

# Asset Management Strategy

2021-2026

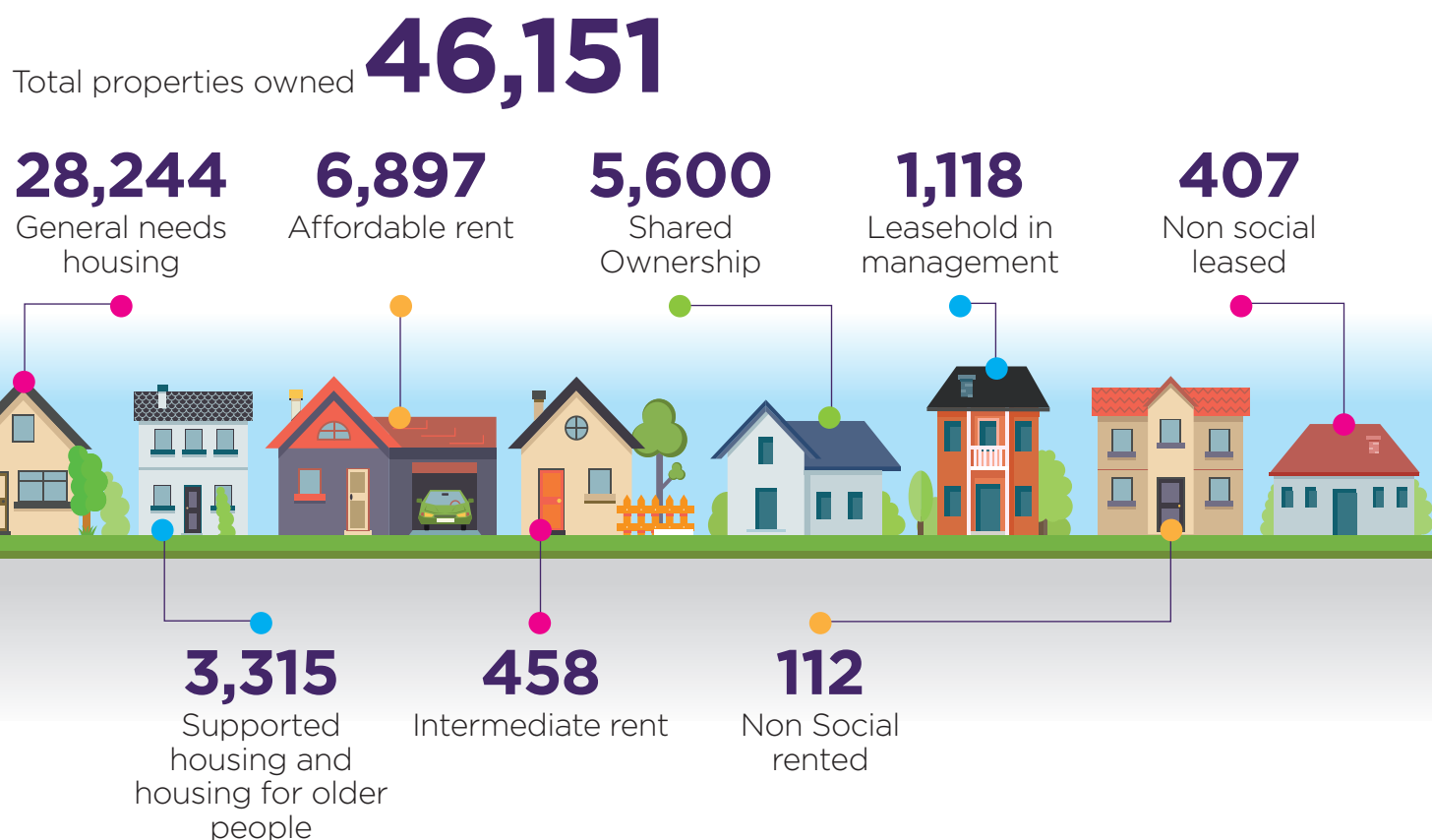


# Introduction

Platform Housing Group's property portfolio is located across 62 local authority areas and is valued at £2.4 billion. Its real value however is in providing a range of good quality affordable homes and services in neighbourhoods and communities where people aspire to live.

