

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	The Executive
Date:	27th November 2017
Subject:	Council Housing [Housing Revenue Account] Asset Management Strategy 2018-2023
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Local Members:	Relevant to all Elected Members

A –Recommendation/s and reason/s
<p>R1. The Executive is recommended to approve the draft Housing Revenue Account Asset Management Strategy for 2018-2023 .</p> <p>Reasons</p> <p>1.0 Background</p> <p>1.1 The attached draft Asset Management Strategy (AMS) for the period 2018-23 defines our approach to managing our Housing Revenue Account (HRA) assets. It is our first AMS and is focused around three key themes, namely:</p> <ul style="list-style-type: none"> - Stock Investment - Active Asset Management - Supporting wider objectives <p>1.2 Stock Investment</p> <p>This is activity that maintains the housing stock to a standard that meets customer and business needs and regulatory requirements. In particular, the Welsh Housing Quality Standards states that all households should have the opportunity to live in good quality homes that are:</p> <ul style="list-style-type: none"> - In a good state of repair,

- Safe and Secure,
- Adequately heated, fuel efficient and well insulated,
- Contain up to date kitchens and bathrooms,
- Well managed,
- Located in attractive and safe environments,
- As far as possible suit the specific requirements of the household (e.g. specific disabilities).

Our stock investment programmes are designed to keep all properties compliant with the above standards for the full period of annual 30 year Business Plans. Section 5 of the AMS sets out how stock investment will be planned.

1.3 Active Asset Management

This section relates to activities that improve the performance of properties which may have poor social, economic or environmental performance. Contributory factors include low housing demand or high costs which may be addressed via improvement programmes or replacing them with properties which are fit for purpose.

The AMS sets out an option appraisal process which will be undertaken to determine future use of under performing stock.

1.4 Supporting Wider Objectives

The recently adopted Council Corporate Plan for 2017-2022 sets out three key priorities:

- Ensure opportunities exist for people to thrive and realise long term potential
- Support vulnerable adults and families to keep them safe, healthy and as independent as possible
- Ensure that our communities can cope effectively with change and developments whilst protecting our natural island environment

The Housing Service can demonstrate positive contributions to Corporate priorities by creating conditions whereby local businesses have every opportunity to bid for stock investment works, allowing opportunities for our residents to develop skills whilst promoting apprenticeships and safeguarding existing employment.

In addition, complying with regulatory requirements in connection with existing stock together with established new development plans will increase housing options and promote independent living within our communities.

Housing developments and improvement programmes will be guided by financial

responsibility and longer-term sustainability.

1.5 Asset Management Delivery Plan (AMDP)

Work programmes to deliver stock investment will be developed during Q3 and Q4 of 2017-18 following completion of a 20% representative Stock Condition Survey during the summer of 2017. The data collected will inform future expenditure plans in connection internal investment works, traditional external planned maintenance and heating boiler replacements.

The Housing Service will also have regard to the Wales Audit Office inspection which took place during October 2017. In particular, we will develop investment plans that demonstrate how the Housing Service will reduce the number of acceptable fails in connection with Energy Performance.

B – What other options did you consider and why did you reject them and/or opt for this option?

There are no other options for consideration. The adoption of an Asset Management Strategy is considered to be good practice and an important document to support the 30 year Housing Revenue Account Business Plan and receipt of the Welsh Government Major Repairs Allowance.

C – Why is this a decision for the Executive?

Relates to the HRA Business Plan.

D – Is this decision consistent with policy approved by the full Council?

This decision is consistent with Corporate Priorities in connection with Community Regeneration and Economic Development, increasing our housing options and reducing poverty.

DD – Is this decision within the budget approved by the Council?

Yes

E – Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	Report presented to and supported by SLT
2	Finance / Section 151 (mandatory)	No Observations
3	Legal / Monitoring Officer (mandatory)	No Observations
5	Human Resources (HR)	No Observations
6	Property	No Observations
7	Information Communication Technology (ICT)	
8	Scrutiny	On the 13 th November: It was resolved to accept the draft Housing Revenue Account Asset Management Strategy for 2018/23 and recommend its adoption by the Executive. ADDITIONAL ACTION PROPOSED: The Housing Service to report back to the January, 2018 meeting of the Scrutiny Committee on its plans for supporting households which are experiencing and/or are at risk of fuel poverty.
9	Local Members	No Observations
10	Any external bodies / other/s	

F – Risks and any mitigation (if relevant)	
1	Economic
2	Anti-poverty
3	Crime and Disorder
4	Environmental
5	Equalities
6	Outcome Agreements
7	Other

FF - Appendices:
Draft Asset Management Strategy 2018-2023.

G - Background papers (please contact the author of the Report for any further information):

