

# Housing Revenue Account Asset Management Strategy

Draft 8



[www.slough.gov.uk](http://www.slough.gov.uk)  
**Slough**  
Borough Council

# Housing Revenue Account - Asset Management Strategy

---

## Contents

<b>1.</b>	<b>Introduction</b>	<b>1</b>
1.1.	Background .....	1
1.2.	Scope .....	1
1.3.	Purpose .....	1
1.4.	National and local context .....	2
1.5.	Corporate objectives .....	2
1.6.	Asset management objectives .....	3
1.7.	Planning requirements and tools .....	3
1.8.	Standards and regulations .....	4
1.9.	Risk management .....	5
<b>2.</b>	<b>Housing Strategy, Demand and the Housing Market</b>	<b>6</b>
2.1.	Housing market and demand .....	6
2.2.	Housing strategy priorities .....	6
2.3.	Meeting future needs .....	7
2.4.	Community Sustainability .....	8
2.5.	Resident priorities .....	8
<b>3.</b>	<b>Our Homes</b>	<b>10</b>
3.1.	Portfolio summary .....	10
3.2.	Investment standard .....	10
3.3.	Stock condition .....	10
3.4.	Compliance .....	11
3.5.	Energy efficiency .....	12
3.6.	Non residential assets .....	12
3.7.	Disabled adaptations .....	13
<b>4.</b>	<b>Active Asset Management</b>	<b>14</b>
4.1.	Analysis of financial performance .....	14
4.2.	Analysis of social performance .....	16
4.3.	Market context .....	16
4.4.	Using the results to inform strategy .....	17
4.5.	Options appraisals .....	18
4.6.	Results of options appraisals .....	19
4.7.	Strategy for older people's housing .....	20
4.8.	Benefits of active asset management .....	21
<b>5.</b>	<b>Investment planning</b>	<b>23</b>
5.1.	Business plan affordability .....	23
5.2.	Investment priorities .....	23
5.3.	Investment planning .....	24
<b>6.</b>	<b>Review and monitoring</b>	<b>27</b>
6.1.	Performance monitoring .....	27
6.2.	Governance .....	27
6.3.	Review .....	29
6.4.	Authority and control information .....	29
	<b>Appendix 1: Financial and social performance map and development potential of adjacent garage sites</b>	<b>1</b>
	<b>Appendix 2: Options Appraisal Decision Making</b>	<b>2</b>
	<b>Appendix 3: Sustainability matrix for investment planning</b>	<b>1</b>

## 1. Introduction

### 1.1. Background

This Housing Revenue Account Asset Management Strategy (HRAAMS) outlines how Slough Borough Council will approach the maintenance and regeneration of its social housing stock, as well as outlining plans for new housing where opportunities exist within the existing asset base.

The strategy drives the department's approach to the provision, maintenance, improvement and redevelopment of the Council's housing portfolio and its environs, contributing to the overarching corporate priorities of the Council.

### 1.2. Scope

The strategy includes all HRA assets including residential (for permanent and temporary accommodation), commercial, community use, and land. It also includes the management and maintenance responsibilities for non HRA dwellings held in DISH (Development Initiative Slough Housing). The Council also manages three travellers sites with costs, and long term decisions on the use of these sites dealt with outside the HRA.

The strategy should be read in conjunction with

- Housing Revenue Account Business Plan 2017-2047
- The Capital Programme 2018 -20 [Savills to produce]
- SBC Housing Strategy – 2016 – 2021
- The RMI Contract dated June 2017

### 1.3. Purpose

The strategy recognises that effective asset management includes three key elements

#### ▪ **Stock Investment**

Those activities that will maintain the stock to a standard to meet customer needs and regulatory requirements. This is principally the stock investment programme designed to keep all properties to the agreed investment standard for the full period of the Business Plan.

#### ▪ **Active Asset Management**

Those activities to improve or replace properties that have a poor social, economic or environmental performance, because of low demand or high costs, and either improving them or replacing them with properties which are fit for purpose.

#### ▪ **Supporting wider objectives**

The recognition that our assets are one of a number of factors that enable and sustains a community, being clear where and how asset management is supporting wider objectives, such as new development or supporting wider community activities.

# Housing Revenue Account - Asset Management Strategy

---

The strategy will provide a framework within which investment planning and commitments can be undertaken using a methodology that is supported by comprehensive and consistent data and context.

## 1.4. National and local context

Central government policy in all areas continues to be focused on economic restraint whilst encouraging new housing supply and access to home ownership. Rent reductions for the period 2016-20 have reduced available resources. The continuation of the Right to Buy means that our stock continues to reduce. We acknowledge the need for councils to use all means to increase housing supply and this is particularly relevant in high demand areas like Slough. Recent events have increased focus on property standards, governance of property management, and residents' voice in these matters, though at the time of writing no new policy imperatives were in place.

In this context it is very important for landlords to ensure that they are managing their assets efficiently and effectively to support delivery of their objectives and to promote good safety and quality of life. This strategy has been drafted in accordance with the Regulator of Social Housing's (RSH) consumer standards under its Regulatory Framework.

In Slough while the Council is able to manage and maintain its existing stock into the long term it is financially constrained in the delivery of new homes at scale. This asset management strategy explores options to use the existing asset base to increase delivery of affordable housing recognising members and residents' priority to ensure that existing council housing does not subsidise the provision of new homes.

## 1.5. Corporate objectives

Our five year plan 2018/19 – 2022/23 sets out our vision to grow a place of opportunity and ambition. It sets out our priority outcomes for the delivery of this vision, putting people first to achieve the following priority objectives:

- Slough children will grow up to be happy, healthy and successful
- Our people will be healthier and manage their own care needs
- Slough will be an attractive place where people choose to live, work and stay
- Our residents will live in good quality homes
- Slough will attract, retain and grow businesses and investment to provide opportunities for our residents.

Our asset management strategy sets out how we will deliver these outcomes, particularly in respect of residents' access to good quality homes. Within our 5 year plan we commit to delivering our priority outcomes in the following ways

- demonstrating community leadership
- enabling people to help themselves
- supporting the most vulnerable
- shaping and managing the changing place

# Housing Revenue Account - Asset Management Strategy

---

The five year plan will be used to:

- drive the decisions made in the medium and long term financial strategy
- focus on delivery of outcomes by prioritising resources
- provide a basis for discussions with partners about the services they provide
- develop a performance framework to which services and staff will be held accountable

We have reflected these commitments in the formulation of this strategy.

## **1.6. Asset management objectives**

Our objectives for asset management reflect our aim to increase the number and quality of our homes and include:

- Invest in our homes, to achieve good quality and environmental standards
- Enhance effective resident engagement
- Ensure that stock secures and strengthens our financial viability
- Deliver Value for Money through targeting investment where it will have the best financial and social return and by delivering work efficiently and effectively
- Carry out options appraisals on stock that does not meet the above criteria, exploring the widest range of alternative options to improve outcomes for residents and for our business plan
- Improve the quality of management information about the nature, condition and sustainability of the stock, including our new homes, to keep this information up to date and to use this information to support decision making
- Understand the markets in which we operate, using the wider HRA asset base to develop opportunities to expand the housing stock to provide the type of housing required to meet the needs of our many diverse neighbourhoods, including the needs of the most vulnerable residents
- Support wider regeneration and economic well being of communities, ensuring investment in the housing stock supports the strategic priorities of the borough.

## **1.7. Planning requirements and tools**

Slough has a range of tools to assist in the process of implementing this strategy. Central to effective asset management is the development of robust and integrated management information systems to enable effective planning based on current business intelligence. The new strategy relies on information in the following areas which will need to be regularly updated to ensure it is fit for purpose:

# Housing Revenue Account - Asset Management Strategy

---

- **Stock condition data**

A comprehensive stock condition survey was completed by Michael Dyson Associates in January 2017. This covered 80% of all internal building components and 100% of external components. This provides information to inform our investment planning.

- **Data and governance to support compliance**

In order to be fully compliant in relation to the health and safety of our properties we have arrangements in place, in partnership with the RMI provider, Osborne Property Services Ltd, which clearly set out the responsibilities of all parts of the Slough group, and its contractors. These documents set out the process to be followed, and how performance is monitored. Detailed policies and procedures are being developed which outline our approach in each area including gas safety, fire risk assessments, legionella, electrical testing, and asbestos. These documents will set out the detail of the regulatory and legislative standards that apply to each area. Our current position statement in respect of compliance is set out in section 3.4

- **Asset Performance Evaluation**

As part of the formulation of this strategy we have carried out an exercise to assess the performance of all our housing stock. This strategy sets out how the results of that exercise will be used to inform future investment plans. Where stock is performing poorly, on either a financial or broader sustainability basis, alternative options will be explored for these areas before investment decisions are made. This approach ensures resources are targeted where they will provide maximum value for Slough and residents, and helps to plan for the replacement or modernisation of properties.

- **Skills and expertise**

Prior to mobilisation of the RMI Contract, the council appointed an interim client team comprising of experienced personnel from Savills. This includes a Client Manager, Contract Compliance Manager, Landlord Compliance Manager, Project Manager and a Voids & Quality Assurance Team. The team will remain in place until permanent recruitment is undertaken with interim staff ensuring effective handover and transition to the permanent client team.

These are the basic tools required to enable us to understand our assets, to make informed decisions about their future, and to deliver the various components of the strategy.

## **1.8. Standards and regulations**

Our compliance policies set out the statutory standards and regulations that we need to maintain to ensure our homes are warm and safe as set out in section 1.7 and 3.4 respectively.

Our investment standard reflects the government's decent homes standard as a minimum.

Self financing provides the Council with the opportunity to review its approach to asset management, to tackle stock which is performing poorly against our objectives and explore options to increase the number and quality of our homes. However the debt cap means that not all of this activity can be carried out within the HRA and we must therefore look at a wide range of structures and funding routes in order to deliver our ambitions.

The Regulator's consumer standards include an expectation of co-regulation which requires landlords and tenants to work more closely together than ever before in scrutinising the delivery of standards and local offers. We have set out our approach to this throughout the document.

