



# **West Lancashire Borough Council**

## **Housing and Inclusion Asset Management Strategy 2019-2024**

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## **1.0 BACKGROUND AND CONTEXT**

- 1.1 The operating environment for social housing is one of the most challenging and fast moving for many years. Reform of the welfare system allied to continued cuts in public sector budgets and significant reductions in grant levels for new development programmes are placing increasing pressure on social landlords and their customers.
- 1.2 In addition regulation has changed: while more light touch and less prescriptive with a strong emphasis on financial viability and Value for Money, the recent Government Green Paper on social housing 'A new deal for social housing' brings some of the focus back on empowering customers to having a greater say and control in the management of their homes.
- 1.3 The Borough has a strong housing market with high demand for both the private and social rented sectors. However, the housing market in the Borough is not balanced and does not offer a range of housing for those at all income levels, with a shortage of affordable entry level housing for both single people and families across the Borough. With continued reforms to the welfare system, allied to the uncertainty of the performance of the economy, at both a national and local level post Brexit, the demand for affordable housing within Borough is likely to come under increasing pressure.
- 1.4 Analysis from the Council's current Housing Strategy identifies that the Borough, like many parts of the country is forecast to see an uplift in the number of households, whilst the outturn of new homes is anticipated to fall as a result of current issues around access to finance and market confidence. Analysis of the demographic groups within Borough indicates the greatest shortfall in accommodation needs will be for single non-pensioner households and lone parent households, emphasising the importance of delivering small, but well apportioned family sized affordable housing units, closely followed by a developing demand for extra care accommodation to cater for an increasing ageing population.
- 1.5 Previous Asset Management Strategies were very much focused on meeting and maintaining homes to the Decent Homes Standard (DHS). That standard has broadly now been met, and the Council now requires an Asset Management Strategy and Plan to set out how it will use its resources to ensure its existing homes continue to meet the DHS going forward whilst assisting in addressing some of the wider housing issues within Borough.
- 1.6 To achieve the Council vision 'To be a council which is ambitious for West Lancashire - our Economy, Environment and for Health and Wellbeing' providing sustainable, quality, affordable homes is a key factor in achieving this ambition

- 1.7 This Asset Management Strategy will set out how the Council will prioritise investment between the different options that are available in terms of property, neighbourhoods or the wider area/agenda and will provide a mechanism for area reviews (option appraisals) where investment needs to be carefully considered, whilst maintaining required standards.

## **2.0 Principles of the Asset Management Strategy**

- 2.1 The Council recognises the crucial role good quality affordable housing plays in the promotion of good health and wellbeing and sense of place. This strategy aims to improve and build on our housing offer by developing bespoke local plans which are tailored to the needs of the local community whilst ensuring long term sustainability and a sound business footing.

- 2.2 Managing assets effectively is central both to the operation of a landlord's business and its ability to achieve its strategic aims and maintain its core visions and values and is at the heart of a robust business plan.

- 2.3 Strategies have previously focused principally on delivering work programmes rather than actively managing the assets with the focus being on;

- Stock surveys providing asset intelligence
- The delivery of works programmes
- Managing budgets and spending budgets wisely
- Dealing with the worst properties first

- 2.4 While the first three points above remain important aspects of asset management, the Council will need to develop a more proactive business planning approach considering;

- What investment is needed in our properties
- When that investment need will arise
- An understanding of current and future demand
- An understanding of how properties are currently performing
- Alternative options – demolition / disposal / change of use
- Stock rationalisation
- New Developments

- 2.5 This approach will improve the worth, both social and financial of our housing and related assets, with the developed business plan providing the basis for an asset management strategy that considers a 30-year timeframe providing a framework for short and medium-term plans which will take into account;

- Investing in the long-term sustainability of the assets.
- Meeting customers housing needs in terms of the location, type and standard of their homes and ensuring their views have real influence in the shaping of local plans.