Housing Revenue Account 30 year Business Plan 2017-2047

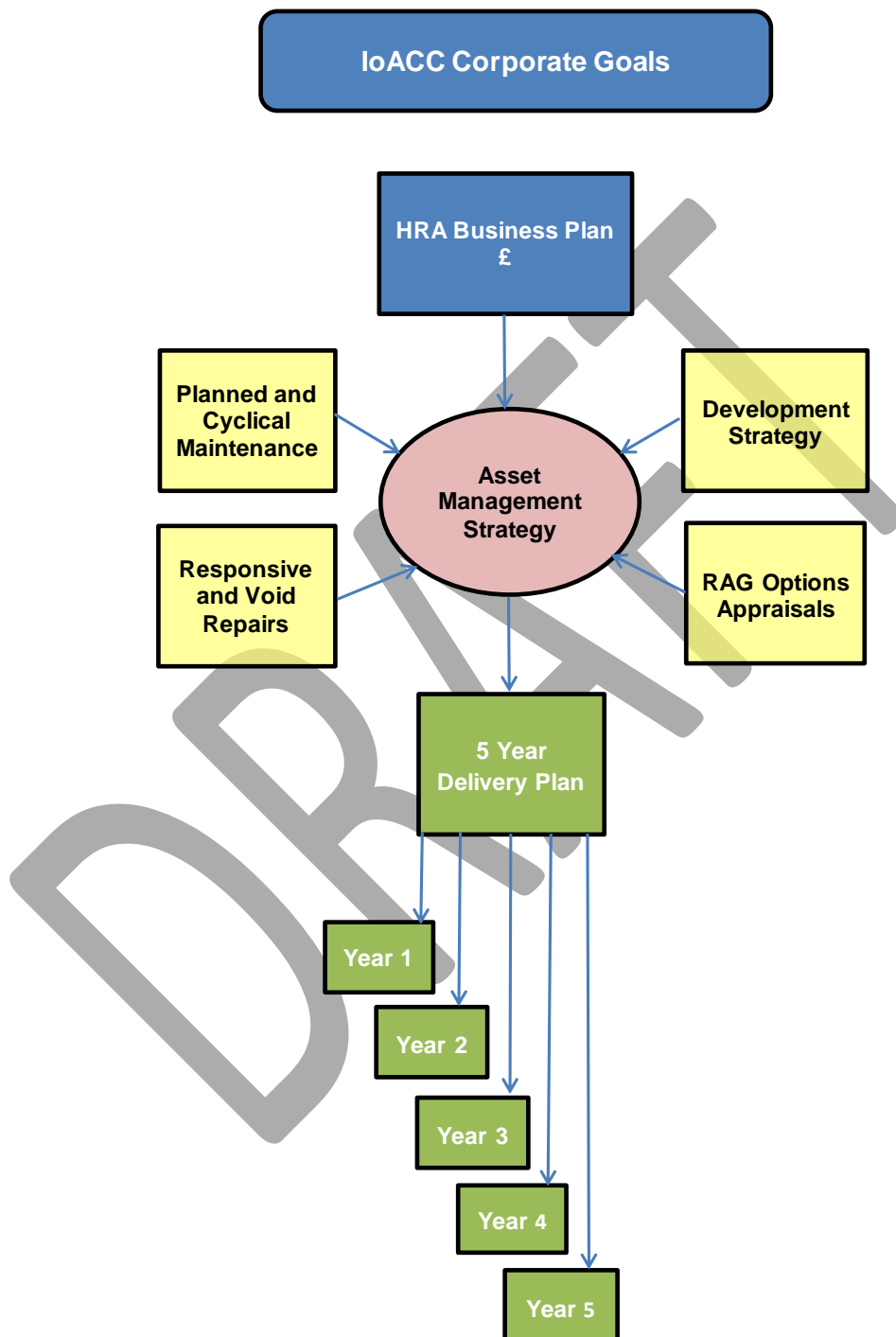
Housing Revenue Account Asset Management Strategy 2018-2023

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1.0 Executive Summary

The new Asset Management Strategy (AMS) defines our approach to managing the Isle of Anglesey County Council (IoACC) Housing Revenue Account (HRA) assets. It is summarised in the Asset Management Framework diagram below:-



Asset Management Framework

1.1 Executive Summary

The Strategy is designed to address three key objectives:-

1.2 Stock Investment

Stock investment means activities that maintain the stock to a standard that meets customer and business needs as well as the 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. Stock investment includes planned maintenance as well as responsive, void and cyclical repairs.

1.3 Active Asset Management

Activities to improve the performance of assets 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.

1.4 Supporting Wider Objectives

Being clear where and how asset management is supporting Council objectives, such as meeting housing need and delivering high quality care and support services, in line with our Strategic Aims. In addition, wider objectives are linked in the national context and, in particular, the Future Generations and Well-being Act 2015.

Each section of the AMS relates to one of the objectives mentioned above:-

- 1. Stock Data and Investment Need.** Understanding our asset portfolio and the investment required in order to meet the Council's strategic aims, legal and regulatory standards, keeping stock lettable and protecting the income stream throughout the period of the Housing Revenue Account Business Plan.
- 2. Active Asset Management.** Understanding the financial and non-financial performance of the Council's housing assets and actively and efficiently managing these assets.
- 3. Investment Planning.** Plan required investment in the Council's housing assets in a way that is innovative, affordable and meets our and our customer's standards and priorities.
- 4. Maximising Returns.** Plan to deliver a joined up approach within the Housing Service to maximise financial and non-financial return from the **housing portfolio**.
- 5. Affordability and Viability.** Ensure that the affordability and viability of the plan can clearly be demonstrated.

6. Delivery Plan. Delivery of the Asset Management Strategy and subsequent Asset Management Delivery Plan ensuring value for money and maximising any community benefits available from the investment.

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2.0 Introduction

2.1 Scope

The strategy applies to the asset management of all the rented HRA housing stock owned by the Isle of Anglesey County Council.

IoACC owned and rented housing stock is critical to realising our vision and achieving our corporate objectives. These assets have been identified as our critical assets and are the central focus of the AMS. However, the strategy also covers our related assets (e.g. HRA land or garages) where they form part of housing schemes.

2.2 Context

Significant reforms by Government to welfare, rent setting, housing and planning have been set within the context of deficit reduction and devolving accountability and decision making to the local level. Our Regulator, the Welsh Government, requires a risk based approach with a very strong focus on protecting and expanding our social housing assets.

Key challenges include:

- Customer affordability issues as a result of welfare reform changes, demographic changes, rising energy prices and costs;
- Cuts to local government budgets resulting in cuts to statutory services.

Against this backdrop it is vital that good decisions are taken to ensure that investment in our assets is sustainable and meets customer needs and aspirations, legal and regulatory requirements.

The Asset Management Strategy (AMS) is closely linked to the Asset Management Delivery Plan (AMDP). They are both pivotal in ensuring that the affordable housing stock has a rigorous and affordable plan to meet investment need and to ensure that assets are actively managed to optimise return throughout the term of the HRA Business plan.

The AMDP sets out the future investment programme and the funding required for the effective delivery of the AMS and continued compliance to the Welsh Housing Quality Standards.

2.3 Service Vision/Strategic Aims and Objectives

Our Vision statement is:

Quality Homes : sustainable communities

This vision is underpinned by service values that focus on:

- To be customer focussed and accountable
- Offering value for money
- A commitment to working in partnership, and
- To be innovative in our approach.