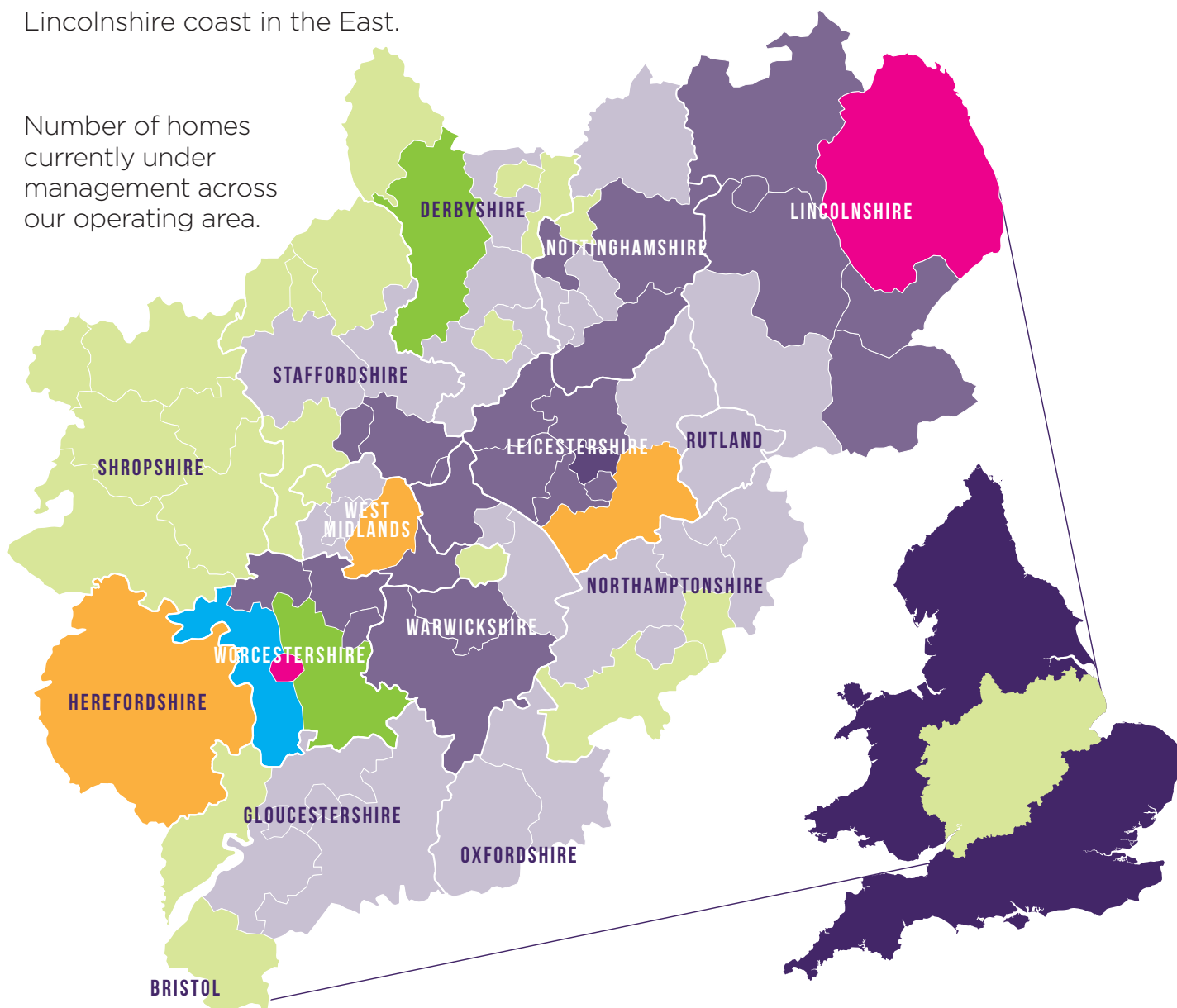
Platform Housing Group (PHG) came into existence in October 2018 following the merger of two successful housing organisations.

PHG is now one of the largest housing providers operating in the affordable housing sector owning and managing a diverse range of property including nearly 50,000 homes, 57 shops and a range of other commercial and land assets.



PHG operates across 62 local authority areas and its geographical reach exceeds 11500 square miles extending from the Welsh borders in the West to the Lincolnshire coast in the East.

Number of homes currently under management across our operating area.



- No stock
- 1-200
- 201-1000
- 1001-2000
- 2001-3000
- 3001-4000
- 4001-5000
- 5000+

Managing these valuable assets efficiently and effectively is a priority for PHG and is key to achieving our new corporate vision of **‘becoming a truly modern housing association’**.