# Housing Revenue Account - Asset Management Strategy

---

## 1.9. Risk management

Asset Management within the housing sector has traditionally been based on the retention of existing housing stock and prioritising investment to meet a defined standard. Looking beyond this, it is important to ensure long-term viability of a stock base which matches the current and future needs of local residents.

This strategy recognises that housing assets can also become liabilities, threatening the organisation's viability as a landlord and significantly impacting on residents' lives.

Asset Management carries risks for Slough:

- Failures to manage Health and Safety compliance could put residents, staff and contractors at risk
- Failures to meet statutory standards can carry penalties and will damage the organisation's reputation
- An incorrect scope or poor quality of stock investment will have a key influence on customer satisfaction
- Poor value for money in asset management will have a major impact on our finances as this represents a very large proportion of our HRA business plan.
- Internal and external factors impact on expenditure to make it the element of Slough's landlord operations most vulnerable to increased costs

A regular process to identify and assess risks (strategic and delivery) is in place and actions agreed to manage risks in order to minimise impact. All asset management related risks including financial and delivery risks are captured on the Council's risk register which is regularly reviewed. Progress is reported through the Neighbourhood & Community Services Scrutiny Panel. Risks relating to the delivery of investment are further managed through the contract monitoring and governance arrangements in place for the new repairs, maintenance and investment (RMI) contract.

## 2. Housing Strategy, Demand and the Housing Market

### 2.1. Housing market and demand

Our Housing Strategy sets out our understanding of the local housing market and demand. We expect the population to grow dramatically over the next 20 years. It is predicted to grow by 38% between 2013 and 2036, compared with 22% projected increase in England as a whole. We also have a very young age profile with 9.2% of the population of pre school age and 20.3% at school. We need to provide accommodation for those already here, and those that will come, for example as a result of developments such as Crossrail and the expansion of Heathrow. There is a particular need for homes that are affordable, to rent and to buy.

56% of households own their own home, 24% are in private renting and 20% in social rented homes (housing associations and the Council). We have high levels of overcrowding compared to neighbouring areas. The 2011 census found 21% of households were living in overcrowded conditions, compared to 8.5% in England as a whole.

House prices are rising at one of the highest rates in the country having increased by 40% in the last 3 years, with a 20% increase in the last 12 months alone (to 2016). Average house prices are estimated to be at eleven times average income levels in 2016.

The Joint Strategic Needs Assessment (JSNA) estimates that the number of people over the age of 65 in Slough will increase by 40% in the next 10 years. The Strategic Housing Market Assessment (SHMA) estimates that those over 85 will increase by 120% by 2036, and that the number of people with a long term health problem or a disability will increase by over 50% over the same time period. This means that ensuring our most vulnerable people are provided with good quality accommodation that suits their needs is another key plank of this strategy.

The increase in population will add to existing pressures on the housing market. The high levels of overcrowding and the rapid rise in market prices (and rents) indicate the need for substantially more homes, particularly for family sized accommodation and for the elderly and disabled, and that affordability of these new homes is a key consideration. This pressure on housing supply is indicated in the growth of homeless households in temporary accommodation. There are currently nearly 400 families in temporary accommodation, a significant number given the size of the borough and addressing this is a key priority in this strategy. Land supply is a key constraint for building new homes in Slough and therefore identifying opportunities for new homes (permanent and temporary) within our existing HRA asset base will be important to meet demand.

The SHMA has shown that there is a wide spread of incomes including families who could afford to pay more than social rents, but could not afford market housing. The Council has developed the Slough Living Rent (approximately 70% of market rent) to address the needs of these households and our asset management strategy includes proposals for conversion of some existing properties which do not work particularly well at social rents to Slough Living Rents in order to meet a wide range of needs.

The Council has established two subsidiary companies, Herschel Homes and James Elliman, to allow for intervention in different areas of the market and transfer of HRA properties to these companies will be considered where this provides a good solution for the asset which meets local need.

### 2.2. Housing strategy priorities

The Housing Strategy was developed to reflect the priorities established in the evidence based Joint Strategy Needs Assessment ('JSNA') and sets priorities for 2016 to 2021 under the following five themes:



# Housing Revenue Account - Asset Management Strategy

---

- Theme 1: New housing supply  
Ensuring the right supply and mix of new homes and increasing affordable housing through effective use of land and capital resources
- Theme 2: Private sector housing  
Ensuring that the private housing sector provides sufficient good quality market housing through support for landlords and tenants and, where necessary, robust quality control and regulation
- Theme 3: Council homes  
Ensuring council homes are managed and maintained to a high standard and the council builds new homes for Slough residents
- Theme 4: Homelessness and housing need  
Reducing homelessness and rough sleeping through effective prevention work
- Theme 5: Special housing needs and vulnerable groups  
Ensuring that specialist accommodation is available for vulnerable people and those with special housing needs, for example young people, older people and people with disabilities

## 2.3. Meeting future needs

The HRA business plan includes proposals to deliver up to 200 new homes on small sites around the borough over the next 4 – 5 years. This new development will mitigate the impact of Right to Buy sales which are forecast to result in a loss of 20% of the current stock over 30 years. New and replacement build will add 8% back, reducing net stock loss to 12%. The Council is not able to deliver new housing at scale through the HRA due to limits on borrowing imposed by central government. The Council is considering bidding for additional borrowing headroom and/or load funding for remodelling following the most recent budget announcement of funding through Government/Homes England.

The Council is already embracing new models for delivery across a range of housing schemes and tenure types, including Council owned companies (Hersell Homes and James Elliman Homes) and a joint venture (Slough Urban Renewal) to deliver new and different tenures within the local housing market. Slough also has an existing company, the Development initiative for Slough Housing (DISH) established several years ago to enable the development of new social housing outside the HRA, funded by private finance.

The Council has entered a long-term Partnering contract with Osborne Property Services Ltd (OPSL) for repairs, maintenance and investment services. Additional opportunities for the provision of affordable housing are being explored through the establishment of a jointly owned trading company. The trading company will be owned and structured in a way that would allow reinvestment of Right to Buy receipts for one to one replacement of affordable housing in the Borough and offers opportunities for small scale re-development, re-modelling and extending retained homes, construction of sustainable, temporary modular homes and extending these services to the private and social housing sectors locally. .

# Housing Revenue Account - Asset Management Strategy

---

The Council has also identified the option to attract institutional investment (e.g. from Pension companies) to deliver new affordable homes through a sale and leaseback model. One site has already been identified as suitable for this type of investment at Tower and Ashbourne Houses. Initial modelling has explored the feasibility of delivering additional housing on the site, which would then be let at a Slough Living Rent. The Council is keen to explore additional opportunities to increase housing supply through this route.

The asset management strategy will underpin these activities. Options for those assets which are underperforming relative to the rest of the stock will be technically and commercially appraised in order to increase the quality and supply of housing at a range of tenures and price points. We will also explore the transfer of voids into Council subsidiary companies where this brings benefits in terms of provision of additional housing at either market rents or Slough living rents, and where this deals with underperformance of the properties within the HRA.

Where sites are identified where permanent housing is unsuitable or premature relative to plans for future larger scale regeneration; in these cases we are developing plans to provide modular homes to address the needs of households in temporary accommodation. In January 2018 we identified seven former garage sites with potential for sustainable modular system built housing where traditionally constructed housing would be unlikely to be approved or prove commercially viable. Feasibility studies are ongoing to test the short-term viability of the use of these initial seven sites.

## **2.4. Community Sustainability**

A key priority of our asset management strategy is that it is aligned to the strategic objectives of the Council so as to maximise the local impact through a range of initiatives that support social and economic regeneration, as well as supporting opportunities for local procurement, employment and training, in Slough.

The process of evaluating the performance of assets has included a sustainability analysis which takes into account the socio-economic performance of the neighbourhoods in which the assets are located. We have collected data across a range of measures to enable performance to be scored and ranked. This will support neighbourhood planning activities and asset management. The measures are described more in section 4 and link to key aspects which impact on housing management including income/affordability, demand and housing management.

The sustainability scores will highlight areas at particular risk of decline by virtue of (for example) low income, weak demand or dissatisfaction with services. This will provide a robust and objective basis to target neighbourhood interventions around (for example) welfare reform, development, regeneration or community capacity building projects. Combined with an evaluation of financial performance across the stock, this can also be used to support asset management decision making. There will be different strategies for business improvement and asset management depending on whether an asset group exhibits weak net-present values, weak sustainability or both.

The Council values and respects the wide variety of people from diverse backgrounds, cultures, beliefs and lifestyles who are part of the community we serve. As such, we are constantly trying to improve our knowledge and understanding of the demographic profile of our residents to ensure that new and existing services reflect the needs of our diverse community. We will endeavour to ensure our policies, procedures and working practices reflect this commitment and will maintain and develop our customer profile which now covers 75% of our tenants. The five year plan will be subject to an Equalities Impact Assessment to ensure that no groups are disadvantaged.

# Housing Revenue Account - Asset Management Strategy

---

## 2.5. Resident priorities

A key objective of our strategy is to improve resident engagement and we plan to do this as part of the process for planning improvements at a neighbourhood level, to ensure improvement programmes will have an impact on social and environmental factors which are important to residents.

A range of open data is used as the basis for understanding residents' priorities and their experience of living in their homes and their neighbourhoods, including:

- ONS data sets
- analysis of complaints and compliments
- annual resident satisfaction survey
- Housing Register
- feedback from the Neighbourhood Teams, estate inspections and tenancy verification visits etc.
- data recorded on the Capita Housing and Flare IT systems

A range of methods are then used to gain a better, more in depth understanding of the outcomes residents expect us to achieve, including:

- journey mapping
- consultation and surveys
- discussions with Neighbourhood Forums
- performance reports
- conferences, workshops and focus groups

Delivery of the Regulatory Framework is underpinned by the principles of co-regulation and resident led scrutiny. The Resident Board are responsible for carrying out these roles for Neighbourhood Services and validating resident feedback to inform the decision making process. Going forwards the neighbourhood forums will be used to test resident priorities on a regular basis and feedback from those forums will influence the delivery of this strategy.