The Housing Service contributes positively to Corporate Plan priorities, namely:

- Ensure opportunities exist for people to thrive and realise their long-term potential
- Support vulnerable adults and families to keep them safe, healthy and as independent as possible
- Ensuring that our communities can cope effectively with change and developments whilst protecting our natural island environment

2.4 Stakeholders

We have identified our key stakeholders and their key interests as follows:

Our **customers** have an interest in the quality, safety and affordability of their homes and neighbourhoods. We acknowledge these interests by consulting with our customers on the scope and standards of the services we provide, ensuring investment plans are affordable in order to protect the assets, and managing health and safety in accordance with our policies.

Those in **housing need** in our area of operation (may or may not be current tenants) have an interest in the protection of current affordable housing and new supply to meet local needs. We acknowledge these interests by having an affordable investment plan to keep stock in sound condition, appraising assets that are not sustainable and ensuring value for money to generate surpluses to re-invest.

Communities. Those who live locally within the communities where we operate have an interest in the management and maintenance of our housing and land assets.

The **County Council** has a wide range of interests including: The supply of quality housing (new and existing) to meet identified housing need and aspirations; sustainable neighbourhood and community development; public health and wellbeing; welfare and economic development. We work in partnership with other agencies and statutory services and support wider Council objectives.

Welsh Government. Interest in the protection and further development of affordable housing schemes, value for money, protecting and safeguarding tenants and ensuring that the housing stock meets regulatory standards.

Demonstrating continued compliance with WHQS is essential for the receipt of the annual Major Repairs Allowance (MRA) grant from Welsh Government.

2.5 Objectives

2.5.1 This Asset Management Strategy sets out 6 strategic priorities for Asset Management as noted below:

- 1. Stock Data and Investment Need.** Understanding our asset portfolio and the investment required in order to meet the Council's strategic aims, legal and regulatory standards, Welsh Housing Quality Standard (WHQS), keeping stock lettable and protecting the income stream throughout the period of the HRA Business Plan.
- 2. Active Asset Management.** Understanding the financial and non-financial performance of the Council's housing assets and actively and efficiently managing these assets.
- 3. Investment Planning.** Plan required investment in the Council's sustainable housing assets in a way that is innovative, affordable and meets our and our customer's standards and priorities.
- 4. Maximising Returns.** Plan to deliver a joined up approach within the Housing Service to maximise financial and non-financial return from the housing portfolio.
- 5. Affordability and Viability.** Ensure that the affordability and viability of the plan can clearly be demonstrated.
- 6. Delivery Plan.** Deliver of the Asset Management Strategy the Asset Management Delivery Plan ensuring value for money and maximising any community benefits available from the investment

Each section of the Strategy sets out how we will deliver against these 6 priorities.

2.6 HRA Business Plan Linkage

The delivery of the Strategy has been designed to align with the HRA Business Plan. This AMS, and any subsequent revisions to it, should not be approved without confirmation from Finance Services that affordability has been tested and the approach is affordable and within Business Plan parameters.

2.7 Risk Management

If not effectively managed, assets can become liabilities that could threaten the viability of the Housing Revenue Account and have significant impact on tenants and communities.

The key risks to the delivery of asset management objectives have been identified and recorded in our risk registers and are regularly reported to the Housing Services Board, including;

- Integrity of asset information (including stock condition data)
- Physical stock condition due to poor repairs and maintenance or investment
- Stock damage/loss due to weather, fire flood and other perils
- Failure to manage health and safety compliance which could put customers, staff and contractors at risk

We have established risk controls. Additional risk mitigation plans are implemented when required to ensure risks are managed appropriately. These measures will be documented within risk registers and include:

- Fully funded HRA Business Plan
- Asset Management team structures and implementation of improved data systems
- Council approved Capital Investment Plan
- Improved Repairs and Maintenance service delivery and structures
- Strong health and safety processes and procedures
- Strong financial management and reporting

2.8 Benefits and Outcomes

The benefits of an effective asset management strategy should include:

- Improved financial performance.
- Managed risk.
- Improved services and outputs.
- Demonstrated social responsibility.
- Demonstrated compliance.
- Enhanced reputation.
- Improved organisational sustainability.
- Improved efficiency and effectiveness.
- Improved housing standards for our tenants.
- Reduction of fuel poverty for our tenants

As part of our approach, we have identified a number of opportunities to realise these benefits. In particular, the options appraisal process, as detailed in 4.3 In addition, the development plan will also generate further opportunities.

2.9 Ownership

The lead for the AMS is the Head of Service - Housing. Asset Management Delivery Plan(s) will be developed to support this Strategy which will set out ownership for individual areas of responsibility.

2.10 Action Plan and Accountabilities

The AMDP will be developed to deliver the AMS goals and will set out:

- The objectives established under each of the AMS objectives;
- Identify the responsible officers;
- How progress will be monitored;
- Implementation timeframes.

2.11 Governance and Reporting

The investment plan will be presented annually to Council for approval. This will include commentary to provide assurance on:

1. The robustness and quality of stock condition data driving the plan including the percentage of the stock that has been surveyed in the preceding 12 months and over the past 5 years.
2. Investment planning process including any updates to the assumptions/unit rates that support cost forecasts
3. Monitoring of and funding for cyclical and statutory compliance requirements
4. Procurement and staffing requirements
5. Latest asset sustainability and details of action on unsustainable stock
6. Risk management arrangements

Investment Plan KPIs will be monitored monthly within the Technical Services Team. Quarterly investment plan KPIs will be presented to the Housing Management Team, six monthly to the Housing Services Board and annually to the Council. This will include commentary to provide assurance on:

- Work delivery against plan targets at the elemental level;
- Actual spend against budget target cost (adjusted for actual delivery)
- Outturn costs against tendered costs and the major cost assumptions/unit rates;
- Reconciliation of completions with stock condition data.

The results from option appraisals leading to alternative investment proposals for assets will be presented to the Executive for approval.

Delivery of the AMDP will be monitored by the production of an annual “traffic light” report.