Aligning our assets and services with the changing needs and aspirations of new and existing customers will become fundamental to the success of this journey.

This document sets out how we will;

- Accelerate our progress towards our aspiration of providing a new generation of **long life, loose fit, low energy and low maintenance homes**, in locations where people **want to live** and where **digital connectivity comes as standard**.
- Align our assets with customers reasonable expectations
- Manage risk of asset failure
- Achieve savings by optimising whole of life (Lifecycle)
- Support long term financial and other resource planning.
- Set out our priorities for actively managing our assets over the next five years.

In summary, the strategy aims to set out our approach to asset management and make the link between corporate ambition and delivery on the ground and does this by identifying the set of key actions we will need undertake over the next five years to make these ambitions a reality.

*“the five-year strategy sets out our priorities and is our framework for making decisions about investment, disinvestment and divestment.”*



# Asset Management Strategy

**This Asset Management Strategy is designed to act as the framework within which PHG intends to make strategic decisions on investment, disinvestment and divestment. It has been drawn up to underpin and inform the organisation's new corporate strategy and business plan and to set out priorities for the specification, physical care and improvement of PHG's property assets.**

In common with every other housing organisation PHG has finite resources to expend on asset management that it must effectively direct to derive maximum benefit for customers and other stakeholders.

The strategy document is intended to provide the business, its staff and the Board of Management with a clear line of sight between PHG's strategic vision and delivery on the ground.



## Our strategy is to:

- Maximise the return on our assets.
- Establish a new aspirational quality based 'Platform Standard' for all asset groups including:
  - New homes
  - Existing homes
- Tackle, by way of investment, disinvestment, or divestment those properties and neighbourhoods that fall short of the Platform standard or exhibit other forms of obsolescence.
- Recognise that our housing offer is not just about the property but also the environment in which it sits.
- Keep the asset base safe and in good condition through the deployment of effective and timely maintenance regimes.
- Respond to customers changing priorities and provide choice in those areas that are important to customers.
- Publicise the arrangements we have in place for ensuring customers' homes are safe and well maintained.
- Care for the external environment as well as for individual homes.
- Balance expenditure on responsive, cyclical and capital works.
- Embrace technological advances in Smart Home and Tele health and start the process of making our customers' homes digitally connected as standard.
- Continue to improve the energy efficiency of our stock and, make timely and meaningful investment in the reduction of fuel poverty and fossil fuels.
- Pre-empt and respond to changing demand patterns.
- Anticipate and take action to avoid parts of the stock declining in desirability, value, and attractiveness.
- Deliver investment programmes and other asset management related interventions in a cost-effective manner and in accordance with sound procurement principles.



## Delivering our Asset Management strategy

At the heart of the strategy is a time bound and prioritised action plan (appendix A) that we will execute over the next five years and **will deliver by developing our asset management capability in six key areas.**

### 1. **Focusing on customer service**

Designing, building, and maintaining our assets to deliver a level of service that meets the reasonable expectations of new and existing customers.

### 2. **Linking strategic planning and service delivery**

Effectively communicating the link between corporate objectives and investment priorities, plans and programmes.

### 3. **Right intervention at the right time**

Identifying timely programmes of work to maintain asset condition and performance.

### 4. **Using our asset knowledge to manage risk**

By collecting asset data and other knowledge we will be better placed to make balanced and informed intervention decisions.

### 5. **Making better whole life decisions**

By considering how assets will be used and maintained before they are built, we will be better placed to influence costs in use.

### 6. **Measuring the impact of the actions we take**

By listening to customers and reviewing the decisions we make over the life of the strategy we will be able to continuously improve and hone our approach to managing our assets.



## Operational context and stock profile

PHG currently operates in 62 local authority areas across 14 counties and plans to continue to view this as its core operating area although consideration will be given to growth in adjoining areas where there is a business case to do so.