Residents were consulted on their priorities at a Tenant and Leaseholder Conference held in October 2017. The outcome of the conference established that residents supported the development of new homes by the Council and its approach to asset management provided that new homes:

- were genuinely affordable
- built to a high quality with generous space standards
- are for Slough people

## Housing Revenue Account - Asset Management Strategy

---

- consideration was given to the needs of older and vulnerable people when new homes are designed
- met the needs of Slough people

Feedback from the conference is reflected in this strategy.

Work with the RCG established for the purposes of reviewing options for delivery of affordable housing in Slough demonstrated residents priorities for security of tenure and affordable rents and service charges.

DRAFT

## 3. Our Homes

### 3.1. Portfolio summary

We currently own some 6,100 units in the HRA. We are the freeholder for a further 1,116 leasehold units situated within our housing blocks and schemes.

The HRA provides housing management to a small portfolio of 10 properties 'owned' by the general fund through other council departments.

There are 54 properties owned by DISH (Development Initiative Slough Housing) and decisions will be made about their future at the end of their lease in 2019. The HRA acts as managing agent for the DISH and is responsible for providing all letting, management and maintenance services to the properties.

Our rented stock comprises 47% flats/maisonettes, 45% houses and 8% bungalows. 41% of our stock is either studio or one bedroom accommodation, 29% two bedrooms and 27% three bedrooms. A small proportion (3%) is 4 bedroom or larger. This profile is out of line with our housing need which is predominantly for family sized accommodation.

### 3.2. Investment standard

There is no single answer to the investment required to the stock either now or in the future. The amount of investment is totally dependent on the standards that are set.

We have developed an investment standard as part of our recent stock condition survey which reflects essential compliance and landlord obligations including Decent Homes. Our aim is to replace key components when their condition requires it, moving beyond solely an age based approach, taking a holistic approach by neighbourhood, informed by local market factors. In setting our investment standards, we need to consider the needs of our diverse population, including the elderly.

A key objective in our housing strategy is to make the best use of existing social housing for this age group. To this end we are targeting additional resources in the short term to improve the attractiveness of our housing for older people which is de-designated from sheltered housing and now operates as age restricted accommodation. This initial investment is made pending the development of a long term strategy for this stock which is set out more fully in section 4.

The cost of investment to this standard has been considered in the context of business plan affordability and the extent to which resident priorities can be met.

We have reviewed our lifecycles and unit rates to ensure we are maintaining quality within the constraints of what our business plan can afford. Details of lifecycles and unit rates are included in the stock condition survey report. We want to ensure that we are investing to a quality suitable for each property.

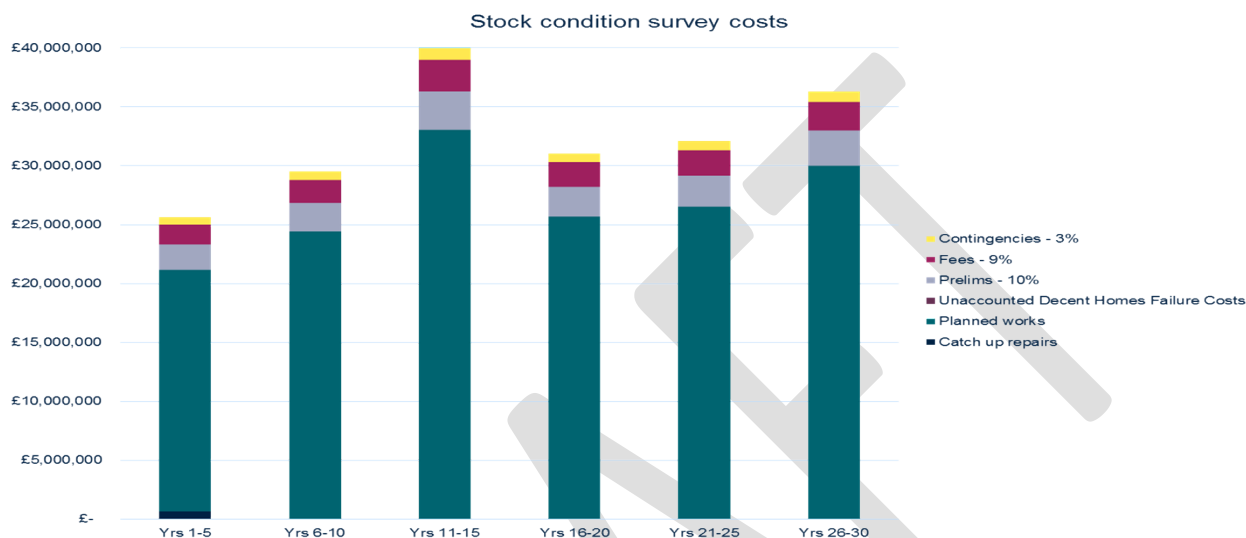
### 3.3. Stock condition

Our stock condition survey covered 6,200 dwellings and 648 blocks and reported in January 2017. The survey found clear evidence of regular investment in the stock although there remain a number of properties which have components approaching the end of their useable life and are due for replacement over the coming years. Overall the survey found 12% of the stock required work to meet decent homes standards.

# Housing Revenue Account - Asset Management Strategy

The greatest component liability is kitchens and component replacement costs for this element represent over 21% of total planned maintenance costs. Heating, boilers and heating distribution also represent a significant cost at just under 16% of the overall planned maintenance budget.

The total costs from the survey for catch up, planned and decent homes failures totals £160m over the next 30 years, which increases to £194m after allowances for on costs. The cost profile over 30 years is illustrated below:



**Figure 1: 30 year stock condition cost profile**

In addition there are further costs required for day to day responsive void and maintenance, gas safety and cyclical maintenance, disabled adaptations, related assets, asbestos, FRA, compliance and estates services and cleaning.

In total this provides for an average of £65,000 per unit totalling £420m over 30 years. This provides for £140m over the next 10 years and is reflected in our RMI budget of £100m over the next 7 years.

### 3.4. Compliance

Slough Borough Council is adopting new policies and management plans and process maps in the following compliance areas:

- Domestic Gas and Carbon Monoxide
- Asbestos
- Fire Risk Assessments
- Electrical systems
- Lifts
- Water

# Housing Revenue Account - Asset Management Strategy

---

These policies are currently being produced and the first policy to go live is domestic gas and carbon monoxide which was approved on the 12<sup>th</sup> February 2018.

We have undertaken surveys for the presence of materials containing asbestos and results are held on our asbestos register. Where asbestos may be disturbed by proposed works, our service partner is required to manage its removal or management.

Both Water and Asbestos policies have been drafted and issued to the Council for approval and work has commenced on the Domestic Gas and Carbon Monoxide management plans and process maps with the first draft issued to OPSL in January 2018 for their input. The remaining policies, management plans and process maps are being developed in accordance with the Savills' mobilisation project plan.

## **3.5. Energy efficiency**

We are working with our service partner, Osborne, to develop an energy strategy that aims to target a reduction in fuel poverty and to plan practical and effective works as part of each year's capital investment programme to address those targets.

Our stock condition survey has included Rd SAP surveys and EPCs are in place for 30% of the stock. The overall SAP rating for the stock is 69.10 which is "respectable" for such a varied range of properties. This compares favourably with the reported average SAP at Housemark which shows a UK average of 66.9. The lowest SAP ratings are found in studio flats for the over 60s, with the highest ratings in High Rise flats. We also have a number of homes with solid walls that cannot easily be insulated and are expensive to heat and need significant resources to improve their energy efficiency.

The objective is to achieve an average EPC rating of C by 2020 with no stock having an EPC of less than D. The commercial justification for fulfilling this aspiration needs to be fully assessed relative to the aims of the corporate carbon reduction strategy which is being produced to sit alongside the asset management strategy. We will also consider water economy measures.

Works to properties that have a SAP score below 65 will be prioritised, subject to confirmation of the financial viability of the work. Where works are not financially viable, alternative options for the property will be explored excluding disposal where this could deliver improved outcomes for residents who would be offered accommodation of a higher standard and with improved energy efficiency.

## **3.6. Non residential assets**

We own 1905 garages and 178 former garage bases that are available for rent. These are available to both council tenants and leaseholders and other non-council residents.

These assets are located across 166 garage 'sites'. A site is defined as a location of 2/3 grouped assets within a definable space where the council holds additional maintenance or management responsibility.

Despite the redevelopment of four garage sites since 2014, leading to the construction of 51 brand new, larger garages, the overall condition of the garage stock is below standard. In 2015, the council approved a garage strategy which will target resources and investment towards revitalising garage sites.

# Housing Revenue Account - Asset Management Strategy

---

Each site has now been assessed for its potential suitability for a number of redevelopment possibilities. These include demolition and provision of new permanent or temporary housing; demolition and provision of secure, open surface parking areas; demolition and re-use for other purposes to benefit the local community; or retention and redevelopment of the sites with new garages similar to the four locations already completed.

The initial outcome of the review of garages sites is therefore proposing that;

- 5 sites already included in the council's small sites programme for new housing
- 39 sites identified for the provision of new housing
- 54 sites identified for demolition of existing garages and provision of secure, open surface parking
- 52 sites identified for retention and reinvestment in garage stock
- 13 sites with potential for disposal or re-use as community facilities

In addition to the garage sites the HRA owns a number of commercial units and pockets of land/verge/car parking facilities and play area sites along with various paths and alleyways on this land. HRA is expected to contribute towards the upkeep of these sites and is recharged through internal mechanisms. Commercial units are managed by a corporate team, however the HRA retains responsibility for long term decisions on these assets and they are regularly reviewed in the context of plans for adjacent and adjoining properties.

The HRA is no longer the sole landlord of many estates. 'Housing land' is shared by a host of other users and it is necessary to review the appropriateness of tenants paying for the upkeep of assets that are not for their sole use, through the rents and service charges which are the primary source of income to the HRA. In some areas the HRA is responsible for car parking<sup>4</sup> and roads where there may be none or few tenants served by the facilities.