2.12 Resourcing

The Housing Service will regularly review the organisational structure to ensure that its aligned to the delivery of this plan and that it is achievable.

Business needs will continue to change moving forward and we will ensure that staff are equipped with the correct skills and experience to meet these expectations.

The structure will meet requirements over the five years of the strategy and will be reviewed periodically to ensure we have suitably skilled staff, resources and capacity to deliver key outcomes and priorities.

2.13 Review

This strategy covers a five year period from 2018 to 2023 and will be reviewed annually in line with 30 year HRA Business Plan.

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3.0 Strategic Priority 1 - Stock Data and Investment Need

The strategic priority is to understand our asset portfolio and the investment required in order to meet the Council's strategic aims, legal and regulatory standards, keeping stock lettable and protecting the income stream throughout the period of the HRA Business Plan.

To meet this priority we have set the objectives below. Each objective is linked to a section of this document which details what will be delivered;

1. Complete, accurate and controlled asset data records covering the nature and attributes of the stock; Section 3.1;
2. Maintain up to date and high quality information about the condition of the stock. Section 3.2;
3. To keep up to date and validated information on the remaining lifecycles of stock condition elements and the costs of replacing them to produce future major works expenditure forecasts. Section 3.3;
4. Maintain validated information to forecast other future maintenance expenditure requirements. Section 3.4;
5. Ensure that the plan funds the sustainment of legal and regulatory requirements/standards. Section 3.5;
6. Present scenarios and agree discretionary improvement spend and understand the impact on the business plan and customers; Section 3.6;
7. Create a 30 year Investment Forecast to be incorporated within the HRA Business Plan; Section 3.7;

3.1 Asset Data and Profile

The housing stock portfolio covers a wide geographical area across Anglesey. The towns of Holyhead, Llangefni, Amlwch and Menai Bridge have the greater concentration of stock, with smaller percentages located near or within villages throughout the County.

Anglesey County Council owns and manages 3,803 dwellings as at April 2017. The three most common property types are:

- Traditional properties comprising of detached, semi-detached, terraced houses, bungalows and flats;
- Solid wall properties.
- Non-traditional properties such as prefabricated concrete houses and timber frame properties.

Percentage of property types are as follows:

Property Type	No. of Properties	% of Stock
Houses	2020	53%
Bungalows	699	18%
Flats	594	16%
Sheltered Accom.	490	13%
Total	3803	100%

**** Figures include 30 properties acquired post April 2015**

The age profile of our stock is split into the following bands:

Age Band Width	No. of Properties	% of Stock
Pre 1919	43	1%
1919 - 1944	292	8%
1945-1964	1494	39%
1965 - 1974	1079	28%
Post 1974	895	24%
Total	3803	100%

**** Figures include 30 properties acquired post April 2015**

Currently core stock data is held in Keystone, our asset management database. Keystone is an asset management solution suite which forms part of the wider Housing Management System.

It is a system designed to facilitate operations within technical functions of social landlords. A full review and reconciliation of asset data will be completed during 2017-18 to ensure that all asset management data reconciles.

The procurement of a further 20% representative stock condition survey during 2017-18 will inform and assist this process of validation.

We hold the following information:

- Age
- Archetype
- Tenure

- Construction (traditional/non-traditional)
- Compliance attributes

3.2 Stock Condition Data

The information held in relation to the stock condition has been collected by Savills as part of a full stock condition survey undertaken during 2008-09 and, subsequently, a 20% representative stock condition survey completed during 2013. We currently hold survey data on 94% of the properties in the portfolio and 100% survey data on external blocks and common parts. The remaining 6% property level data is currently cloned from those surveys already completed to give a position on the full stock condition.

The validation of stock condition data will be maintained by:

- Collecting data on the remaining 6%;
- Surveying the stock at least once every 5 years. Whilst traditionally it is considered good practice to survey stock on a rolling basis, a % of the stock per annum, given the size of the housing stock it may be more practical for us to do a larger batch less frequently in order to secure value for money;
- External validation of any stock condition data collected in house.
- It is proposed that within the lifespan of this 5 year strategy we will procure a full stock condition survey.
- During Quarter 2 2017-18 we will procure a further 20% representative stock condition survey.

Asset data will be kept up to date following work completions.

3.3 Future Stock Condition Requirement

The stock condition data as detailed in 3.2 provides information to allow the creation of a robust 30 year Investment Plan. By ensuring that the current stock has a stock condition survey every 5 years, we will facilitate the production of an up to date expenditure forecast adequate to cover:

- The periodic renewal of building components, fixtures and fittings;
- Keeping the property in lettable condition;
- Maintaining compliance with Welsh Housing Quality Standards.

In essence, this is the replacement of internal building elements (kitchens, bathrooms etc.) and external elements (windows, doors, roofs & structures etc.). The replacement date of elements is forecasted using an assessment of condition and expected component lifecycles. Combined with the cost of replacing elements this data provides a forecast of the future requirement.

As well as maintaining condition data, in accordance with 3.2 above, it is essential that accurate data on component lifecycles and the cost of replacement is maintained. These will be reviewed annually and compared to our experience, market intelligence and the current outturn cost of delivery.

The current key element lifecycles for components allowed for within our 30 year cost projections include:

- Kitchen – 15 years
- Bathroom – 25 years
- Boilers – 15 years
- Radiators – 25 years
- Full re-wire – 25 years

The replacement costs will act as the affordable rate i.e. the rate the business can afford to pay for the renewal of the element. Delivery within the rates will demonstrate the viability of the business plan.

3.4 Other Future Maintenance Requirements

A list of assumptions and unit rates that drive the non-stock condition costs contained within the HRA plan and evaluation models will be maintained. These cover the following areas:

- Contingent Major Repairs
- Compliance
- Cyclical Maintenance
- Responsive and Void Maintenance
- Related Assets

The methodology for forecasting the requirement in each of these areas is detailed under each subheading below. These will be reviewed annually and compared to our experience, market intelligence and the current outturn cost of delivery.

The forecasts contain a number of assumptions based on local knowledge of the stock and staff experience

Each of the assumptions used to build up the future non-stock requirement will be given a Red, Amber or Green (RAG) status based on the level of confidence behind them.

