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Asset Management Strategy

Report summary:

This report recommends the development of an Asset Management Strategy for East Devon District Council.

The report will cover how the AMS will ensure we meet legislation, regulation and are able to forecast the budgetary requirements in maintaining our homes. The AMS will assist in guiding future strategic property decisions to ensure EDDC manage the housing portfolio efficiently. The AMS will include fully costed 5/10/15 /30-year plan of works based on the outcome of the Stock Condition Survey programme.

The report will also recommend a Project Board be formed to deliver the AMS. The terms of reference are attached at Appendix1.

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

1) To recommend to Cabinet:

- a) approval of the appointment of a consultant, if required, to develop the Asset Management Strategy; and
- b) delegation of authority to the Assistant Director of Housing to agree a fee with the above consultant, not exceeding £50,000, with payment of the fee agreed from the Housing Revenue Account (HRA), on the assumption that there is an existing budget for this fee within the HRA. If there is no existing budget, then for Cabinet to recommend to full Council approval of an additional budget for these monies.
- c) delegated authority to the Assistant Director of Housing to agree a fee.

2) To recommend to Cabinet approval of the Project Board Terms of Reference.

Reason for recommendation:

EDDC do not currently have sufficient detailed information to enable us to accurately forecast and budget for the financial implications of managing our repair and maintenance obligations.

The outcome from the AMS will include detailed information on each property in our portfolio including components, age, condition, life expectancy, energy efficiency, together with a fully costed 5/10/15 / 30-year plan of works.

Officer: Yusef Masih – Interim Compliance & Planned Works Manager

Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country, and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications
- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Medium Impact

Risk: Low Risk; .

Links to background information

Link to

Priorities (check which apply)

- Better homes and communities for all
- A greener East Devon
- A resilient economy

1 Background

1.1 Purpose of an Asset Management Strategy

1.1.1 The purpose of an Asset Management Strategy (AMS) is to set out and demonstrate:

- An understanding of the property assets owned and managed by EDDC, including their attributes and characteristics
- An understanding of our liabilities, in particular the investment needs of the stock in the short- medium and longer term as identified through stock condition surveys and our database
- Adopt an approach to the strategic management and maintenance of the assets to maintain them in good and tenatable repair.
- An understanding of when disposal, purchase, and development is to be recommended.

1.1.2 The AMS should both support and underpin the strategic and financial performance of the overall business.

- the way in which the assets are managed and financed.
- the investment needs of the stock based on condition and fitness for purpose.

- The standards which are to be adopted.

1.1.3 EDDC must assess its 'use of resources' and show how it achieves value for money and continuous improvement.

1.1.4 EDDC are completing a comprehensive stock condition survey which will support the development of the strategy. Using asset information to make better decisions, whilst having stock condition information, will enable EDDC to have a more robust and data driven approach to updating, managing, and profiling properties, whole-life costing and assessing investment or disinvestment options.

2 Asset Management Strategy Objectives

2.1 The key objectives of the strategy will be:

2.1.1 Asset Performance:

- Develop an asset appraisal model to assess asset performance / return on investment. This is commonplace for many councils, to assess expenditure against projected future income, to ensure any project is financially viable and to enable EDDC to make informed decisions on the financial viability of projects.
- Identify financial performance and in particular poor performing assets.
- Options appraisal of poor performing assets.

2.1.2 Maintenance of portfolio

- Ensure all homes comply with the Decent Home Standard and Climate change agenda.
- Work towards all homes meeting the Social Housing Standard of an EPC rating of C or over.
- Ensuring our properties are safe, secure, and compliant, meeting all our obligations.

2.1.3 Investment Decisions

- The AMS will set a clear action plan outlining the approach to future investment ensuring value for money is achieved for all projects.
- The HRA Business Plan is to be updated annually, providing a long-term income and expenditure profile based upon the latest data and business priorities. The AMS will complement and inform the councils Business Plan and set out our priorities for the physical care and improvement of our housing stock, non-domestic assets, (garages) and the local environment.
- Any future AMS will link to the Housing Business Plan.