- Actively managing the assets so that decisions are able to be made on an estate and individual property basis with key internal stakeholders.
- How the asset management strategy supports the wider aims of the Council – development of new homes, and / or supporting localities.
- Redevelopment Plans including those of the Councils development company.

### **3.0 Asset Management Planning Approach**

- 3.1 The proposal is to move to Area Asset Management Plans (AAMPs). These plans will provide a basis for a more coordinated approach to asset management, and particularly recognise that housing management and the surrounding environment should be an integral part of investment planning.
- 3.2 Developed area plans will gear investment / divestment /replacement into the stock over 5-year bands. As and when individual properties become void these will be assessed in more detail to ensure any planned investment / divestment requirements ‘marry’ up to the overall plan.
- 3.3 To make informed judgements when producing the AAMPs will require a granular understanding of the stock and its performance. While robust information relating to the condition of individual building components will be held within the asset management module of QL, measuring the long-term performance of the stock will be undertaken using an Asset Intelligence Model. The modelling and options appraisal of the property portfolio will allow the Council to:-
- Demonstrate Value for Money [Vfm].
  - Determine investment strategies at a property, street, estate and neighbourhood level.
  - Assist in the long-term planning regarding the obsolescence of assets.
  - Identify when major investment is needed and ensure that investment is delivered through intelligence driven maintenance programmes.
  - Model alternative asset management strategies and,
  - Assist in the delivery of social investment objectives and quantify the impact of that investment.

### **4.0 Stock Condition Information**

- 4.1 The Council has undertaken a Stock Condition Survey (SCS) in 2018 which covered 100% of the existing housing property portfolio. The SCS informs both the Council’s Long-Term Financial Plan (LTFP) and investment requirements/ budgets.
- 4.2 Additional sample surveys will also be carried out to ensure we maintain accurate information along with updates following the completion of programmes of work.

- 4.3 The SCS 2018 identified £191m of expenditure required over a 30 year period to maintain the Council's housing stock at current standards. A breakdown of that spend is provided in Table 1.0 below.

West Lancashire Borough Council							
Stock Condition Survey 2018							
30 Year Spend Profile - Capital Works Programme							
Element Group	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	Total
Catch Up Repairs	£574,710	£0	£0	£0	£0	£0	£574,710
Improvements	£1,352,650	£0	£795,150	£0	£795,150	£0	£2,942,950
Kitchens	£3,164,000	£3,332,000	£3,860,000	£12,548,000	£3,164,000	£3,332,000	£29,400,000
Bathrooms	£2,603,800	£1,719,350	£2,437,500	£5,804,750	£2,122,100	£5,711,950	£20,399,450
Electrics	£3,471,840	£506,120	£787,340	£2,150,120	£2,033,340	£2,901,620	£11,850,380
Heating	£4,113,300	£4,344,100	£7,384,100	£3,811,900	£7,901,600	£8,684,600	£36,239,600
Roofing	£10,245,344	£1,072,908	£1,904,592	£3,394,642	£1,550,539	£6,452,362	£24,620,386
Windows	£1,167,297	£946,526	£4,927,730	£2,471,580	£3,240,966	£2,682,100	£15,436,199
Walls	£1,398,205	£2,451,652	£3,426,346	£7,412,065	£2,778,100	£2,007,421	£19,473,789
Doors	£779,500	£139,650	£611,250	£985,400	£3,279,750	£2,364,300	£8,159,850
External Works	£5,021,219	£3,031,008	£1,783,749	£3,439,640	£729,164	£872,974	£14,877,754
Common Doors	£793,841	£306,284	£235,514	£341,852	£68,916	£45,837	£1,792,245
Common Services	£586,500	£555,750	£577,041	£723,000	£1,108,750	£1,335,354	£4,886,395
Common Kitchen / Bathroom	£10,000	£20,000	£27,237	£0	£19,000	£41,237	£117,473
<b>Total</b>	<b>£35,282,205</b>	<b>£18,425,348</b>	<b>£28,757,549</b>	<b>£43,082,948</b>	<b>£28,791,376</b>	<b>£36,431,755</b>	<b>£190,771,181</b>
<b>Total per annum</b>	<b>£7,056,441.09</b>	<b>£3,685,069.55</b>	<b>£5,751,509.85</b>	<b>£8,616,589.63</b>	<b>£5,758,275.18</b>	<b>£7,286,350.96</b>	<b>£38,154,236</b>

Table 1.0; SCS 2018 - Breakdown of 30 year spend by element – Capital works programme.