3.4.1 Contingent Major Repairs

The allowance is specifically in respect of unforeseen work that has not been identified elsewhere in the survey but, from experience, can be predicted as likely to occur. Examples include, but are not limited to, cavity wall tie failure, uninsured subsidence/settlement, general structural defects, drainage failure and latent defects in construction and extra over allowances associated with delivering capital works.

The current assumption is to allow a sum equal to 3% of future major works cost.

3.4.2 Compliance

The Housing Service has recently reviewed policies, procedures and processes and entered into agreements with suppliers to ensure its landlord's compliance obligations are fulfilled. This helps to ensure the health and safety of customers, visitors to their homes, and staff. The works requirement is outlined in the policy and the number of units requiring the compliance requirement for each unit is recorded in compliance attributes in accordance with our data management protocols. Compliance requirements will be fully funded by applying the appropriate unit rates to the number of units requiring the service.

3.4.3 Cyclical Maintenance

The cyclical maintenance requirement identified within the plan covers future cyclical external decorations and associated repairs. This programme of works will be delivered on a 8 year cycle.

3.4.4 Responsive and Void Maintenance

Responsive and void property maintenance is maintenance work arising from the landlord's obligation to carry out repairs to a property, either upon a tenant's request or arising from staff inspection or in connection with the re-letting of a property.

Also included under this heading is Aids and Adaptations. The Council provides aids and adaptations to assist customers with disabilities to live in their homes. This work is funded in full by the HRA.

3.4.5 Related Assets

This section covers assets within the stock where there is an obligation to maintain but the costs aren't captured in the above categories. Sewage Treatment Works, garage sites and land would be examples of this categorisation.

3.5 Legal, Regulatory and Local Standards

The Council is required to meet the following requirements:

The Welsh Housing Quality Standard (WHQS) as summarised below:

The “Better Homes for People in Wales” states the Welsh Government vision that “all households in Wales ... shall have the opportunity to live in good quality dwellings that are”:

- Part 1: In a good state of repair.
- Part 2: Safe and Secure.
- Part 3: Adequately heated, fuel efficient and well insulated.
- Part 4: Equipped with up-to date kitchens and bathrooms.
- Part5: Well managed (for rented housing).
- Part 6: Located in safe and attractive environments.
- Part 7: As far as possible suit the specific requirements of the household.

The Isle of Anglesey County Council became one of the first Authorities to meet the WHQS during December 2012. This was independently verified by Savills following a 20% representative stock condition survey undertaken during 2013.

We are satisfied that, wherever practically possible, all properties meet WHQS with the exception of acceptable fail criteria.

The Council is legally obliged to comply with approved statutory guidance and associated procedures compliance listed below:

- Gas safety certification: Undertaken annually by in-house operatives wherever possible and results recorded in the Keystone Servicing Module.
- Water Hygiene: Specialists contractors engaged to survey and record all communal sites that have an associated risk of Legionella during 2016.
- Fire Safety: The Regulatory Reform (Fire Safety) Order 2005 a duty on the Council to maintain fire safety arrangements. Properties with communal or common parts must be assessed periodically for fire risk to ensure continued statutory compliance.
- Electrical Safety: Electrical landlord testing is undertaken every five years.
- Asbestos Management: The Control of Asbestos Regulations require duty holders to take reasonable steps to find asbestos containing materials and to keep a record of the location and condition of asbestos and presumed asbestos containing materials. Our data is held in the Keystone Asbestos Management Module.
- Solid Fuel: Solid fuel flues are tested annually.

We will aspire to go beyond the basic requirements of the WHQS's in order to meet our strategic aims.

The Council is committed to tackling fuel poverty and providing affordable thermal comfort for tenants.

Environmental performance of our assets is taken very seriously when making investment decisions and consideration is also given to best practice and guidance e.g. the recent Government publication "Warm Homes, Greener Homes: A strategy for Household Energy Management" suggests that for social housing an average SAP rating of 70 should be achieved by 2020.

This is a target adopted in our WHQS Compliance Policy.

We have previously captured energy information and, as part of the stock condition surveys, we will collect new energy (SAP) data for every property as part of this strategy.

This will ensure that we hold data, including CO2 emissions and running costs for every property.

The data allows for the strategic targeting of those properties/neighbourhoods with poor energy ratings as part of the investment planning process.

At this stage we are actively targeting an improvement in the average SAP rating to reduce acceptable fails and enhance energy efficiency:

- We currently (2016-17) report to WG that 726 of our properties fail to meet the WHQS energy target rating of 65. This figure will reduce as we undertake further surveys to reflect energy efficiency work already undertaken and when we reassess properties on completion of future work.

We will also look for opportunities to attract funding for additional work to improve the energy efficiency of the stock and reduce running costs for our customers.

3.6 Improvements

Improvement work generally involves:

- The installation of components that do not currently exist at a property but would enhance the property e.g. PV/solar thermal etc;
- Upgrading the standard of an element to be replaced e.g. higher specification kitchen;
- Replacing an element before its condition dictates in order to improve the property.

This is discretionary spend and needs to be prioritised to make best use of the available funds.

3.7 30 Year Expenditure Requirement Forecast

This plan culminates in the production of a 30 year expenditure forecast.

This forecast will be re-run whenever there is a material change to the AMS or the underlying data.

In any event the forecast will be run annually.

4.0 Strategic Priority 2 - Active Asset Management

The Objective is to understand the financial and non-financial performance of the Council's housing assets and actively and efficiently managing these assets.

To meet this priority the objectives below have been set.

Each objective is linked to a section of this strategy which details what will be delivered.

