Asset Management – It’s a Whole New Ball Game

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Why is Asset Management important?

Managing assets effectively is crucial to both the operation of a landlord’s business and its ability to achieve its aims and maintain its values.

– Managing the Assets – A guide for housing associations (National Housing Federation)
Why is Asset Management important?

- **Asset Management costs dwarf other costs**
  - Major Works
  - Cyclical Maintenance
  - Responsive repairs
  - Void repairs
  - New build
  - Contact centre costs
  - Overheads

- *A large housing association can expect to incur an average of £2,855* per property on *total asset management costs (excl new build)*

- (* source Housemark data 2014)*
Asset Management Costs

- Average RP benchmark size – circa 13,000 units

- Asset Management Cost Breakdown (incl. O/Heads and Mgt) per property:
  - Major Works £1,744
  - Cyclical Maintenance £249
  - Responsive Repairs * £545
  - Voids Repairs * £316

* - Usual focus of attention by management, Boards and tenants!
Why asset mgt is important

Average Proportionate Maintenance Spend

- Responsive
- Voids
- Cyclical
- Major Works
Asset Management linkages

- 10% of your stock will cost you 30% of your resources!
- 20% of your stock will cost you 50% of your resources!

- *It is crucial to have accurate and robust information to underpin your asset management decisions*
Asset performance
Why it’s important

- **It’s an issue for landlords**
  - How well is your housing stock performing?
    - As an individual unit of housing?
    - As a stock archetype?
    - As a neighbourhood/estate?
    - As a total entity for the Business Plan?

- **It’s an issue for the Regulator**
  - What is your return on your investment?
  - How are investment decisions made?
  - How do you manage risk?
  - Value for money assessment
Asset performance

- **Tradition NPV calculation:**
  - \( \text{NPV} = \text{Rents (over 30 years)} - \text{Management and Maintenance allowances} \)
  - Assumptions on rent increases (CPI + 1%) – 3% per annum?
  - *Is this a realistic assumption? (deflation!)*
  - Accurate management and maintenance costs
  - *How accurate are your costs and are they disaggregated across your stock?*
  - Robust stock condition data
  - *Is this underpinned by detailed surveys? Do you trust the surveys?*
Suggested for renewal!
Asset performance

NPV of Operating cash flow:
- Rents after voids etc less
- Major repairs (from condition survey)
- Management & Maintenance spend
- All adjusted for inflation
Option Appraisals

- OK TO INVEST
  - OPTIMISE
  - PROCUREMENT

- RECOVERY AND IMPROVEMENT PLAN

- OPTION APPRAISAL

Asset Groups

Price Range: £30,000 - £60,000
Neighbourhood performance

- How well is the neighbourhood performing?
  - Popularity of neighbourhood
  - Housing demand
  - Voids and turn-over rates
  - Income levels
  - Deprivation levels
  - Crime
  - Educational attainment
  - Health statistics
  - Resident satisfaction
  - Fuel Poverty
  - Rent arrears levels
Neighbourhood impact
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Incommunities data sources

- **Accurate housing demand information**
  - Value-Based Lettings (not Choice-based system)
- **Demographic data**
  - Household trends and future aspirations;
- **Housing market analysis**
  - PRS
  - Are rents/service charges competitive
  - Other RP provision
- **Cost-in-use information**
  - Real cost of living in our homes
  - Fuel poverty, transport, service charges
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- GIS “hot-spot” repairs data
  - Supports stock condition
  - Triangulates stock condition survey data

- Open market value
  - Supports disposal policy
  - Sweats the assets

- Yield (return on capital)
  - Important VFM indicator
  - Careful of low rent/high OMV (and vice versa)

- Social Value of Investment
  - Virtual value of investment to the customer; HACT
A Whole New Ball Game
Working together for the assets

Traditional approach
- Segmented/silo approach
- Short-term decisions but long-term impact

A new approach is required:
- Day-to-Day Maintenance & Voids (working with)
- Planned & Cyclical Maintenance (working with)
- Development and New Build (working with)
- Neighbourhood Management
Repairs and Maintenance role

- Accurate, disaggregated responsive repairs costs
- Average voids cost by type and location
- “Hot-Spot” information, type, frequency and location of repairs
  - Validate/challenge Major Repairs programmes
- Value engineering for parts and materials
  - Whole life cost
- Input into design and specifications
  - Major works
  - New build
- Regular feedback to Asset Management
  - What works; what doesn’t and why?
  - Learning loop
Emerging issues

- **Supply of affordable homes**
  - Waiting lists demand; homelessness; overcrowding; concealed households

- **Variable demand**
  - Driven by welfare reform; location; property type; demographic changes

- **Wrong stock - wrong location**
  - Demographic changes (sheltered, inner city flats)

- **Environmental Sustainability**
  - Retro-fit; renewables; FIT
Emerging issues

- **Sheltered Housing**
  - Fit for purpose? Growing elderly population; changing aspirations; personal care agenda; living in own homes; asset rich

- **High-Rise**
  - Housing of choice? Bedroom Tax; Service charges;

- **Decent Neighbourhoods**
  - Fencing; public amenity; landscaping; security

- **Fuel Poverty**
  - Hard-to-heat homes; district heating; metering
Emerging issues
Option appraisals

- Fix
- Sell
- Demolish or
  - Dispose to another RP
  - Different client group
    - Students; young people; elderly; extra-care
  - Different tenure
    - Market Rent; Shared Ownership
  - Neighbourhood/Environmental investment
  - Short-life property
  - Fixed term tenancy (with review later)
  - Remodel
  - Cut your losses !!!
Option appraisals

- Key to good asset management decisions
- Involve all areas of the business
  - Repairs & maintenance; Asset Mgt; Development; Neighbourhoods; Finance
- A range of factors to consider – not just financial
- Long-term impact of decisions
- Risk assessment of options
- Sometimes options don’t deliver positive value
Asset management should be at the heart of your business

That’s why it’s a whole new ball game!
It’s a Whole New Ball Game

Any Questions?