- 4.4 The SCS 2018 identifies the spend needed to meet legal, statutory and Health and Safety issues and ensure the stock and related assets, going forward, are kept at today's standards. Whilst the business plan can support this projected spend requirement with resource levelling, the Council may want to invest its finances into other areas to support its vision and value statements. This spend could cover issues such as car parking, redesign of areas to meet secure by design principles or addressing environmental uses. Alternatively, the Council could decide to invest in areas that not only underpin its vision and value statements, but support a national agenda, for example, investment in green technology to homes. This would help alleviate fuel poverty, reduce carbon emissions whilst improving customer's homes to higher standards than current levels.
- 4.5 The 5-year investment bandings within SCS 2018 provide an indicative starting point for investment planning and timing. The Asset Management Team will undertake some further detailed inspections, surveys and assessments to identify the nature and urgency of the works and will categorise them in the following ways:
- 4.6 Essential Investment;** considered to be urgent in the coming year and which cannot be moved due to risk of falling into breach of the Decent Homes Standard, failing to meet our obligations under Section 11 of the Landlord and Tenant Act 1985, or health and safety risks. An example of this would be a

roof where a good proportion of the roof tiles are beginning to slip and cause water ingress and risk of falling tiles.

**4.7 Required Investment;** considered to be important in the coming year but which could move back 2 – 3 years, without material risk to the building fabric / component. An example of this would be delaying the replacement of a lift, door entry system or pointing to external brickwork.

**4.8 Discretionary Investment;** considered timely and advisable in the coming year but which could be moved back into a future year within the 5-year band without material risk to the building fabric or health and safety. An example of this would be environmental works, such as providing additional parking on estates.

**4.9 Improvement Investment;** considered to be a desirable enhancement to a property, estate, scheme or block, but which is purely discretionary. An example of this would be external wall cladding or renewable energy components such as solar photovoltaic panels to generate electricity.

4.10 Whilst it is important that 'Essential' and 'Required' investment is undertaken to keep properties at the correct level in terms of health and safety and our legal duty to ensure they are lettable now and in the future, the Council will have the ability to review how it spends its funds on 'Discretionary' and 'Improvement' items. This flexibility provides the Council the ability to invest in Improvements or redirect that spend to invest in other areas such new developments or in support of other strategic business activities as referred to in section 4.4. This also allows works to be suspended pending option appraisals.

4.11 There are however risks in pushing back elements of investment spend on the stock and related assets, in that a 'bow wave' of investment may accumulate around the same period of time, placing unplanned strain on both financial and staff resources. This will need to be closely monitored through existing risk registers and reflected in future business and capital investment planning.

## **5.0 Standards and Compliance**

**5.1** The Council has policies in relation to the 5 keys areas of property compliance, Gas Safety, Water Hygiene, Electrical Safety, Fire Safety and Asbestos Management.

**5.2** These policies set out the Councils approach to these critical health and safety issues. Future business/investment plans will ensure funds are available to carry out these critical compliance activities.

**5.3** The Council will ensure that all properties meet any other statutory standard such as the current decent homes standard and ensure that adequate funding is available. This is regardless of property categorisations allocated as part of this strategy.

