managing them in the context of its risk appetite and overall governance arrangements so that it can deliver its objectives, maintain its financial position and protect social housing assets
Governance	Overall governance control. Includes quality of business plans, quality of management reporting and forecasting, timely arrangement of financing, board skills, effectiveness and interface with the executive

A reminder of the Regulatory Framework 1

From the Governance and Financial Viability Standard:

... registered providers shall assess, manage and where appropriate address risks to ensure the long term viability of the registered provider, including **ensuring that social housing assets are protected**. Registered providers shall do so by:

(a) maintaining a thorough, accurate and up to date record of their assets and liabilities and particularly those liabilities that may have **recourse to social housing assets**

A reminder of the Regulatory Framework 2

From the VFM Standard:

Registered providers shall:

- (a) **have a robust approach to making decisions** on the use of resources to deliver the provider's objectives, including an understanding of the trade-offs and opportunity costs of its decisions
- (b) **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 organisation's purpose and objectives**.....

**Not yet had an
IDA?**

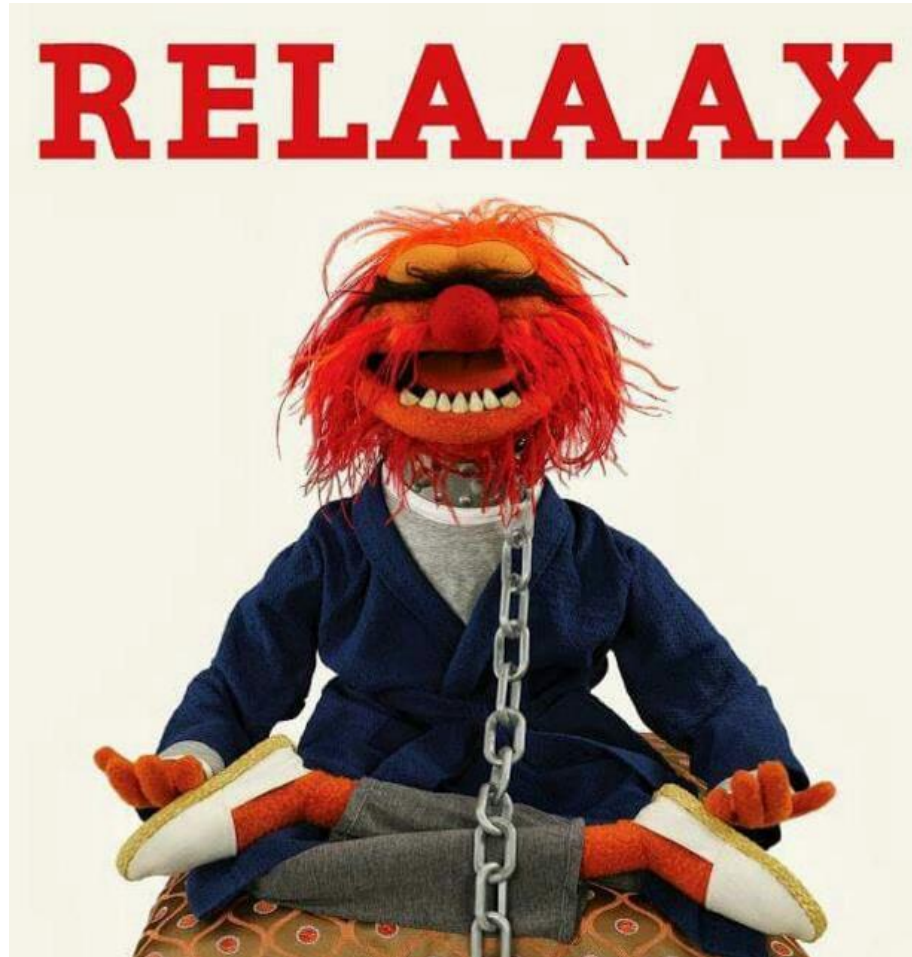
**Not sure what
to expect?**

**Not sure if
you're ready for
it?**



Altair

RELAAX



Altair

How to prepare

Documents



Audit trail



Interview
Preparation



Board
Members



How would you answer.....?

What are the key challenges with respect to your management strategy?

How has your approach to asset management been impacted by the rent reduction?

How do the development costs compare to other organisations?

How do you measure the performance of housing assets?

How do your maintenance costs compare to other organisations?

How do you measure the performance of housing assets?

How do you measure the performance of housing assets?

How do you measure the performance of housing assets?

Good luck!

Sarah Parr, Director
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Mick Warner, Deputy Director
HCA

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Property ■ People ■ Strategy & Governance ■ Finance