2.1.4 Fit for the future.

- Efficient, suitable, and fit for purpose accommodation for the future delivery of services.
- Development and regeneration of potential refurbishment opportunities across the portfolio that could release further income after investment.
- Investment in support of the Council's Strategy and the council's capital strategy maximising income, generating opportunities through investment opportunities.
- Disposal – to consider the sale of properties that produce a negative income stream.
- Respond to customers changing priorities and provide choices that are important to our customers.
- Care for the external environment as well as individual homes.
- Embrace technological advances in Smart Home technologies and making our homes digitally connected as standard.

- Continue to improve the energy efficiency of our stock and make meaningful investment in the reduction of fuel poverty and fossil fuels.
- Anticipate and avoid parts of the stock declining in desirability, value, and attractiveness.

3 Risks

3.1 There are challenges and risks to implementing the Asset Management Strategy and the key ones are listed below. These challenges and risks shall be recorded and regularly managed through an AMS risk register and departmental work plans.

- Risk in not undertaking stock improvements or ineffective targeting of our programmes. This could lead to wasted resources, negative reputation and potentially hard to let homes.
- Failure to meet the Decent Homes Standard may lead to non-decent homes, regulatory action, and loss of current and future tenants.
- Unsustainable neighbourhoods could result in demolition and clearance.
- Inadequate information on life cycle costs.
- Inappropriate timescales could increase reactive repair costs, the benefit of economies of scale will be lost with additional financial implications.
- Numbers of formal and informal complaints increasing
- Number of ombudsman determinations and financial compensation
- Failure to follow regulation / legislation could lead to action by the regulator.
- Low levels of tenant satisfaction

4 Our current Asset Management Strategy / approach

4.1 Currently EDDC do not have an up-to-date Asset Management Strategy. There has been a knowledge-based approach to planned works within teams.

4.2 The contract entered with the current contractor, principally procured for day-to-day repairs also included a provision to conduct planned works. This resulted in several larger scale projects being delivered over the past 2 years, including external window replacement, external decorations programmes and fabric upgrade / climate change works part Government funded. More recently, a contractor has been instructed to replace fifty kitchen and bathrooms, which are scheduled for completion by May 2024.

5 Profile of our portfolio

5.1 The Council owns and manages a diverse range of housing. It is a mixed portfolio spanning several different property types. They are held on a mixture of tenures, general Needs tenancy, freehold, licence, and leasehold. The portfolio also includes 15 community centres which are part of the AMS. The following table 1, sets out the various archetypes and their numbers.

Dwelling Type	General Needs	General Needs Void	Sub total	Sheltered	Void	Sub total	Total
Bedsit	24	1	25	14	3	17	42
Bungalow	189	4	193	752	31	782	976
Flat	607	29	636	505	30	535	1171
House	1894	43	1937	14	0	14	1951

Maisonette	6	0	6	0	0	0	6
Room	9	11	20	0	0	0	20
Total	2729	88	2817	1284	64	1348	4165

There are in addition a number of garages, the detail of which is set out in table 2.

Garages	
Status	Number of Garages
Garages Occupied	344
Garages Void	383
Total	727

6 Stock Condition Surveys 2023/24

- 6.1 The council agreed to proceed with a programme of Stock Condition Surveys, SCS, on all EDDC Housing Stock. Currie and Brown, surveyors were instructed to deliver the programme, which started during March 2023 and is expected to complete during January 2024.
- 6.2 So far, about 80% of the portfolio has been inspected, with an expectation that by the end of the programme, during January 2024, 90%+ of the portfolio will have been inspected. The completion of SCS will form an important part of the development of the AMS.
- 6.3 Currie and Brown will provide a detailed report once the programme is completed. The report will set out the key finds of the programme and include comprehensive costed 5/10/15/30 year works programme, which will form an element of any future AMS.