The counties we operate in are as follows:

- Leicestershire
- Worcestershire
- Lincolnshire
- Herefordshire
- Gloucestershire
- Warwickshire
- Rutland
- Nottinghamshire
- Derbyshire
- Northamptonshire
- West Midlands
- Staffordshire
- Oxfordshire
- Shropshire



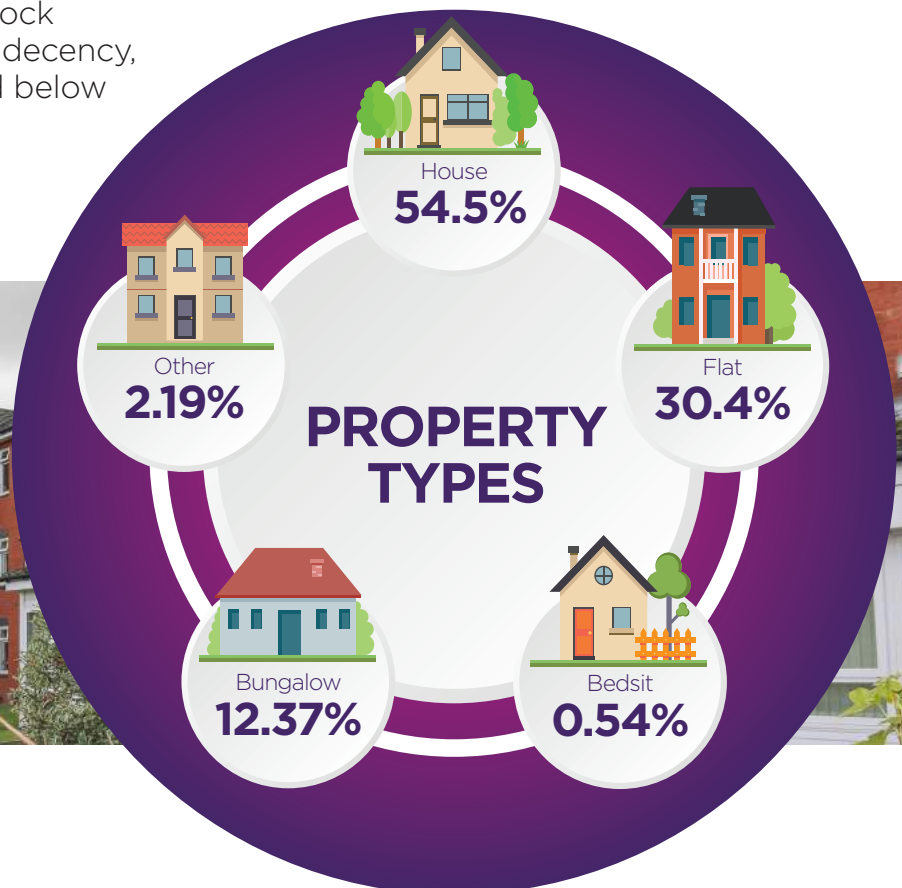
## Characteristics of the portfolio

The PHG housing portfolio is well maintained having benefitted from significant investment. The average age of the rented stock is 35 years and this is expected to fall to 34 years by March 2027 as a result of our new major development programme which is due to deliver 11,285 new homes over the corresponding period.

As a merged entity, PHG has effectively absorbed several legacy Large-Scale Voluntary Transfer organisations which were originally established and predicated on having fully funded stock investment plans. As a consequence, the majority of PHG's property portfolio exhibits the characteristics of improved stock originally built between 1946 and 1980. As a result, most of the stock benefits from low levels of non-decency, improved energy efficiency and below average demand driven repairs.

Peak investment in the stock occurred between 2000 and 2005 which means that there will need to be a further and significant ramping up of investment in the replacement of key and limited life property components from 2030 onwards.

The portfolio generally benefits from high demand although for a variety of design and location issues together with changing service user expectation there are signs that a minority of the group's substantial portfolio of **85** Older Persons schemes are beginning to suffer from a softening of demand. This is evidenced by reference to what is commonly offered by our competitors and in the disproportionate amount of effort we occasionally need to expend on attracting new customers.





## Our Older Persons schemes comprise of:

### **Enclosed schemes:**

(generally accommodation located in a single building)

**‘Core and cluster’ schemes:** (self-contained accommodation located outside of a central ‘core’ of communal facilities such as a community room, launderette etc.)

### **Disbursed schemes:**

(generally self-contained bungalows without access to any community facilities as part of scheme)

## Other Assets

**3124** homes are of non- traditional construction which has been improved and updated to varying standards and includes 3 blocks of non-clad high rise tower blocks designated as older persons schemes and 3 blocks of non-ACM clad tower blocks used for general needs. Whilst by conventional standards, the tower blocks are considered to be a high risk asset class and require enhanced levels of building safety related inspection and maintenance, they do not exhibit any form of significant structural distress and are not considered to be at the higher end of the risk spectrum for properties of this type and height.