## **6.0 Repairs and Maintenance**

6.1 The Council is currently undertaking a major exercise to procure the response maintenance service. This contract will aim to modernise the current service and minimise administration by moving to a price per property model. The contract will also have scope to include cyclical works such as heating servicing and painting. The contract will facilitate significant investment by the successful contractor to deliver a modern dynamic responsive service. Business/Investment plans will ensure funds are available to carry out these essential activities thus, protecting the value of the council assets. However, where a property / area is designated for essential works only, as per section 9, then this may affect the approach to maintenance and void works and shorter term remedies and 'mothballing' of void properties may be applicable dependant on the required investment. These decisions will be taken by the Tenancy Services Manager in consultation with the Senior Stock Condition Surveyor

## **7.0 Aids and Adaptations**

7.1 The Council is committed to ensuring that residents are able to live independently in their homes for as long as possible and we will carry out adaptations in line with our aids and adaptations policy. Business/Investment plans will ensure funds are available to deliver the policy. Capital investment programmes will aim to minimise the need for adaptations by adopting designs with a lifelong homes philosophy.

## **8.0 Sustainability**

8.1 A key purpose of the Asset Management Strategy is to make sure that investment in the stock ensures homes are sustainable over the life time of the long-term financial plan through managing both internal and external factors that may impact upon the let-ability of properties.

8.2 In making these decisions it is necessary to be able to evaluate assets in order to be able to choose between alternative uses for capital and human resources over the medium to long-term. In financial terms it is essential to gain a positive return on any investment that is undertaken on the stock. This needs to be balanced against environmental and social factors. It is therefore important for the Council to have a process to assess these issues and ensure investment is targeted to achieve sustainability in the long term.

8.3 Investment will be prioritised towards ensuring sustainability, as identified through the Asset Intelligence Model, an operational tool that is used to assess sustainability over three distinct factors. These factors link directly to a strategic financial, social and environmental triple bottom line objective;

8.4 **Social Index;** will consider the sustainability of the properties set in the context of the street, estate, and neighbourhood and whether there are factors that could erode the letability or the value of the property. Examples of this

would include data relating to local house prices and market value, neighbourhood and home satisfaction data and stock demand data.

- 8.5 **Environmental;** this will take into account the energy efficiency/performance of stock that could impact affordability and sustainability of tenancies.
- 8.6 **Financial;** a financial model will be produced to indicate the expected future cash flows for each property over the next thirty years. This will include realistic assumptions about future rent income and key cash outflows (repairs, maintenance, management and in particular scheduled major improvements and capital work). For each property a Net Present Value (NPV) will be calculated, which will demonstrate the financial performance over a 30-year period. This would provide a reasonable indication of financial return (to be discussed and agreed with the Council's Finance Team). Therefore, NPV can be ranked by property and a criteria set to indicate those with the lowest NPV and therefore the least attractive to retain under financial criteria.
- 8.7 Performance of the stock will be assessed on these three distinct measures using our Asset Intelligence Model and properties will be classified either as Red, Amber or Green (RAG status);

**Green** - Properties with a high sustainability index score.

**Amber** - Properties with a medium sustainability score.

**Red** - Properties with a low sustainability score.

## **9.0 AAMP - Property Categorisation**

- 9.1 Areas will be prioritised for the development of an Area Asset Management Plan (AAMP) based on the proportion of low sustainability properties and the number of properties affected. This will ensure the risk to the Council of making poor investment decisions is minimised.
- 9.2 The AAMP's will be developed by the Stock Review Group and will involve carrying out option appraisals to identify the most optimum approach for the stock / assets in the area. Key to this will be developing an understanding of why properties/areas have low levels of sustainability and understanding the potential of the area.
- 9.3 The AAMP will then categorise properties/areas in the following ways:-

- Retain and Invest Long term
- Retain and Invest Medium Term
- Change of Use
- Sheltered change
- Dispose – through open market sale
- Dispose – through demolition
- New Development Potential