## **3.7. Disabled adaptations**

One of the ways in which we will meet the changing needs of our current and potential customers is through the adaptation of our existing stock through the Disabled Adaptations Policy. Where appropriate we will adapt and modify properties and fit equipment to help tenants with disabilities to continue to live in their homes. To ensure effective use of HRA housing stock where aids and adaptations have already been undertaken, void properties will be reviewed against the Housing Register to identify suitable applicants who require the adaptations already in place. Properties without current adaptation will be reviewed for suitability for adaptation works to meet the specific needs of high priority Housing Register applicants e.g. elderly, vulnerable and disabled applicants.

Where the existing adaptations are not suitable for any applicant on the Housing Register, a decision will be taken on whether to leave the adaptation in place or recycle. Where existing tenants are identified as requiring adaptations, an assessment will be undertaken by an occupational therapist to decide whether they can be sustained in their current property by installing suitable aids and adaptations or whether an alternative property is required, in which case their needs will be reviewed against void properties.



## 4. Active Asset Management

### 4.1. Analysis of financial performance

Our properties have a potential vacant possession value of £1.5bn. For the purposes of asset management it is important for us to understand their value in our business plan in their existing use as social housing.

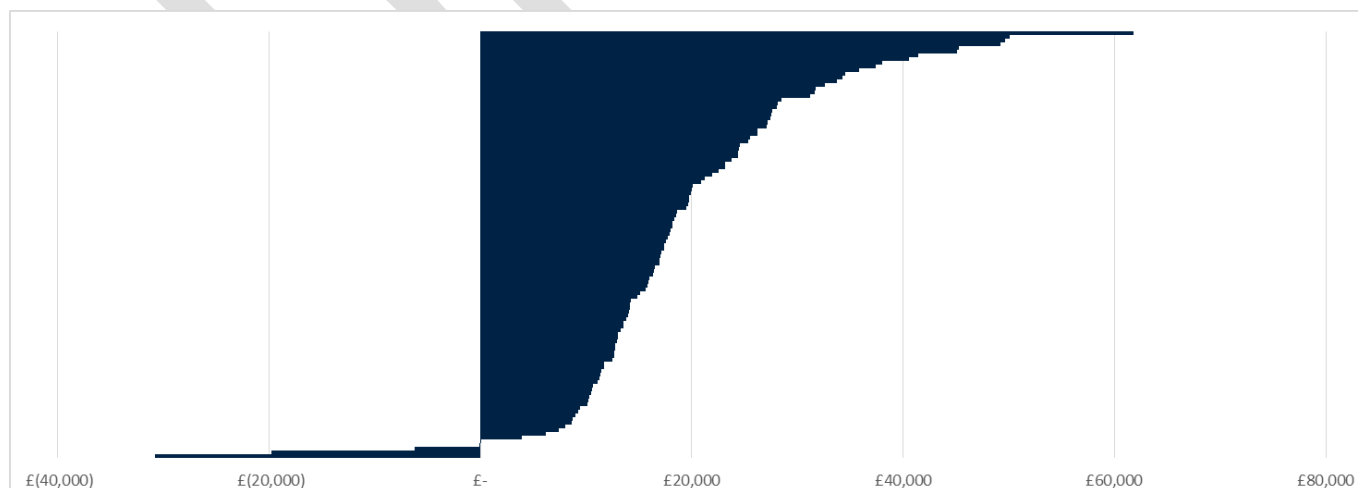
As part of the development of this strategy we have commissioned Savills to model the financial performance of all our residential rented stock, alongside other measures of broader neighbourhood sustainability linked to Slough's social objectives. Stock has been analysed at a very local level, with properties organised into asset groups of properties that share characteristics.

The modelling provides a framework for investment decisions to inform an investment strategy based on an active asset management approach where Slough seeks to make investment decisions based on the financial and social performance of the stock, in a way that strengthens the business plan and contributes to meeting the organisation's policy objectives.

The financial analysis is based on a 30 year net present value (NPV) of operating cash flows, modelled at an individual asset level. The results show an overall NPV of £117.8m, equivalent to an average of £19,234 per unit.

This compares with benchmark figures provided by Savills from their work with 58 social landlords across the country. This shows an average NPV of £31,500 in the South East. Slough's NPVs are lower due to lower rents and higher day to day operating costs. Our low rents reflect our position as a local authority landlord. We hope to reduce our day to day operating costs from efficiency savings, particularly as a result of the new repairs and maintenance partnership with Osborne.

There is a range of results across the portfolio which presents several challenges for our asset management strategy. A small percentage of our stock (2.74%, 168 units) is forecast to have a negative NPV over 30 years. There are a further 32% (1,957 units) with a marginal NPV below £15,000 per unit. This is illustrated below.



**Figure 2: NPV by unit from Asset Performance Evaluation model**

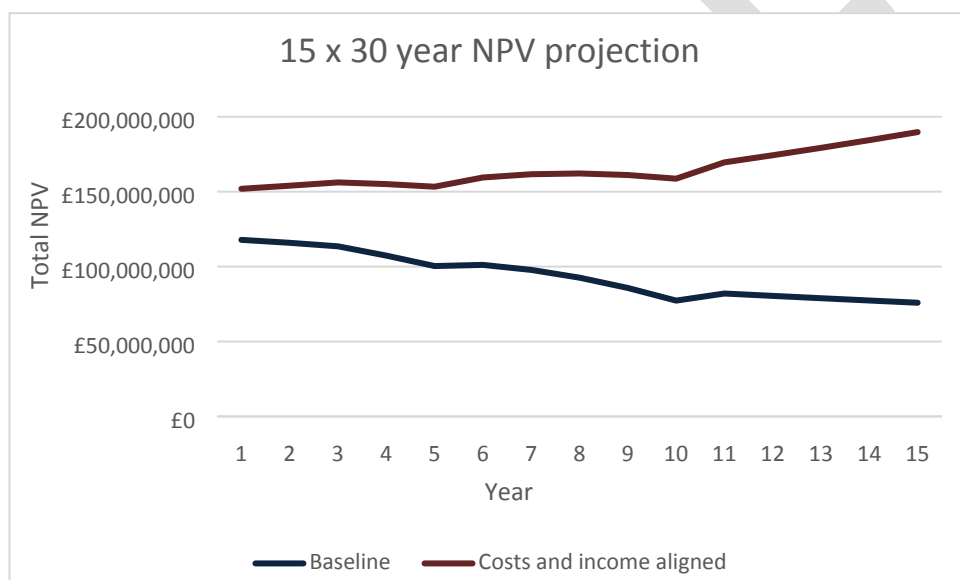
The table below shows the number of properties in asset groups where the average NPV is within each performance band.

# Housing Revenue Account - Asset Management Strategy

Performance Table*	NPV Range		No. Units	% Units	Total NPV	NPV Per Unit
	Min	Max				
Poor	£ (29,788)	£ 1	168	2.74%	£ (1,726,057)	£ (10,274)
Marginal	£ 1	£ 15,000	1,957	31.95%	£ 22,652,740	£ 11,575
Good	£ 15,000	£ 49,281	4,001	65.31%	£ 96,899,007	£ 24,219
<b>Total</b>			<b>6,126</b>	<b>100.00%</b>	<b>£ 117,825,690</b>	<b>£ 19,234</b>

**Table 1: NPV performance bands**

Overall the value of the cash flows is forecast to decline over the next 15 years as illustrated below. The decline in performance is driven by the fact that the business plan assumes that costs rise faster than income, and this is reflected in the asset modelling. This position is reversed if costs are assumed to be contained within the same rates of inflation as income. This would result in an increase in NPV to £151.9m (average £24,798) with an average growth in NPV of 1.45% per annum over the next 15 years.



**Figure 3: 15 x 30 year NPV projections for the portfolio**

Even with costs and income aligned, there remain 77 properties (1.26% of the stock) with a negative NPV, and 606 properties (9.89%) with a marginal NPV. Poor performance is driven by negative NPVs at Poplar and Broom House, as a result of the costs of recladding, as well as negative and weak NPVs in bedsit bungalows, driven by low rents, higher than average voids and also high investment need.

The weakest financial performance is concentrated in the Upton and Town Centre areas. The neighbourhood with the weakest financial performance is Kederminster with 50% of homes showing poor or marginal financial performance. The stock in the South generally performs less well than stock in the North of the borough. Weak financial performance is also found in age restricted blocks driven by low rents and high voids and steps to establish a future strategy for all our housing for older people is set out further below.

# Housing Revenue Account - Asset Management Strategy

---

## 4.2. Analysis of social performance

The analysis has included an evaluation of performance against the Council's social housing objectives, looking at measures linked to income/affordability (including fuel poverty), demand (including resident satisfaction) and housing management (including rates of anti social behaviour (ASB)). This enables Slough to identify areas where social sustainability is weak and to take action through neighbourhood planning and through asset management to improve the extent to which the Council is meeting its social housing objectives across its stock holding.

Where assets score well against social objectives, this is driven by high levels of employment and educational achievement, good affordability and low levels of ASB. These represent sustainable locations which in theory continue to be in demand from prospective occupiers in the future. Poor performance is driven by low educational achievement and employment, as well as multiple offers before properties are let, and high rates of ASB. These represent areas where our asset management and community investment strategies need to target social issues, to meet our corporate objectives to grow a place of opportunity and ambition. We also need to look at investment and regeneration of our existing assets to improve places from a resident's perspective.

The combination of financial and social performance assessment is useful as a comprehensive assessment of overall performance. Priority in terms of action, and potential solutions, will differ depending on whether stock that performs poorly on a financial basis is located within an area where there are also social issues to be addressed. Therefore, actions (in terms of options appraisals) will be considered in respect of poorly performing stock and options will be assessed by the extent to which they can tackle social as well as financial issues. Where financial performance is strong, but social scores are low we will target our housing management and community investment strategies in order to address issues beyond bricks and mortar to improve outcomes for local residents and protect asset value.