7 Project Board Resources

- 7.1 EDDC will bring together a project board with officers, members, and tenants to take a strategic approach to the development and delivery of an AMS of its Housing Stock. The make-up of the Project Board will be agreed once approval to the recommendations in this paper have been agreed. The draft Terms of Reference for the Project Board are attached (Appendix 1).

The project board will lead on taking forward the SCS and the development of an AMS.

8 Development of specification / scope and approach

- 8.1 The AMS will be developed to deliver the key objectives of the council. It will set a clear action plan outlining the approach to future investment, value for money and in ensuring we meet all regulation and legislative requirements.
- 8.2 The strategy will need to complement and inform the councils Business Plan and set out priorities for the physical care and improvement of our housing stock, non-domestic assets, and the local environment.
- 8.3 Key influencing factors to any recommendations and outcomes will be affordability, so understanding of our financial position will be imperative. The strategy will outline our approach across a five-year term / 30-year term and detail relevant resources to achieve the stated outcomes.

8.4 It will be necessary for the specification document to set out the following requirements:

- Provide housing which aims to achieve standards in-line with current and projected customer expectations and demand.
- Ensure compliance with current, relevant regulations.
- Provide the correct balance between response, cyclical repairs, and capital investment.
- Reflect local diversity in its approach.
- Comment on assets to modernise, remodel or dispose.
- Set out the general core principles which will influence investment decisions.
- Identify and address newly emerging needs.
- Consider how economies of scale and value for money can be achieved.
- Set out a method for identifying poorly performing stock, Net Present Value calculation.
- Assess the hot spots for right to buy and the impact and effect of the loss of high performing stock.
- Set targets for investment needed to meet standards such as SAP (energy efficiency), fuel poverty and quality of homes.
- Identify poorly performing stock in respect of rental returns and high maintenance activity/future costs.

8.5 The strategy should also aim to provide answers to fundamental questions such as.

- What are the costs and benefits behind owning specific property and land?
- Where should the council invest or dispose of its assets, and what is the extent of that investment?
- How is innovation able to influence and improve asset management?

8.6 A Net Present Value, NPV, figure will be achieved for the portfolio together with rankings that take account of other inputs (such as Indices Multiple Deprivation or SAP ratings) in order that comparisons can be undertaken across tenure, location, and archetype.

NPV is a recognised method of assessing the viability of most residential portfolio/single properties. Many councils adopt such an approach to ensure they understand the financial viability of the portfolio. It is an essential Asset Management tool to fully understand the financial performance of the housing stock.

9 Development of the strategy

9.1 It is proposed that the current internal resources and skills within the team are reviewed to identify our capability to develop the strategy. Once this is completed we will be able to identify consultancy support needs.

If consultancy support is required it will be sourced through approved procurement methods. The Project Board will recommend the appointment of the consultancy support.

It is considered the appointment of consultancy support to draft the AMS if required will be in the region of, £50,000. On approval of the final specification a fixed price fee shall be agreed for the work required.

10 Links to other Plans

10.1 EDDC Housing Services Plan 24/25

The objectives from the current service plan, also document the reasons behind the development of the AMS.

- Deliver an informed planned / cyclical programme of maintenance works across the housing stock in order to meet our targets for Decent Homes and in maintaining / future proofing the stock.
- Deliver a cyclical programme of works to ensure EDDC meets all its statutory duties in regard to all strands of compliance and to ensure the health and safety of our tenants.
- Ensure all statutory and regulatory standards are met in line with the management of our housing stock and as set out by the Social Housing Regulator.
- Deliver an efficient and responsive repairs service to all EDDC tenants to ensure that properties are maintained in line with our statutory duties.
- Development and creation of a Strategic Housing Asset Management Strategy aligned with a review of the Housing Revenue Account Business Plan. This will drive a programme of planned works across the stock to ensure we are delivering decent homes. This links directly to the EDDC Climate change Action plan that identifies the need to ensure the appropriate level of investment is made across the housing stock in order to ensure we can meet objectives that relate to improving the energy efficiency of our housing stock.
- Develop a new 5-year Housing Strategy 2024 – 2029, setting the strategic direction of the housing service.
- The development and creation of an Asset Management Strategy will drive progress that the service needs to make in ensuring that climate change and the energy efficiency status of our housing stock is at the forefront of decisions we are making around investment in the stock moving forward.
- The commitment set by the council is to be a Carbon Neutral Council by 2040 will be a clear priority within our asset management function. Critical to meeting this target is to understand our current position, across the council and to develop a clear baseline against which we can work.