As at 1st April 2020, PHG held an interest in 1518 leasehold units with the responsibility limited to carrying out major repairs to the block structures, as PHG owns the freehold.

Major repairs include elements such as replacement of the roof, walls, balconies where all properties benefit but no one property is responsible. Although PHG funded the initial investment, leaseholders are subsequently invoiced for these works and are requested to pay their share of the cost of the works.

Our commercial asset group mainly comprises of **57** small retail units **2169** lock-up garages and **7** offices. Our retail units usually form the ground floor of medium rise blocks of flats occupied and rented by PHG’s customers. Despite changes in retail trends, demand for these community-based facilities remains high.

Lock up garages are predominantly blocks located on our older estates and let to both PHG tenants and external customers. Across PHG, and in common with most other Registered Providers historic investment in garages has not been a priority and whilst recognising the amenity value of this neighbourhood facility, there is an opportunity to use these assets more creatively.

The portfolio of 7 offices are used to support the PHG operation across its geographical footprint. Planned changes to the Group’s operating model will result in a number of offices becoming surplus to requirements.

Miscellaneous assets are principally areas of estate based green space and other miscellaneous assets.

## PHG's Asset Groups

PHG subdivides its assets into the following assets groups:

### Homes Asset Group

Number of homes owned by group

General needs rented housing	28,244
Affordable rent	6,897
Shared Ownership	5,600
Housing for older people	2,973
Supported housing	342
Market rent homes	112
Intermediate rent	458
Non-social leased	407
Leased @ 100% sold	1,118
<b>Total</b>	<b>46,151</b>

### Commercial Asset Group

Number

Garages	2,169
Shops	57
Offices	7

### Miscellaneous Asset Group

#### Land and other assets

Small pockets of land and green spaces and includes other standalone physical assets (includes a church, pumping stations etc.)

## Our Drivers for Change

### Ageing assets

Maintaining the performance and safety of an ageing asset base.

### More exacting customer expectations

Keeping our assets relevant by ensuring they are aligned with the reasonable expectations of new and existing customers.

### Technology

Exploiting technological advances in property management and ensuring our homes come digitally connected as standard.

### Climate change

Responding to climate change by decarbonising our homes and providing homes and services in a sustainable way.

### Financial constraints

Becoming more efficient in the way we manage finite financial resources and seeking opportunities for inward investment.



## Asset management components and tools

PHG has at its disposal a range of tools to assist in the process of responding to our drivers for change.

These include:

- An emerging whole life cycle approach to asset management that commences at property design stage.
- Stock condition data, which is regularly updated and collected using statistically reliable and verifiable stock survey techniques.
- A stock condition database maintained and interpreted by the organisation's own staff.
- The expertise of our teams to plan and deliver projects effectively.



- A Business Plan to support programmes of work including:
  - Regeneration of dwellings and estates including refurbishment and remodelling of accommodation to ensure that it remains attractive and meets modern requirements and customer expectations.
  - A planned maintenance programme, achieving economies by replacing components just before they would otherwise require excessive responsive repairs, anticipating changes in minimum acceptable standards, and reducing future requirements for demand driven maintenance.
  - Extensive and regularised maintenance arrangements aimed at keeping our customers safe in their homes.
  - Cyclical maintenance to prevent deterioration in the physical condition of the stock.
  - A responsive maintenance service to address unforeseen episodic repairs and to prevent unplanned deterioration in its condition.
  - An efficient and effective voids repair service, helping to protect the organisation's revenue and minimise the number of rejected offers on the grounds of poor condition.
  - Demolition or other forms of divestment of selected property, to remove obsolete provision or to permit replacement with dwellings that respond more effectively to changing requirements and represent a sounder economic and social investment.



## Asset Management Priorities

PHG has identified 7 key asset management priorities which will need to be addressed during the life of the strategy. The most significant of these challenges are summarised below and expanded further within the appended 5-year action plan.

*The degree of importance attached to any priority should not be inferred by its position in the list.*

### **Priority 1: Using asset information to make better decisions**

Whilst having statistically significant stock condition information, we will need to develop a more robust and data driven approach to updating, managing, and profiling stock condition information, whole-life costing and assessing investment or disinvestment options.

Whilst continuing to deliver maintenance programmes to ensure the properties the Group is responsible for are fit for purpose a longer term review of the viability of individual stock is required to ensure they can continue to meet the needs of existing and future client groups.