A map of how performance varies across our areas of operation is included at Appendix 1.

## 4.3. Market context

The Government has put on hold its proposals to require Councils to pay a levy from the sale of high value assets. However our asset performance evaluation has included a comparison of open market values and market rents with the performance of asset in their existing use in order to explore the extent to which policies for disposal or tenure conversion can deliver improved outcomes for residents and for our business plan.

A comparison of NPV and open market value is set out below. Each blue circle is a group of assets with the size driven by the number of properties in each group. Properties in the upper left had quadrant have high open market values, but poor net present value in their existing use.

# Housing Revenue Account - Asset Management Strategy

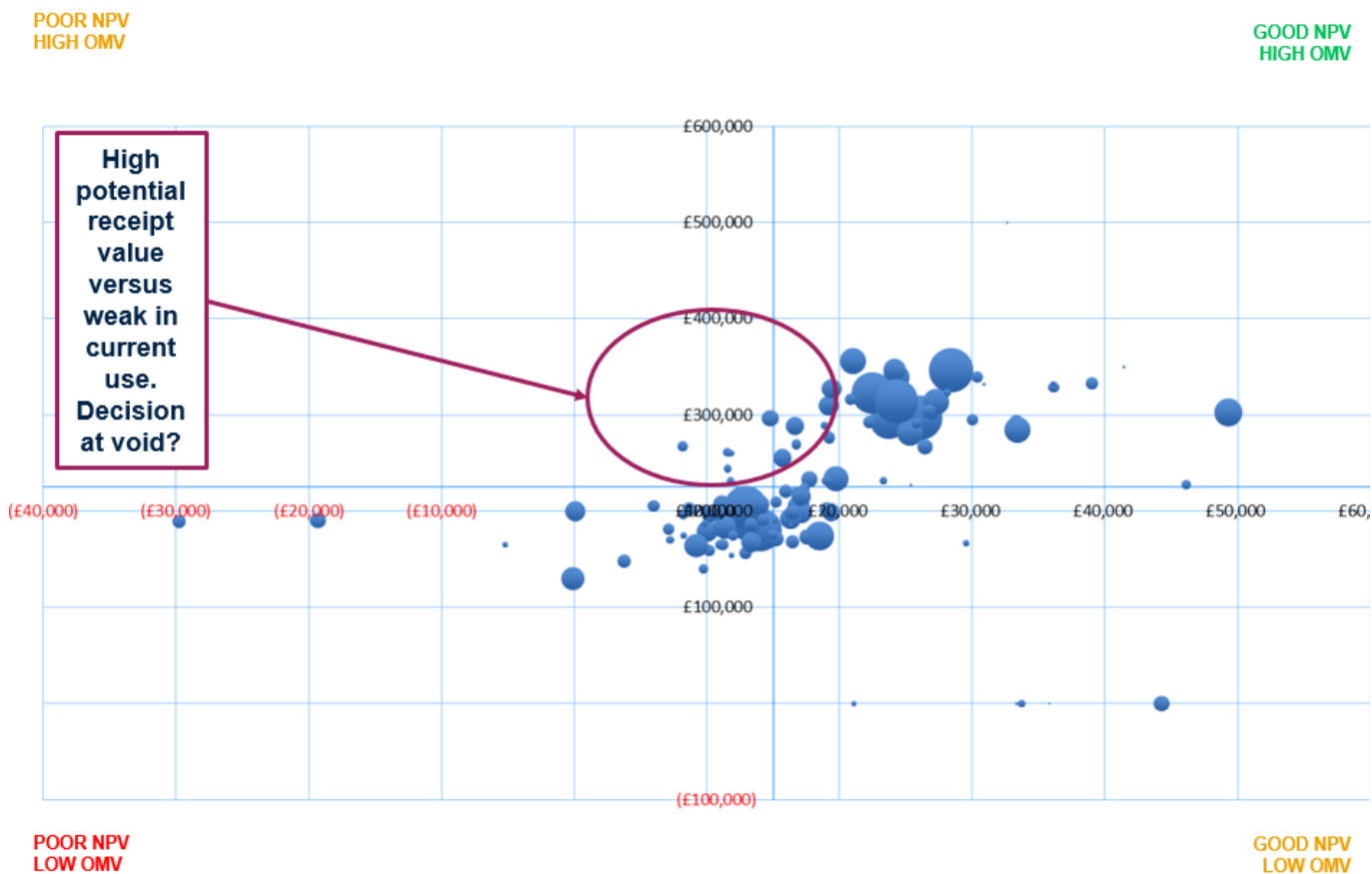


Figure 4 Open market value v net present value

## 4.4. Using the results to inform strategy

The results from this asset and sustainability analysis will be used in the development of this asset management strategy including

- Establishing a 5-year investment strategy for the stock, based on a transparent investment standard which prioritises investment decisions based on the performance of the assets and business plan affordability
- The production of a 30-year investment profile that manages critical points in the business plan cash flow
- Identification of candidate asset groups for more detailed options appraisal
- The establishment of neighbourhood plans which link the performance of the assets, regeneration and redevelopment potential in order to identify resources and opportunities to support future new homes

Our aim over time is to replace poor performing stock with new housing of higher quality and to introduce new stock at a range of different tenures. This will improve the satisfaction with residents with homes that are better suited to current aspirations, demand and household size. It will also mean that over time our average NPV will improve, and NPV growth will be stronger in future.

# Housing Revenue Account - Asset Management Strategy

---

## 4.5. Options appraisals

Where our analysis identifies assets that are performing poorly, either on a financial or social basis, a more detailed options appraisal will be carried out and all options for improvement will be explored. We will consult residents and other stakeholders during this appraisal process.

Triggers for options appraisal will be

- Properties with poor financial performance measured by negative net present value
- Properties with marginal financial performance where this is forecast to decline in future

In addition to poor performance we have mapped possible opportunities where there may be vacant land/garage sites where there may be opportunities to build new homes.

We have reviewed all assets which hit these triggers, using the assumption that we can keep costs in line with income. As a result our appraisal programme includes

- 77 properties with a negative NPV
- 331 properties with a marginal NPV below £15,000 per unit, where NPVs are forecast to decline in future

Our review has included consideration of adjacent properties and other adjacent non residential assets so that we can take a whole neighbourhood approach to improvements. Options appraisals will include a review of performance against social objectives, and options to improve this, where required, will be included in the options appraisal. Appraisals will include consideration of the broader neighbourhood in which the assets are located, bringing in garage sites, the quality of open space, other non residential assets and adjacent landholdings.

Key potential options for stock could include:

- Management initiatives – for example, efficiencies in management costs or reductions in underlying maintenance or repair expenditure, reduction of voids, increases in income subject to our policies on rents and service charges.
- Other management initiatives to improve financial performance such as change of use to sub-market renting and potentially market renting and shared ownership (subject to regulatory requirements) and in line with our diversification objectives.
- Relocate to Slough subsidiary housing companies for use as market, intermediate or temporary housing where this use is better suited to the asset.
- Sale as new starter homes of properties that do not meet social need to release latent value for investment in affordable housing that will better meet the needs of communities in our core area
- Decommissioning and disposal for redevelopment, again to release latent value for reinvestment
- Increase density by building on top of blocks where feasible, using large gardens and combining with adjacent land where this provides opportunity for additional affordable housing.

# Housing Revenue Account - Asset Management Strategy

---

The sites identified for appraisal are as follows:

- Broom and Poplar House where an initial appraisal had identified limited development potential and decisions have been taken to continue to invest in these properties in order to protect the health and safety of residents.
- 170 bedsit bungalows where the appraisal will focus on a review of the potential to extend existing homes or redevelop sites when properties are empty in order to provide additional affordable housing
- 167 further properties with marginal financial performance where performance is declining.

Other appraisals are carried out on high cost voids as they arise. A decision tree for a typical options appraisal process is illustrated at Appendix 2.

Initial appraisals will be carried out on a desk top basis considering a range of options, focussed on the Council's objectives to increase the quality and supply of affordable housing. Where this appears viable, plans for the areas would be developed in more detail with full input and consultation of residents. The results of these appraisals will be available within 12 months and proposals brought back to members for decision before moving to any more detailed master planning and consultation.

In order to release resources to support new development we will explore a disposal strategy to transfer voids to Slough subsidiary companies where this may present opportunities for use as rent (at market or Slough living rent) or shared ownership. We will agree criteria for which voids may be suitable for transfer – this will depend on the performance in current use, the open market value and the viability of the asset at Slough Living Rent or Shared ownership. Target populations of properties will be identified which fit these criteria. Disposals will be limited to regulatory constraints which limit 5 disposals a year to a company controlled by the Council.

## **4.6. Results of options appraisals**

### **4.6.1. Tower and Ashbourne**

Tower House and Ashbourne House are two blocks with a total of 120 flats, 104 of which were social rent homes within the HRA and 16 were leaseholder flats. The towers have suffered a range of issues including anti social behaviour, poor quality public realm and high cost to the HRA. They were not included in the asset performance evaluation as the two blocks are now largely vacant pending redevelopment. There is potential to redevelop the site to provide a total of 195 homes. The report to Cabinet on 22nd January 2018 focused on the use of institutional finance for social housing. Any new vehicle would need to be enabled by the investment of Right to Buy receipts in order to assist in the financing of replacement social housing, and the potential to offer new homes at the Slough Living Rent through a leaseback scheme funded from institutional investment.

### **4.6.2. Broom and Poplar**

Broom and Poplar house were identified to have a significantly negative NPV in the financial modelling of minus £1.4m. This is due in part to the investment needs of the blocks to improve fire safety. Social scores indicate issues of high turnover and high rates of ASB.