10.2 Climate Change

The development and creation of an Asset Management Strategy will drive progress that the service needs to make in ensuring that climate change and the energy efficiency status of our housing stock is at the forefront of decisions we are making around investment in the stock moving forward.

The commitment set by the council is to be a Carbon Neutral Council by 2030 will be a clear priority within our asset management function. Critical to meeting this target is to understand our current position, across the council and to develop a clear baseline against which we can work.

To meet this strategic objective, we shall be undertaking, as part of the AMS an Energy Study against our housing portfolio, which will develop our thinking and technical approach to devising a longer-term strategy to becoming Carbon Neutral by 2030. This will extend beyond homes and look to include commercial business, along with a policy on electrical charging points for residents.

11 Consultation / resident engagement

- 11.1 We will continue building on our approach to involving and engaging tenants, owners, and other stakeholders where their views enable us to develop the AMS.
- 11.2 The AMS, will provide a wide range of involvement options, including a greater use of technology so that we can be flexible in the ways we respond effectively to both external and internal challenges.

We aim to achieve this by:

- Building on good initiatives already in place.
- Increasing the options available for tenants, owners, and other stakeholders to become involved with us in a way that suits them.
- Explore ways to use technology to create more flexible ways to consult with our tenants and other customers.
- Consultation with Repairs and Maintenance Group, Resident involvement management group
- Increasing the options available for tenants, owners, and other stakeholders to become involved.
- Explore ways to use technology to create more flexible ways to consult with our tenants and other customers.
- Consult with Housing Review Board

In conducting the above, we will take steps to ensure that all of our engagement opportunities are fully accessible and inclusive, and we will make it as easy as possible for tenants, owners, and other stakeholders to provide feedback and engage with us.

12 Mobilisation

It is expected the following milestones are set on approval of this report:

Agree terms of reference	Jan 24
Agree specification for consultant	Jan 24
Appoint consultant	March 2024
Draft AMS & Financial Business Plan	May/June 24
Consultation and approval	July – Sep 24
<ul style="list-style-type: none"> - Project Board - Leadership Team - HRB - Cabinet 	

Financial implications:

There are financial implications. There is a recommendation for a supplementary budget of £50,000, if approved this will be met from the HRA balance. Consideration will be needed to the replenishment of the HRA Balance for this supplementary sum along with any other commitments against the balance, so that the level remains at the £3.1m adopted level.

Legal implications:

There are no legal implications on which to comment.

Terms of Reference
East Devon District Council
Project Board; Asset Management Strategy

1. Purpose

1.1 East Devon District Council (EDDC) brings together representatives from EDDC, “the board” to take a strategic approach to the delivery of an Asset Management Strategy, AMS, of its residential portfolio of homes, including ancillary properties, garages, and sewerage plants.

- Oversee the development of an evidenced based 30-year Asset Management Strategy & delivery Programme.
- To agree actions relating to the Asset portfolio to maintain, develop and improve the financial legal and strategic position of the Council’s investments.
- Oversee and monitor implementation of the project with agreed key dates.
- Support the project by ensuring the data is provided to the consultant.
- Oversee the development of an accurate Planned and Cyclical Works Programmes both short and long term.
- Oversee the development of an accurate Housing Revenue Account Business Plan update and model.
- Oversee the development of a strategy to secure improvements to the quality and future proofing of our housing stock.
- Make efficiencies by maximising our ability to flex economies of scale.