This will be achieved through stock profiling which will consider a wide range of data such as:

- Rental income from stock across a 30 year period
- Rental loss through void periods based on historical records
- Maintenance costs for responsive and void works based on historical records
- Future major planned works based on data held within the stock condition survey
- Management costs of properties.

The process of stock profiling represents the start of a concerted effort to develop a much stronger, more rounded and better informed 'asset intelligent' approach to asset management based on making better use of the data held on existing property assets.

Using suitable stock profiling software a Net Present Value figure will be achieved for the stock together with rankings that take account of other inputs (such as IMD or SAP ratings) in order that comparisons can be undertaken across tenure, location and archetype. Through this process we can identify low-performing stock thus acting as a prompt for further investigation and action which may result in the identification of locational priorities for future investment spend and/or management intervention which may include disposal, conversion or re-designation.

Full analysis will be undertaken on any properties or schemes that give cause for concern. A more detailed option appraisal will be undertaken for these schemes, with Net Present Values (NPVs) for different courses of action evaluated alongside other strategic and social factors. This approach has resulted in small groups of homes being disposed of on the open market. This has included housing for older people, leasehold flats, isolated rural homes in need of major refurbishment, student accommodation and market rent homes.



The following factors will form the key assessment criteria for potential stock disposals:

- Housing that sits outside our core operational, geographical or service areas with attendant costs and risks e.g. properties in remote locations.
- Housing stock which our asset profiling data indicates has the highest medium to long term anticipated costs, which may be prohibitive (e.g. the poorest performing stock based on factors such as void periods and lettable, maintenance costs).
- Housing which has a particularly poor energy efficiency rating and which is prohibitively expensive for customers to heat.
- Some higher value housing stock which would enable a greater number of affordable rented and low cost ownership homes to be developed as a consequence of disposal.
- In the rare circumstance of a property having unclear title.
- The importance of the homes as part of a balanced housing market in a particular area.

### **Priority 2: Developing a new PHG vision and standard for all asset groups and neighbourhoods**

The PHG portfolio currently exhibits a range of standards that have been applied from time to time and from place to place. During the life of the strategy we will work with customers and other stakeholders to develop the new unified aspirational standards customers can expect from a PHG home.

### **Priority 3: A new vision for our housing for older people**

The Group has a significant stock of sheltered and extra care housing properties. In some older schemes we have identified a reducing demand for such housing, especially where the housing does not reflect customer expectations in terms of size or location. This has prompted periodic reviews of the sheltered housing stock with some stock being disposed, some stock being demolished for redevelopment and others benefitting from new investment to upgrade and modernise the accommodation.

It is a priority for PHG to develop a comprehensive vision for older persons accommodation underpinned by a new set of standards and a prioritised and fully costed plan for ensuring this much needed form of accommodation is sustainable over the long term.

### **Priority 4: Developing our approach to neighbourhood regeneration**

In addition to investment in individual homes, Platform will take a wider view of investment requirements in estates and neighbourhoods. Platform aims to ensure that all estates and neighbourhoods are popular places to live with well managed and maintained public spaces, communal areas and an appealing local environment.

Developing a model that will facilitate informed decisions on what kind of intervention is required and at what point in a neighbourhood's evolution will be a key building block of the group's approach in this area.



### **Priority 5: Reducing the carbon footprint of the asset portfolio**

PHG recognises the crucial role it can play in reversing or arresting global change and it is expected that during the life of the strategy, there will be significant and far reaching pressure to reduce the carbon footprint of domestic dwellings.

When considering programmes of works, we will look to maximise the opportunities to improve energy efficiency through the installation of more efficient and economical components such as boilers, doors and windows. Platform will seek out opportunities to maximise external funding of these works so as to benefit the tenants at the earliest opportunity. The government has set a target for fuel-poor homes, where reasonably practical, to achieve an Energy Performance Certificate (EPC) Rating of Band C by 2030. Interim goals have also been set

for fuel poor homes to reach Band E by 2020 and Band D by 2025. Where it is reasonably practical, Platform will work towards meeting these ambitious targets.

This represents a major commitment from the Group to investing in its stock to match the energy efficiency targets set by government and to improve affordable warmth for residents.