# Housing Revenue Account - Asset Management Strategy

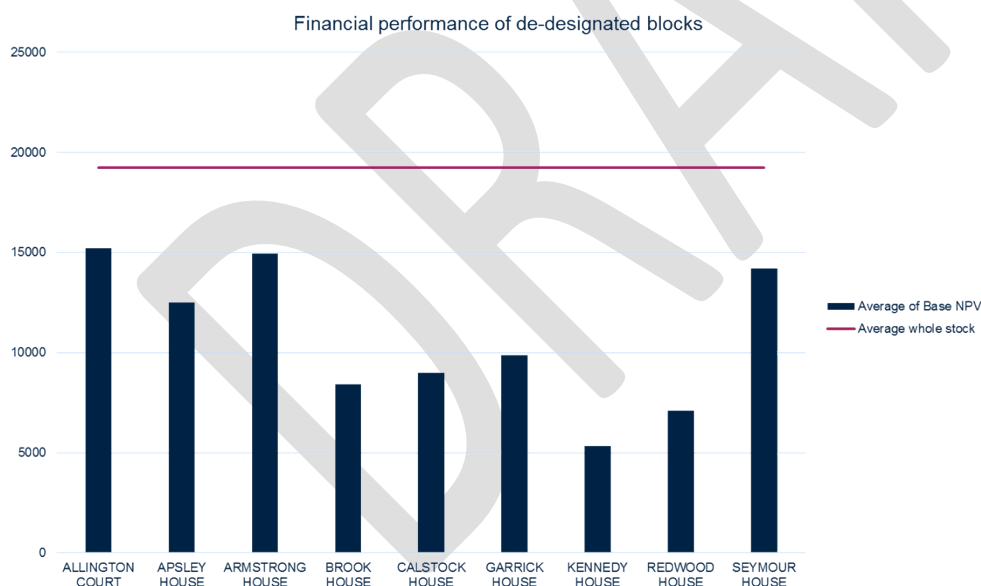
A review of development potential has been carried out of both blocks and the surrounding area. Two options have been reviewed which include refurbishment of existing towers with new build on adjacent surplus land, and demolition of the two blocks and redevelopment of the whole site for affordable housing. The option of refurbishment with additional build of new homes on adjacent land showed the most favourable outcome in the financial appraisal. It also reduces the disruption to existing residents. This is to be investigated further with capacity studies to confirm the number of new homes that could be achieved. A final decision would also consider wider issues beyond the initial financial appraisal. Therefore the current plan is that the HRA capital programme will need to meet the investment needs of the blocks.

## 4.7. Strategy for older people’s housing

### 4.7.1. De designated blocks

The Council owns 203 dwellings in nine blocks which were formerly sheltered housing with a warden service but have subsequently been “de-designated” and now operate as age restricted housing, although many blocks retain some element of communal facilities such as lounge and laundry. Residents that require support are connected to the Council’s emergency alarm system. No warden support is provided.

These properties perform relatively poorly in the financial evaluation, with low NPVs driven by low rents. The NPV per block, compared with the average for the whole stock is illustrated below.



**Figure 5: Financial performance of de-designated blocks**

The future investment need identified in the stock condition survey is not large, with average future 30 year investment requirements of between £15,400 and £23,300 per property. However these properties need investment beyond component replacement in order to ensure they remain fit for purpose for modern aspirations and meet the needs of current and future residents. In the short term resources of £50,000 - £60,000 per block are earmarked for improvements to fire safety and water hygiene. This additional investment will reduce the NPVs further and a long term strategy for the blocks needs to be developed to determine their long term future.

# Housing Revenue Account - Asset Management Strategy

---

The social scores for these blocks show a varied picture driven in part by issues in the wider area. For example rates of satisfaction vary but this is based on satisfaction by ward and is not specific to the block. Where the data relates specifically to the blocks the scores indicate issues of anti-social behaviour in some blocks (Allington Court, Kennedy House and Brook House) which is perhaps an indication of the lack of support currently available to residents. Some blocks also have lower SAP ratings indicating a risk of fuel poverty (Allington Court, Kennedy House, Garrick House and Seymour House).

## 4.7.2. Age restricted housing

There are a further 1,155 properties which have age restrictions on their lettings policies. 170 of these are the bedsit bungalows which have already been identified for review, with an average NPV which is negative over 30 years (from minus £5,175 in some cases, to marginally positive at £83 per unit). Each site is being ranked for its development potential to provide additional affordable housing in the borough, either through comprehensive redevelopment, or from extensions and loft conversions to provide guest or live-in carer accommodation. Detailed development appraisals are proposed to test the viability of development on 7 sites. The remaining age restricted properties also have a low NPV with an average of just under £12,000 per unit compared with £19,234 for the whole stock. Options for bedsit bungalows and other age restricted housing will be reviewed to consider broader options to improve performance in the context of Slough's future strategy for older persons housing.

## 4.7.3. Future strategy for older person's housing

Longer term we need to understand the specific demand from older people now and in the future, and how this compares to supply in the local area. This may point to the need for additional housing with care and support for older people across a range of different tenures, from social to market rent, shared ownership and outright sale. The Council has ambitions to develop at least one Extra Care scheme and the demand for this would be tested through the same route.

Key steps to develop our strategy further will include

- Research to understand supply and demand for older people's housing across a range of tenures and support needs
- The establishment of a "fit for the future" older persons' housing standard, and appraisal of each scheme against this
- Stress testing of NPVs to reflect the cost of investment to bring properties up to this standard
- Options appraisals on stock which cannot be brought up to these standards and/or where there may be opportunities to redevelop sites to provide accommodation better suited to future needs

The aim would be to develop an overall portfolio strategy that sets out the Council's vision for its older persons housing in the future, and the practical steps that will be taken to deliver this vision. The strategy would demonstrate the extent to which a self-financing regeneration approach to the portfolio is possible, through the decommissioning and disposal of the poorest performing to generate receipts for investment in the remaining schemes. Where this is not possible, there may be a need for additional funding and options can be explored as to how this might be met.



# Housing Revenue Account - Asset Management Strategy

---

## 4.8. Benefits of active asset management

The benefits of this active asset management approach are that it would enable us to:

- Strengthen our business plan
- Make more efficient use of capital resources available, releasing resources for new investment
- Consider long-term planning for obsolescence, putting in place short and medium term investment strategies for assets identified with limited financial viability in the longer term.
- Optimise new build, remodelling & stock investment
- Test alternative strategies
- Enable balanced investment decisions and support difficult decision making
- Improve asset led value for money, delivering a good return on social housing assets, where investment delivers an increase in value over time
- Address regeneration needs to improve the sustainability of neighbourhoods.
- Communicate reasons for difficult decision to members, staff and residents, working with stakeholders to deliver improved outcomes.
- Assist us in delivering our social and housing objectives

Results from options appraisals leading to alternative proposals for assets will be reported to the RMI Strategic Management Board (SMB) for reporting on to Cabinet.

Major investment decisions in properties identified for appraisal will be deferred until options appraisals are complete. An interim investment plan will be established to ensure essential health and safety requirements are maintained. The principles of this are set out Appendix 3. Appraisals will be prioritised based on those with the most immediate investment need first, in order to minimise the time that properties need interim investment plans before long term decisions are made.

## 5. Investment planning

### 5.1. Business plan affordability

Our repairs and maintenance budget is £100m over 7 years. This broadly matches the liabilities identified in the stock condition survey, along with other day to day expenditure required in the stock. So investment is affordable, but in order to ensure future costs can be managed within budgets it will be very important to prioritise investment, and to ensure we are investing in our long term sustainable stock, exploring alternative options for uneconomic stock.

Regeneration and new development will require additional resources. Some of this can be met by further borrowing within the limits of the headroom available under the current HRA debt cap. However additional sources and funding structures will be required to expand activity at scale. This is being explored as part of the broader HRA options appraisal.

### 5.2. Investment priorities

In order to ensure that the standard of investment that has been delivered to the stock is maintained, the investment programme will prioritise works to the long term sustainable stock within available budgets under agreed criteria including

- Priority 1: Works required to meet statutory or health and safety obligations including fire risk, compliance and other changes due to government regulation
- Priority 2: Works to bring properties up to the “Slough Standard” and to maintain them at this standard.
- Priority 3: Works that impact on high responsive repair costs e.g. roof repairs, internal electrical and plumbing, DPC, repointing, and Member expectations
- Priority 4: External works including leasehold obligations and communal area redecorations to keep the fabric of the building in good repair
- Priority 5: Other works to common areas including mechanical and electrical installations which residents believe are important for the quality of life in particular blocks
- Priority 6: Estate improvements and management of environmental areas, trees, footpaths and open spaces, enhancements to overall appeal and letting potential of the stock, parking and security reflecting the priorities identified in our garage strategy.

Overlaid on these priorities will be other factors including

- Information on the future sustainability of the stock, based on the asset performance evaluation set out in section 4 of this strategy, as well as information on future demand, housing needs and aspirations of current and future residents.
- The allocation of planned maintenance budgets within the business plan.

# Housing Revenue Account - Asset Management Strategy

---

- The development of approaches to investment which make positive contributions to the local economy, local employment and training, energy efficiency, household security and community safety in line with the Council's corporate strategy.

## 5.3. Investment planning

Whilst it is apparent that most dwellings will require some work, not every home will require all elements. In order to deliver a programme that is both affordable and meets our business plan, it is necessary to apply a clear set of investment rules and principles to decide when each element will be replaced.

The investment rules and principles that affect the delivery of the Asset Management Strategy and the criteria to be used in generating the investment plan have been identified and prioritised on the following basis:

1. Ensuring the stock remains compliant with statutory regulations including:
  - Rectification of works identified through fire risk assessments, electrical testing regime and the gas maintenance programme.
  - Installation of modern smoke alarms and CO2 detectors where applicable.
  - Heating upgrades and high efficiency boiler replacements wherever applicable to address fuel poverty and cost of energy.
2. Identifying means to address foreseen or unforeseen issues which are to the detriment of the building or the health and safety of the resident. This will be assisted by focusing investment on known elemental failure hot spots within the stock profile and in turn help mitigate disrepair claims.
3. Ensuring investment aligns with corporate objectives including:
  - Maximising social impact in accordance with the social objectives incorporated in the Asset Performance Evaluation model and the overarching Group's social objectives.
  - Conformity with Asset Management strategic objectives as detailed in section one
  - Maintaining conformity to the Decent Home Standard and improving asset value.
  - Ensuring timely leasehold consultation protocols are followed to enable associated income recovery.
4. Ensuring planned works remain on a yearly basis within the constraints of the business plan.
5. Ensuring the investment planning process takes in to account stock sustainability by giving consideration of the Asset Performance Evaluation model and requirement for option appraisal work.
6. Driving efficiency through programme delivery and procurement including:
  - Dividing the stock in to geographical areas to enable compliance works to be targeted and maintained, works to be programmed on an equitable basis, works to be efficiently programmed over the five year period and addressing sustainability issues.