1.2 To oversee the production of an over-arching Asset Management Strategy by June 2024

1.3 The Board is a consultative group that enables early engagement on ensuring the development of an AMS to secure the best future use of assets.

1.4 The requirement for the strategy fits with the Council’s Housing Service Plan 2023- 2024 to deliver a decent home for all residents of EDDC. This compliments the emerging Council Plan priority of Better Homes and communities for all. Our Housing Strategy 2020-2024 sets out our key objectives:

- Providing Homes
- Improving Homes
- Improving Communities
- Improving Services

1.5 By developing the strategy EDDC are reducing the risk of any tenants claim for either dis-repair or under, The Housing Health and Safety Rating System (HHSRS), whilst also ensuring of compliance under Decent Homes.

1.6 The Board will support the value enhancement and promotion of assets in the Region, taking a central role in shaping the policy and decisions for the delivery of the strategy. **The Board will:**

2.1 Oversee and monitor implementation of the strategy.

2.2 Ensure effective communications with, and the active engagement of, all departments in the strategy.

2.3 Raise awareness of, and act as ambassadors for, the work of the Board and ensure that the identified priorities of the Board are reflected in the property related strategies and policies of the organisations represented on the Board.

2.4 Share good practice across the organisations represented on the Board and with the Leadership Team. Report to the Leadership Team, monthly or more frequently if required, including the escalation of any risks to successful delivery.

2.7 The Board will be supported by a Project Sponsor, provided by EDDC, or otherwise as agreed.

2.8 Review and recommend the procurement route open to EDDC for the appointment of a consultant to deliver the Asset Management Strategy.

3. Membership

3.1 The members of the board to deliver the Programme are listed, by roles and teams in the following table.

3.2 To ensure the effective operation of the Board, it will comprise a maximum of senior officer representatives from the Programme, plus two independent business representatives.

Role	Department
Compliance and Planned works Manager	Housing
Project Sponsor	Housing
Project Manager	Housing
Finance Manager	Finance
Systems Manager	Systems
Responsive repairs and voids service manager	Housing
Assistant Director	Housing Strategy & Operations
Housing strategy & enabling project manager	Housing Strategy & Operations
Tenancy Services Manager	Housing
Portfolio Holder	TBC
Tenant Representative	TBC
Elected Member	TBC

4 Accountable Body

4.1. EDDC shall act as the Accountable Body for the Programme.

4.2 The Board shall be chaired by XXXX. If the Chair is unable to attend a meeting, the Board shall elect a substitute from the attending representatives.

4.3 Frequency of Meetings. The Board shall meet on a monthly basis, from its inception in January 2024. The frequency of Board meetings can be changed to suit the changing workload. Meetings will be hosted by the Accountable Body with secretariat support provided by the Project Manager.

5. Principles

5.1 The Board commits to the following principles:

- Working Principles: Commitment – members will commit resources to the mutual endeavour. Clarity – members are clear about who is doing what.

- Mutuality – understanding our common purpose with mutual benefit for each partner.
Openness – being prepared to raise issues concerning the quality of the working relationship.
- Confidentiality– respecting that on occasion property negotiations may require organisations to keep information in confidence.
- Added value – quantifying the added value of doing this together rather than doing it alone.
- Fairness – members will not seek to profit from each other.

6 Reporting and Accountability

6.1. The Board shall report to the Executive Leadership Team and may refer matters to it for consideration and determination.

6.2 The Board will report to the ELT on progress monthly. This will include the submission of a final report at the close of the programme.

6.3 The Board shall act as arbiter in situations where there are competing demands.

6.5 The Board will be established as a local strategic assets' forum. Formal decision making on specific property assets and transactions affecting them will remain with the Leadership Team.