There will also need to be attention given to emerging government policy in this area. For example, should Government considerations to remove gas heating from new homes from 2025 and existing stock from 2035 be implemented, existing heating replacement programmes which are predicated on a 15 year life cycle, will need to be rebuilt from year two of the strategy.



### Priority 6: Better use of Technology

To take full advantage of the amenity and social value of the asset base, we need to harness the significant technological based opportunities that are emerging. Adopting this approach will allow our properties to become digitally connected as standard and accessible to all regardless of age or disability. E-learning for children, telehealth and other form of Smart Home technology are becoming common place and will provide access to services not always available to our client groups.

The gradual migration to electrical vehicles will also, over time, affect the desirability of some of our stock which we need to plan for now.

Technological advances will also allow us to move to a more predictive form of property maintenance and if exploited will allow us to monitor asset performance remotely and more cost effectively.

### Priority 7: Building Safety

The safety of customers is of paramount importance to PHG and substantial resources are directed at this aspect of managing the asset portfolio. Robust inspection and maintenance regimes are in place as are reporting mechanisms that provide the oversight and assurance that safety actions are being completed to time and quality.

During the life of the strategy it is expected that further regulatory tightening will take place and will see the establishment of a national Building Safety Regulator. The establishment of a dedicated Building Safety Team within PHG will further strengthen our current approach to a business critical and highly regulated aspect of our business.



## Funding the Strategy

Achieving a clear statement as to the 30 year stock investment requirements of the merged organisation as well as securing assurance on the validity of the stock condition information and its underlying assumptions were key outputs required by a stock condition validation and investment planning exercise undertaken by Savills PLC in 2020.

The validation process involved:

- Reviewing the methodology used to capture stock condition information.
- Reviewing the life cycle assumptions used for components.
- Reviewing the schedules of rates and underlying assumptions used to cost the replacement of components.
- Undertaking validation visits of a randomly selected sample of stock to establish the extent to which surveyors were making reasonable assessments of condition and remaining life.
- Assessing whether the stock condition information that is being relied upon for planning purposes is statistically significant and appropriately stratified.
- Modelling and scenario testing investment outputs and 'smoothing' the investment profile in order to legitimately avoid major annual increases and decreases in stock investment activity.

The review confirmed the adequacy of the stock condition survey methodology and underlying assumptions and produced the 30 year investment requirement provided below. This 30 year investment requirement for ongoing maintenance and component replacement is within the cost bandwidth expected by Savills and is to be funded by the business plan without compromising other strategic objectives such as development.

In addition to the Business plan funding, PHG will work closely with the funders to secure any additional investment highlighted during the delivery of the strategy where it is prudent to do so.



## Proposed 30 Year Investment Plan (Smoothed)

	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	TOTAL
<b>Component replacements</b>	204,242,155	187,060,424	180,936,548	205,034,092	178,658,724	229,102,772	<b>1,185,034,715</b>
<b>General provisions</b>	37,339,060	14,938,800	11,611,200	11,637,800	11,680,500	11,574,800	<b>98,782,160</b>
<b>Total for the Group</b>	<b>241,581,216</b>	<b>201,999,225</b>	<b>192,547,748</b>	<b>216,671,892</b>	<b>190,339,223</b>	<b>240,677,572</b>	<b>1,283,816,875</b>

## Customer Involvement

Platform Housing Group is committed to involving customers and residents in the consultation and decision making process and resident's views on the services provided will be regularly sought at a number of stages through our scrutiny panels, or customer surveys.

In addition to a rolling programme of customer surveys, the Group will also invest in ongoing real time customer satisfaction surveys to gauge customer views of our services at the point of experiencing the service. We will then use this information to report to Board and help further improve our products and services moving forward.



## Managing Risk

PHG is acutely aware that evaluation of risk is an essential part of an effective asset management approach. Major decisions taken about the future and utilisation of the asset base in the absence of a risk assessment may have a long-term detrimental effect on the sustainability of communities and financial viability of the group.

The organisation has a systematic approach to managing asset-related risks. This involves the regular review of impact and probability of specific risks materialising and an evaluation of the control arrangements that are in place for managing and minimising current and emerging risks. These are updated in light of changing circumstances.

The main risks in relation to asset management have been identified as:

- **Risk in not undertaking stock improvements or ineffective targeting of our programmes.** This will lead to wasted resources, negative reputation and potentially loss of tenants.
- **Failure to continue to meet the Decent Homes Standard.** May lead to non-decent homes, regulatory action, and loss of current and future tenants.
- **Unsustainable neighbourhoods.** The impact of an unsustainable neighbourhood may result in demolition and clearance.
- **Inadequate Stock Condition Information.** This will result in the inability to make informed decisions on investment requirements and priorities.