## Housing Revenue Account - Asset Management Strategy

- Developing work packages which incorporate associated replacement elements (e.g. chimneys with roof replacements) in order to maximise economic delivery, limit number of site visits and minimise disruption to customers.

Devising the five year investment plan by using the priorities and principles detailed above ensures that investment is undertaken to sustainable stock in a cost effective manner and ensures stock compliance is maintained. The five year capital programme that has been developed with these rules is set out below<sup>1</sup>:

PROGRAMME	Year 1	Year 2	Year 3	Year 4	Year 5	Programme Total
Internal	£1,482,470	£1,610,190	£1,840,120	£1,871,130	£1,709,470	£8,513,380
Dwelling external	£1,336,230	£1,830,975	£1,418,145	£1,317,565	£1,137,595	£7,040,510
Blocks	£0	£0	£1,113,265	£1,117,120	£1,090,803	£3,321,188
Garages	£0	£7,100	£12,375	£22,850	£14,750	£57,075
Block Door Entry	£0	£0	£23,250	£26,500	£10,500	£60,250
Negative NPV	£0	£0	£0	£0	£324,475	£324,475
<b>Programme Total</b>	<b>£2,818,700</b>	<b>£3,448,265</b>	<b>£4,407,155</b>	<b>£4,355,165</b>	<b>£4,287,593</b>	<b>£19,316,878</b>

FRA Works (Broom & Poplar)	£2,500,000	£0	£0	£0	£0	£2,500,000
FRA Works (Year 1)	£500,000	£0	£0	£0	£0	£500,000
Environmental	£500,000	£500,000	£500,000	£500,000	£500,000	£2,500,000
Garage Sites	£1,100,000	£1,100,000	£0	£0	£0	£2,200,000
Preliminaries & 10%	£641,870	£454,827	£440,716	£435,517	£428,759	£2,401,688
Fees & 8%	£513,496	£363,861	£352,572	£348,413	£343,007	£1,921,350
Contingencies @ 3%	£192,561	£136,448	£132,215	£130,655	£128,628	£720,506

<b>Grand Total</b>	<b>£8,766,627</b>	<b>£6,003,401</b>	<b>£5,832,658</b>	<b>£5,769,750</b>	<b>£6,012,463</b>	<b>£32,384,897</b>
--------------------	-------------------	-------------------	-------------------	-------------------	-------------------	--------------------

<b>Business Plan</b>	<b>£8,800,000</b>	<b>£5,800,000</b>	<b>£5,800,000</b>	<b>£5,800,000</b>	<b>£5,800,000</b>	<b>£32,000,000</b>
<b>Variance to Business Plan</b>	<b>-£33,373</b>	<b>£203,401</b>	<b>£32,658</b>	<b>-£30,250</b>	<b>£212,463</b>	<b>£384,897</b>

**Table 2: Five year investment programme**

Year one addresses critical fire safety works at Broom and Poplar Houses plus additional fire safety works in low rise buildings which we anticipate arising from fire risk assessments targeted in these blocks in April. We have also included for investment in garage sites where no development potential is identified, in order to sustain their future and maximise future income. A provision for environmental work acts as a contingency, for example for works to the de designated blocks recently identified, and where additional works fire safety requirements are identified.

<sup>1</sup> Year 1 & 2 are agreed programme, Years 3 – 5 proposed

## Housing Revenue Account - Asset Management Strategy

---

In order to deliver the works, the Council has procured and entered into a contract with Osborne for an initial period of 7 years with options for the Council to extend the Term for a further 3 years, subject to satisfactory performance against agreed Key Performance Indicators. The Programme will be awarded in annual Orders setting out the works required.

### **5.4. Value for money**

The asset management strategy is underpinned by the successful procurement of the RMI contract which will deliver value for money across all aspects of asset management related activity.

DRAFT

# Housing Revenue Account - Asset Management Strategy

## 6. Review and monitoring

### 6.1. Performance monitoring

Investment plans and the results from options appraisals leading to alternative proposals for assets will be reported to the RMI Strategic Management Board (SMB) for reporting on to Cabinet. Reports will include financial and quality out turns against plans. We will measure our success through a range of Key Performance Indicators (KPIs) developed specifically for Slough which include:

- Effective resident engagement
- Overall growth in NPV across our portfolio
- Option appraisal within 12 months for all properties which meet the triggers established
- To achieve an average SAP rating of 71 by 2020 with an aspiration of having no stock with a SAP of less than 65, with alternative options explored where this is not feasible
- Number and quality of kitchen, bathrooms, windows and doors replaced as part of planned works programme
- Adherence to planned works budget and timescales
- Compliance with all health and safety, regulatory and statutory standards

### 6.2. Governance

The accountability for key aspects of this strategy is set out below.

Tasks	Executive Role	Member Role
Drafting, maintaining and updating the HRA Asset Management Strategy	Prepares draft HRAAMS for member decision Maintains HRAAMS Provides annual update of HRAAMS Provides full periodic reviews of HRAAMS	Approves draft HRAAMS and has overall responsibility for ownership of asset management strategy Approves annual updated HRAAMS and periodic reviews.
Implementing stock options appraisals and managing outcomes	Conducts stock options appraisals and makes recommendations to members. Implements member decisions Annual report to members on outcomes including use of proceeds/land	Considers recommendations and takes decisions on implementation Agrees a level of delegated authority for action based on agreed principles
Managing progress against delivery of five year investment plans	Reporting and consideration of progress / corrective action via management – quarterly SMB	Receives and approves reports. Takes/approves corrective action where

## Housing Revenue Account - Asset Management Strategy

Tasks	Executive Role	Member Role
		required. Regular monitoring
Updating stock condition survey information	Update to stock condition survey data as work is completed, and regular 5 year survey to refresh.  Outcomes used to inform annual revisions to the HRAAMS and to the APE model	Results reported to members for information and via annually updated investment plan and approval of revised HRAAMS
Updating asset performance evaluation model	Model will be owned and managed to support decision making and it will be updated on a regular basis in response to changes in the stock portfolio (additions, disposals, transfers, investment etc) and updated stock condition information.	Model outputs reported to members at least annually to demonstrate progress in active asset management to improve value.

The main internal controls are in the following areas:

### Stock Condition Surveys

The lifecycles and costs used in the SCS will be reviewed regularly to ensure they are consistent with sector benchmarks and that a process is in place to ensure they will be updated on a systematic basis based on actual prices obtained for works done and planned.

Updates to the SCS as captured by the asset management databases as the Investment Programme is implemented. SCS updates will form part of the annual investment planning verification process.

### Investment Plans

There is a planned investment programme in place with clear and robust contract management arrangements.

There are performance measures in place and there is effective and regular monitoring and management of actual delivery performance against these plans by the asset management team. Demand analysis and customer feedback from response repairs programmes is used to inform and update the planned investment programmes.

The Neighbourhood Forums will have a review and monitoring function over delivery. Investment programmes have been designed with regard to the diversity and disability needs of our customers. Regular satisfaction and feedback obtained and used to inform ongoing investment plans.

Repairs and maintenance, including gas servicing, delivery programmes are all in place and there is effective monitoring and management of outcomes.

### Procurement & Staffing

There will be effective and efficient procurement plans and processes in place with value for money confirmed through benchmarking and external validation exercises.

# Housing Revenue Account - Asset Management Strategy

---

There are management systems in place to recruit, select, train and appraise staff with the skills to deliver the strategy.

## **Response Repairs**

There are detailed contract controls and performance measures in place for the service. Service outcomes and measures are used to inform forward planning of both responsive and planned repairs.

There are good levels of customer satisfaction with the service and this is routinely tested as part of the service

## **Asset Performance Evaluation**

The asset performance evaluation model developed by Savills will be further developed by the assets team, with input from the Finance and Housing teams. The model will be owned by the Neighbourhood Services Client function and will serve to ensure that it forms an integral starting point for investment planning and active asset management. The model will be regularly updated, informed by new information including updated stock condition data following delivery of investment plans, response repairs spend, changes in management costs, changes in void rates, local option appraisal outcomes, new homes coming into management etc.

## **Asset Management Strategy**

The Neighbourhood Services Asset Management Strategy will be updated as a key part of the annual capacity modelling and corporate planning process and outcomes from this exercise will inform the business planning & capacity modelling

## **Business Planning & Capacity Modelling**

The annual business plan review process will explicitly evidence a golden thread from the business plan through the asset management strategy, cash flow models, investment & procurement programmes and stock condition surveys etc.

## **Internal Audit & Risk Management Arrangements**

Aspects of asset management, property disposals and response repairs are longstanding items on the Council's Risk Register with regular reporting on management of the risks. Internal audit arrangements are in place and will include a triennial verification and review of the golden thread from asset model to stock condition survey and all of the key links in between. This work and recommendations arising will be reported through the Neighbourhood & Community Services Scrutiny Panel to Cabinet. This will support a formal continuous improvement culture in the asset management and repairs services

## **6.3. Review**

The strategy covers a five year period from 2018 – 2023. Investment plans will be reviewed annually. The strategy will be reviewed in annually.