1. Monitor financial performance through Net Present Value (NPV) assessment of assets. Section 4.1;
2. Define and monitor non-financial performance using sustainability and demand indicators that measure the ability of the assets to meet wider objectives. Section 4.2;
3. Use an evaluation process to categorise assets according to overall (financial and non-financial) performance providing a RAG spread across the whole stock. Section 4.3;
4. Undertake option appraisal of stock that do not meet the sustainability requirements or where appraisal is otherwise desirable. Section 4.4;

4.1 Financial Performance- Net Present Value

For poor performing or problematic units the Housing Service will evaluate the financial performance of individual assets and groups of asset in order to identify which properties are, and are not, viable for investment over the period of the HRA Business Plan. A range of data will be evaluated including:

- Rental income and void rent losses;
- Repairs and maintenance expenditure;
- Future 30 year planned maintenance expenditure;
- Housing management costs.

This data is used to provide a 30 year net present value (NPV) for each individual assets and groups of assets.

4.2 Non Financial Performance- Meeting Wider Objectives

Alongside financial performance our assets need to meet our wider objectives and remain sustainable to the future. This analysis enables the identification of any potential future decline in the desirability of the assets and therefore enables to plan more effectively to meet future needs and protect the income generation stream.

It also enables us to evaluate the extent to which our assets support our new business and development goals. The Housing Management indicators below measure the extent to which assets are meeting our housing management aims:

- Rent arrears
- Management intensity (no. of incidents)
- Tenancy sustainment (no. of notices, ASB warning letters)
- Difficult to let properties
- Number of long term void properties

Consideration will also be given to the disposal of high valued assets with a view of utilising any capital receipt received upon sale to develop a higher number of units in an area where there is a proven demand for social/affordable housing.

4.3 Options Appraisal

Where analysis identifies assets that are poor performing, either on a financial and/or non-financial basis, a more detailed options appraisal will be carried out and all options for improvement will be explored. Those assets identified as requiring options appraisal will have minimum immediate short term expenditure before long term investment decisions are made.

Consultation with customers and other stakeholders will take place during this appraisal process.

Triggers for options appraisal will include

- Stock with a negative NPV;
- Stock with a marginal NPV;
- Stock categorised as having high level of opportunity.

Key potential options for stock could include:

No.	Category	Option
1	Capital	Full refurbishment to a 30 year standard
2	Capital	Investment to support change of use
3	Capital	Demolition and redevelopment
4	Capital	Limited life- Medium term investment plan
5	Responsive	Short term investment to bring the property back into use at minimal cost for a limited time.
6	Responsive	Minimal investment and acceptance of higher responsive and cyclical repairs
7	Disposal	Disposal of some or all units on open market
8	Change of Use	Change of use- either short term of long term
9	Management	Change in property designation and management approach

It will not be appropriate to model every solution in every appraisal so the list above should be treated as the full range of options. In each appraisal the list will be filtered in order to model the most viable alternative solutions.

The analysis will identify the core (Green) stock that meets or financial and non-financial goals and requirements. As a consequence the Red and Amber stock can then be subject to a more detailed analysis.

5.0 Strategic Priority 3 - Investment Planning

The third strategic priority is to maintain and invest in the assets in a way that is innovative, affordable and meets our and our customer's standards and priorities.

To meet this priority the objectives below have been set. Each objective is linked to a section of this document which details what will be delivered:

1. Develop and maintain approved and affordable investment plans for the delivery of works. Section 5.1;
2. Maintain and adhere to a set of investment rules and priorities and parameters to act as a gateway to making investment decisions and ensure our investment is targeted at sustainable stock and funds allocated accordingly within the HRA Business Plan. Section 5.2;
3. Scope of works are to be in accordance with an affordable set of delivery standards. Section 5.3;

5.1 Process

The investment planning process is designed to determine:

- What works are required
- To which properties
- In which works package
- In which year
- Budget required

The above process is required to ensure that the investment plan requirements are included and affordable within the parameters of the HRA Business Plan.

Investment programmes will be developed based on stock condition data, overlaid with the investment priorities in order to develop a 5 year investment programme.

This will be reviewed on an annual basis to meet any changing priorities or budget constraints that may emerge. The work within the programmes will be:

- Batched, where possible, in order to support efficient delivery. This sometimes presents a challenge in our stock as the nature of internal work can make works difficult to deliver whilst an asset is occupied;
- Combined in works programmes that aid efficient delivery and manage the impact on the customer;
- Checked to ensure that investment is not made in unsustainable assets;

- Appropriately prioritised, using the available business intelligence, in accordance with an agreed set of priorities to make sure that the highest priority work is completed first;
- Specified in accordance with agreed investment standards.

The investment rules will act as a filter to ensure that any investment is in long term sustainable stock. Investment will be limited whilst options appraisals are carried out.

The Welsh Housing Quality Standards/Development Quality Requirements set out the principles and performance criteria to be achieved where practically possible in the design and construction of investment projects.

The development of a 5 year investment plan with a higher degree of certainty allows for a coordinated approach to the procurement of materials and resources required for its effective delivery. This will involve the early identification of significant areas of spend and will allow for procurement on the best possible terms for the Council.

5.2 Investment Programmes

Work will be delivered in the following programmes:

Programme 1 - Internal Works

Programme 2 – External Walls/ Roof/ Roofline/ Windows/ Doors and Environmental Works Programme

Programme 3 – Heating Boiler and system replacements

Programme 4 – Communal Works

Programme 5 – Cyclical Decorations and Associated Repairs

Further details are included in Appendix 1.

5.3 Investment Rules and Priorities

Investment programmes will prioritise works to long term sustainable stock within available budgets.

Works will be prioritised using the agreed priorities set out below:

1. Statutory compliance- gas safety, fire safety etc;
2. Works identified as part of health and safety risk assessment or disrepair that may increase risk of harm if not resolved;
3. Structural works that are dangerous and/or could lead to increased costs and reduce the value of the asset if not resolved;
4. Works to ensure legal and regulatory standards

5. Replacement of elements that are driving high R&M costs;
6. Works to maintain the full life of components e.g. exterior cyclical redecorations;
7. Internal kitchens and bathrooms to provide modern facilities (prioritised oldest first);
8. Energy efficiency improvements.
9. Environmental improvements.
10. Other improvements and customer priorities that will improve satisfaction and/or satisfy aspiration.

The stock condition survey will inform the investment plan on an objective basis, however, financial resource are restricted to the provision included within the HRA Business Plan.