- 9.4 The AAMP will also identify the type of investment to be permitted in the area and to which properties i.e. Essential, Required, Discretionary and Improvement. Along with a review date when the AAMP will be reassessed.
- 9.5 Where interventions over and above routine investment are required these will be managed in line with the scheme of delegation and further reports as necessary.
- 9.6 Where an area does not yet have an AAMP the Stock Review Group will make an interim categorisation and investment allowed judgement, informed by local knowledge and the RAG rating. Again, this will ensure the risk to the Council of making poor investment decisions is minimised.
- 9.7 As a guide, investment for properties with a **Red** RAG rating could potentially be; No major expenditure permitted and to be maintained on an 'Essential' only basis limited to responsive repairs, plus essential cyclical servicing to ensure health and safety compliance – i.e. statutory gas servicing, periodic electrical testing etc. As referred to in section 5.3 we will ensure that any minimum statutory standards are maintained.
- 9.8 **Amber** stock may involve; No discretionary or improvement works being permitted pending the AAMP production. Day to day maintenance shall be on a responsive and cyclical servicing basis as set out for Red stock above
- 9.9 The Stock review group may decide that **Green** stock will be allowed all investment apart from Improvements, again pending the AAMP.

The option appraisal and re-investment process is illustrated at Appendix A.

- 9.10 When a full AAMP has been agreed this will be shared with local residents who would have helped shape it through the option appraisal process. The message to residents will be carefully managed with the council's communications team to ensure that areas are not stigmatized.
- ### **10.0 Procurement**
- 10.1 Housing and Inclusion currently procures its capital investment and cyclical maintenance contracts through framework agreements and open market tendering.
- 10.2 In order to allow recommendations included in AAMPs to be complied with, flexibility will be required in terms of procurement.
- 10.3 It is proposed that while 5 year contracts (with extension options) are sought to deliver our capital investment programmes these contract should have a degree of flexibility to ensure changes can be made without incurring any financial penalties to the Council. It is therefore envisaged that term measurement contracts are employed, that allow economies of scale whilst

not committing expenditure to properties that may require review/option appraisals.

10.4 The Council is aware of the impact its procurement activities has in the area and will consider the social value contractors and suppliers can deliver when awarding contracts. This will include but not be limited to items such as local investment, the use of local supply chains and local labour along with apprenticeship opportunities.

10.5 The environmental impact of the materials the Council specifies will also be considered during procurement exercises which will include the impact on ongoing maintenance and energy consumption for our customers.

## **11.0 Financial and Resource Implications**

11.1 There are risks in pushing back elements of investment spend on the stock and related assets, in that a 'bow wave' of investment may accumulate around the same period of time, placing unplanned strain on both financial and staff resources.

## **12.0 Risk Assessment**

12.1 The risks to the Council will be assessed through the corporate risk register but the key risks to the Asset Management Strategy are:

- Failure to maintain Decent Homes Standard or any replacement statutory standard.
  - Mitigation will be to regularly monitor our stock and potential changes to statutory requirements and realign investment plans as necessary.
- Insufficient available funds to meet the demands of the business.
  - Mitigation would be to ensure that the business plan is robust and carrying out sensitivity analysis assumptions.
- Key contractor and consultant failure.
  - Contract(s) will be carefully drafted and monitored to ensure the interests of the Council are protected should performance issues arise.
- Accuracy of stock condition survey data.
  - In house surveys will be carried out to provide reassurance that data is accurate.
- Accuracy of demand data or change in demand preferences of customers.
  - Mitigation would be to ensure that the business plan is robust by carrying out sensitivity analysis of the included assumptions.
- Change in priorities for spend based on external factors such as the Government or Environmental legislation.
  - Mitigation will be to regularly monitor our stock and potential changes to statutory requirements and realign investment plans as necessary.

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- Cost of customers future aspirations not costed within LFTP
  - These issues will be identified through our sustainability analysis and addressed through AAMPs.

12.2 The above risk will be managed and monitored and reported through Housing Management Team Meetings.

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## **Appendices**

Appendix A – Asset Management Strategy Process Flow