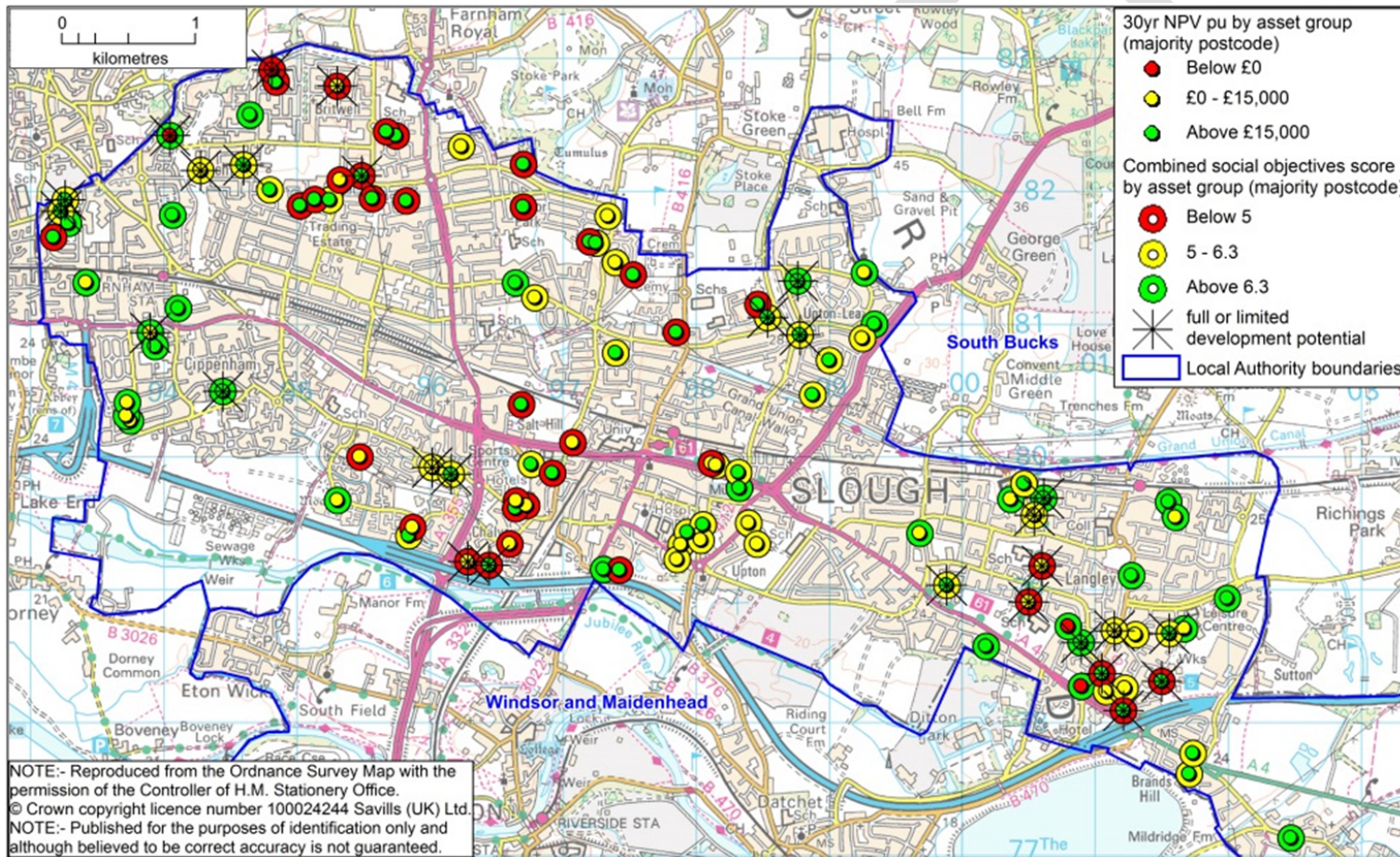
## **6.4. Authority and control information**

Responsibility for strategy is with the Neighbourhood Services Lead



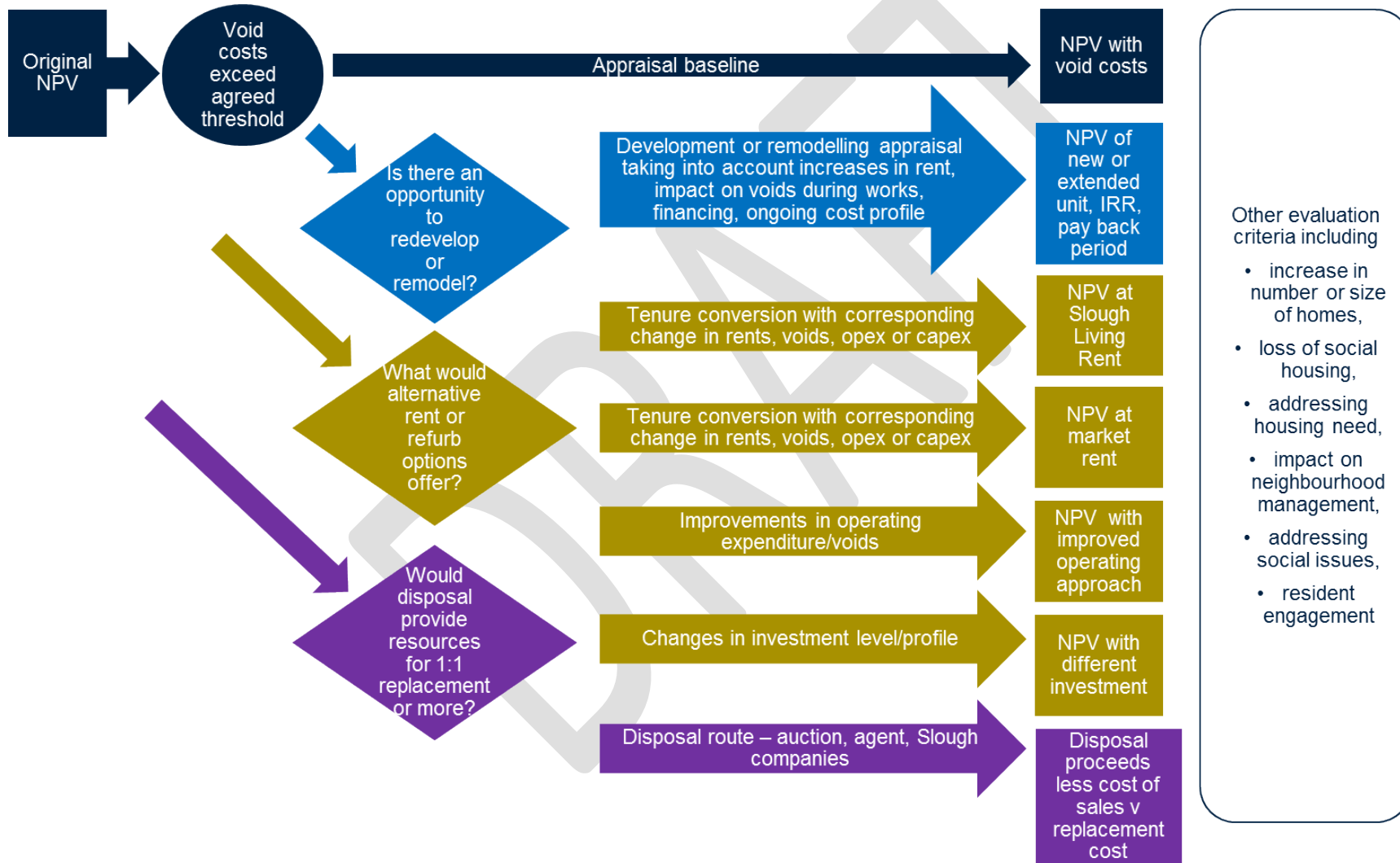
# Housing Revenue Account - Asset Management Strategy

## Appendix 1: Financial and social performance map and development potential of adjacent garage sites



# Housing Revenue Account - Asset Management Strategy

## Appendix 2: Options Appraisal Decision Making



# Housing Revenue Account - Asset Management Strategy

## Appendix 3: Sustainability matrix for investment planning

Having concluded estate based sustainability evaluations, the following business rules will be applied when considering investment.

Classification	Sustainable Category	Capital Investment Approach	Repairs and Planned Programmes Approach	Housing Management Approach
<b>Category 1</b>	30 Year Sustainable Life - Stock that has a 30 year life and meets the client/customer requirements and in the future	Full investment as outlined within the SCS and Business Plan	Full repairs service and cyclical/planned works to property. Maximise quality of service and customer satisfaction levels	Moderate level of void property investment. Moderate level of estate management cost for general need and sheltered stock. Moderate to high level of estate management cost for low rise and high rise accommodation.
<b>Category 2</b>	10-15 Year Sustainable Life - Stock that meets current client/customer requirements but not future needs due to condition, location, house type or specific client group needs	Investment to provide 10 – 15 year life (based on business plan affordability). Works will be prioritised to reflect client/customer priorities and meeting the terms of tenancy.	Full repairs service and potential increase in cyclical and planned works. Programme to be developed and cost applied for remaining life of property.	High level of void property investment. High level of estate management cost for general need, sheltered, leasehold, low rise and high rise accommodation.
<b>Category 3</b>	Property is performing below average and has raised concerns regarding the future (e.g. Marginal with value decline forecast over next 5 years). An option appraisal will be carried within 24 months	No investment unless breaches tenancy agreement until appraisal process discloses future sustainable life	Full repairs service applied. Future cyclical and planned works reduced to a minimum until future sustainable life is known. Maximum period 9 months	High level of void property investment. High level of estate management cost for general need, sheltered, leasehold, low rise and high rise accommodation.
<b>Category 4</b>	Stock is deemed to have outlived the customer needs is beyond economic recovery (e.g. negative NPV). Option appraisal will be carried out within 12 months	Option appraisal to be carried out to maximise future value to the asset base testing all options for regeneration and redevelopment. . Where disposal identified, determine disposal date and cash flow required to achieve receipt.	Full repairs service applied and health and safety issues identified during closure process. Investment and cyclical/planned works require approval	Low level of void property investment. Intensive level of estate management cost for general need, sheltered, leasehold, low rise and high rise accommodation.
<b>Category 5</b>	Opportunities to release land or value through disposal	Generate priority by development opportunity and carry out budget and funding assessment.	Asses impact on business	Limited level of void property investment. Limited level of estate management cost