Should the Council be unable to commit the level of funding required, refinement will be in accordance with these priorities and the lowest priority works will be removed from each programme until the plan is affordable.

5.4 Investment Standards

The Council's Investment Standards establish the scope of the work that will be delivered. They will be aligned to Welsh Housing Quality Standards and the affordable rates identified to ensure consistent delivery.

6.0 Strategic Priority 4 – Maximising Returns

The fourth strategic priority is to deliver a cross departmental approach to achieve best financial and non financial return from our assets.

To meet this priority the objectives below have been set. Each objective is linked to a section of this document which details what will be delivered:

1. Produce Investment Plans that reflects stock sustainability and our investment rules & priorities and standards. Section 6.1
2. Deliver work through a planned approach and optimise repairs and maintenance expenditure. Section 6.2
3. Ensure that the compliance requirement is understood and funded and that opportunities to reduce risk and compliance costs are captured. Section 6.3
4. Support new development by identifying opportunities within the existing portfolio and ensure that new acquisitions or developments are brought in to management effectively. Section 6.4

6.1 Investment Plan

The Investment Plan sets out our intended investment in the stock for the period 2018 - 2023.

The first five years of the plan will be set out in deliverable programmes of work.

This plan remains a live document and will be reviewed and updated following any future stock condition surveys.

6.2 Repairs and Maintenance

Overall it is essential that repairs and maintenance expenditure, including responsive and void maintenance, is delivered in accordance with the investment rules. Through effective planning and programming, works can be delivered in a planned way which moves works away from a responsive approach. This gives rise to opportunities for improved value for money and reduced reactive maintenance expenditure.

By prioritising planned capital investment, such as upgrading kitchens and traditional planned maintenance, with emphasis on quality and reliability, future reactive maintenance costs will be reduced. Planned replacements can be prioritised where high maintenance costs are prevalent.

To ensure that duplicated or unnecessary expenditure is avoided, and that records are appropriately maintained, the repairs and maintenance team must know where and when properties have been identified for programmed investment.

The repairs and maintenance team must have access and full knowledge of the Investment Plan. This enables rational decisions to be made prior to undertaking repairs and, where planned investment is due, gives the ability to advise tenants (or prospective tenants) that works will be undertaken within a defined time period.

Void Properties: The Council has a void turnover of circa 7% of its properties per year. To maximise rental income, void properties are returned to the rental stream as quickly as practicable and the Housing Service is determined that this area of work is given priority status.

Notwithstanding the above, it is our policy to undertake any outstanding WHQS work e.g. kitchens, bathrooms, re-wires, at end of tenancy and prior to re-letting. This will continue to be the case until all internal elements are fully compliant. At change of tenancy a Compliance Certificate will be handed over to the new tenant(s) which will confirm % WHQS compliance.

6.3 Compliance Plan

Asset Management have developed plans, policies and procedures to manage each area of Compliance across all aspects of the stock.

Plans cover a range of factors impacting on the day to day Compliance and Regulatory requirements and outline the specific management requirements and actions which mitigate those issues identified, ensuring that the Council discharges its responsibilities in this area. The plans cover items such as:

- Water Hygiene
- Asbestos Management
- Gas Safety
- Electrical Safety
- Fire Safety
- Lifts

The plans are developed so that investment is targeted and prioritised on the basis of risk and ensure that:

- Follow a cross functional approach
- Are based on a comprehensive understanding and assessment of issues encountered in each Compliance area with appropriate action and mitigating measures.

6.4 Development Plan

It is essential that our assets, and therefore this asset management strategy, supports the Council's objectives for growth and development. There are a number of ways this will be achieved, including identifying opportunity assets by undertaking a review of land in our ownership (including garages, open spaces) to identify opportunities to deliver new homes.

The Council's Housing Development Strategy 2015-20 lays the foundation for increasing our social housing stock by 255 units over a 5 year period. This proposed increase in affordable housing aligns with corporate priorities which include:

- Increasing our housing options and reducing poverty, and
- Regenerating communities and developing the economy.

Opportunities for growth will focus on increasing our stock in areas where there is an identified need for affordable rented housing and may include:

- New build

- Purchasing existing properties including former Council houses that have been lost through the Right to Buy.
- Developing intermediate market rented housing
- Extra Care Schemes
- Supported Housing Schemes

New homes or acquisitions should be of a type and specification that supports the Council's ability to meet housing need and provide value for money in terms of future maintenance when these assets come in to management.

When considering new developments or acquiring existing properties we will have regard to the types of dwellings required and proven demand within the area as demonstrated through the common housing register and affordable housing register.

We will ensure that all new affordable developments meet level 3 of the Code for Sustainable Homes which is the minimum standard expected by the Welsh Government's "Development Quality Requirements". Compliance with national standards will ensure that sustainability expectations in terms of energy use and affordability are met and, wherever practical, surpassed.

The Housing Service will work with the Corporate Asset Management Group to identify non HRA sites which are surplus to requirements and earmarked for disposal e.g. school sites which may be suitable for use as affordable housing and as part of the Council's regeneration plans.

7.0 Strategic Priority 5 - Affordability and Viability

The fifth strategic priority is to ensure that this strategy is fully funded and affordable within the HRA Business Plan.

To meet this priority the objectives below have been set. Each objective is linked to a section of this document which details what will be delivered:

1. Maintain a linkage to the HRA Business Plan (linkage to prove affordability of the plan). Section 7.1;
2. Demonstrate that completion data and outturn cost can be reconciled to ensure delivery is affordable and the viability of the business plan. Section 7.2;

7.1 Business Plan Linkage

This plan has been aligned to the HRA Business Plan and approved by the S151 Officer. Any subsequent revisions should not be approved without confirmation from the S151 Officer that affordability has been tested and the approach is affordable.

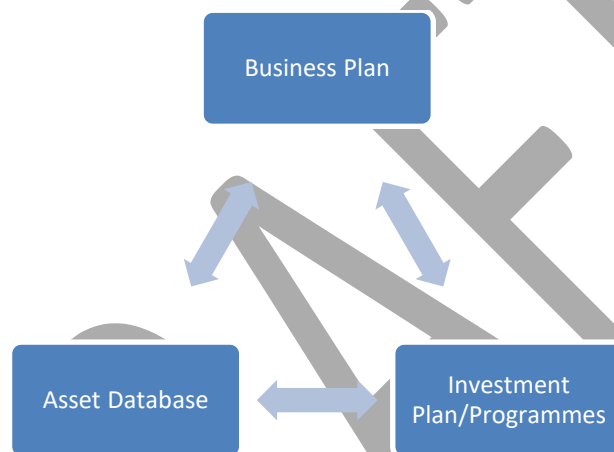
As part of the annual approval of the Investment Plan the 151 Officer will confirm alignment to the HRA Business Plan.

Stress testing is carried out on the HRA Business Plan in order to understand the impact of increases in rates. These stress tests are outlined in our HRA Business Plan.

7.2 Reconciliation of completions and Outturn Costs

The maintenance of valid and accurate asset data is essential to inform the integrity of business planning, future expenditure forecasting and remaining lifecycles of stock condition elements and the reconciliation of project completions will be routinely carried out.

Our objective is that key systems remain aligned:



This regular reconciliation consists of:

- Updating the asset database with component replacement dates from the monitoring of completions;
- Monitoring outturn costs at the element level and comparison to the rates included within the business plan to prevent negative impact on the Business Plan and tenants;
- Work completions within the investment plan or repairs and maintenance will be recorded on the asset database. This process will allow early recognition and solution of any anomalies and consequently improve the accuracy of data held in the data base.

8.0 Strategic Priority 6 – Delivery Plan

The sixth strategic priority is to deliver the stock investment plan ensuring value for money, that programmes are delivered in such a way to protect the Health and Safety of all staff, customers and those in the vicinity of the works and to effectively manage all contractors engaged on schemes. The detail will be developed and set out in Asset Management Delivery Plans.

To meet this priority the objectives below have been set. Each objective is linked to a section of this document which details what will be delivered:

1. Evaluate internal and external delivery options and procure works and services that provide best value for money. Section 8.1;
2. Manage contracts to ensure quality and customer satisfaction. Monitor the cost and quantity of work delivered at elemental level and benchmark against tender price and the plan assumptions; Section 8.2;

8.1 Delivery options, procurement and value for money

The collection of stock condition data enables investment planning to be formulated for the short, medium and longer term and offers the opportunity for accurate resource planning, effective procurement of goods and services and volume efficiency savings collectively delivering value for money.

It is critical that our approach aligns with, and supports, the achievement of our strategic objectives whilst remaining relevant and practicable.

Procurement also requires focus on governance, risk, VFM and compliance. All procurement is regulated by the Council's Financial Standing Orders and the European Public Contracts Directive.

8.2 Contract management and monitoring

Unit cost assumptions for key component replacements and projects inform part of the HRA Business Plan and 30 year expenditure forecast.

It is therefore imperative that projects are delivered within these assumptions and to the right standard.

Quality of work and contractor progress against programme for works on site is managed through the post inspection process. This includes a commitment to regularly inspecting works in progress and 100% works completions.

A suite of monthly KPI's are to be developed to monitor the following areas:

- Comparison of actual tendered rates against forecasted rates with commentary on any variances

- Quality Assurance/Quality Control through inspection rates and % pass/failure
- Customer satisfaction
- Health & safety performance

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Appendix 1 – Investment Programmes

Programme 1 - Internal Works

This programme includes for:

- Kitchens
- Bathrooms
- Rewiring programme as determined by electrical testing

The table below confirms our current position in connection with the renewal of key internal elements:

Element	Total included on 2008-09 scoping survey for replacement	Total carried out to date	Tenants Refusal	Total of properties not identified on scoping survey for replacement
Kitchen	3073	3416	207	150
Total of bathrooms / Level access shower	2271	3331	131	311
Re-wire	1543	3023	106	644

The total of 444 tenant refusals noted above are in relation to a total of 315 properties.

work required in a property within a five year planning window will be undertaken at the same time i.e. if a kitchen and bathroom is required within this window then both will be carried out at the same time. If only a kitchen or bathroom is required then only that element will be done.

During 2017-18 contact will be made with all tenants who have previously chosen to refuse having all or any of the internal elements upgraded. If any of our tenants in this category are now agreeable for the works to proceed, the work will be programmed as soon as practically and financially feasible.

It is also our intention to undertake further survey work and analysis on the elements not identified for replacement during the original stock condition survey. Any works identified will be programmed for renewal between 2017-20.

Programme 2 – External Walls/Roof/Roofline/Windows/ Doors and Environmental Works Programme

To include for roof covering/roofline renewals inclusive of chimneys, external wall repairs such as gable end rebuilds, re-pointing, re-render etc. In addition, windows and doors will be renewed under this package. Again all work required to properties within the 5 year planning window will be undertaken at the same time.

Environmental works will be undertaken concurrently with Programme 2. This programme involves mainly environmental repairs and improvements within property curtilage such as fencing, footpaths and boundary walls.

In addition, expenditure on garage demolition and subsequent environmental improvements fall into this category but will be procured separately.

Programme 3 – Heating Boiler and system replacements

To include planned replacement of older boilers which are reaching the end of their expected lifespan, typically 15 years. Heating distribution systems will be assessed and scheduled for upgrade if deemed appropriate when a boiler is renewed.

It should be noted that the provision of central heating and/or boiler and system upgrades was primarily undertaken between 2002 and 2008. By utilising the 15 year element lifespan mentioned above, it follows that boiler replacement programmes will feature prominently throughout the 5 year period covered by this AMS.

Programme 4 – Communal Works

This programme involves replacement of communal services including lifts, communal areas of blocks, fire protection systems, communal electrics and emergency lighting, entrance doors and door entry systems etc.

Programme 5 – Cyclical Decorations and Associated Repairs

Cyclical decoration will be delivered using a 8 year cycle. Stock prioritisation will take place considering investment priorities and programmes of work identified in the investment plan. No element will be painted that is scheduled for replacement within the five year plan.