- **Inadequate information on life cycle costs.** The estimation of a product's life expectancy is essential to programme effective planned maintenance programmes. Inappropriate timescales will increase reactive repair costs, the benefit of economies of scale will be lost and the additional financial implications for PHG may affect the long-term business plan.
- **Working in isolation.** May have a detrimental effect on the company's investments and assets. Join asset planning with Local Authorities and neighbouring Housing Association's will lead to a cohesive, comprehensive local strategy.
- **Poor procurement.** This may result in the loss of efficiencies and the potential misdirection of finite resources.

## Five-year Action Plan

The following section of the strategy tabulates the prioritised actions the organisation has set itself for honing the management of its assets and directing its investment in the most cost-effective manner. The action plan is designed to cover the initial five-year period of the strategy, and at the end of that time should be subject to a comprehensive review. Explicit time-bound targets and responsibilities will be established for each of the activities listed on a year-by-year basis.

1. Using asset information to make better decisions	Year 1	Year 2	Year 3	Year 4	Year 5
Review our approach to capturing, managing, and using stock condition arrangements and initiate a new 5 year rolling programme of physical surveys across all group assets.					
Structure the asset management team so that it is aligned with corporate and asset management priorities: <ul style="list-style-type: none"> <li>● Asset intelligence and planning</li> <li>● Building safety</li> <li>● Programme delivery</li> </ul>					
Profile and rank NPV performance of the portfolio and confirm priorities for action.					
Procure and install GIS in order to improve scenario planning and programming capability.					
Develop and implement option appraisal methodology.					
Develop and implement a property disposal strategy and methodology.					



2. Develop a new PHG vision and standard for all asset groups and neighbourhoods	Year 1	Year 2	Year 3	Year 4	Year 5
Develop a new costed vision and plan for garages.					
Develop a new management plan and model lease for the portfolio of commercial (retail) units.					
Review the use, management and ownership of green areas.					
In conjunction with customers and other stakeholders review key asset management related standards e.g. <ul style="list-style-type: none"> <li>● Kitchens</li> <li>● Bathrooms</li> <li>● Aids and adaptations</li> <li>● Heating</li> <li>● Repairs and maintenance</li> <li>● Lettable standard</li> <li>● Communal areas in flat blocks</li> </ul>					
In conjunction with the development team, develop and implement a new Design Brief for PHG commissioned rental projects and products.					



3. A new vision for our housing for older people	Year 1	Year 2	Year 3	Year 4	Year 5
In conjunction with customers and other stakeholders develop a new costed vision and prioritised plan for the older persons housing asset group.					
Commence delivery of older persons housing investment plan.					

4. Developing our approach to neighbourhood regeneration	Year 1	Year 2	Year 3	Year 4	Year 5
In conjunction with the Communities and Neighbourhoods team and other stakeholders, evaluate the performance of key neighbourhoods and produce a prioritised list for action.					
Commence process of targeted and appropriate regenerative intervention in high priority areas.					

5. Reduce the carbon footprint of the asset portfolio	Year 1	Year 2	Year 3	Year 4	Year 5
Ensure all property has achieved EPC rating of 'C' or above.					
Seek inward investment in order to maximise resources available to improve the energy efficiency of the housing stock.					
In conjunction with the development team, evaluate and agree and implement from 2023, alternative (non-gas) fuel sources for new build homes.					

6. Better use of technology	Year 1	Year 2	Year 3	Year 4	Year 5
Develop a digital homes strategy that makes a provision for all PHG homes to be digitally connected (Internet/Smart Homes/Tele Health).					
Commence roll-out of digital homes strategy.					
Complete the roll out of the use of handheld technology into all key asset management activities including: <ul style="list-style-type: none"> <li>● Stock condition</li> <li>● Building safety inspections and audits</li> <li>● Incident/repairs reporting</li> </ul>					
Examine and exploit opportunities to increase the extent to which key building systems and components can be monitored remotely by PHG staff.					

7. Building Safety	Year 1	Year 2	Year 3	Year 4	Year 5
Further develop and strengthen PHG approach by establishing new Building Safety Team within the Property Directorate.					
Complete survey of all high risk buildings and undertake identified remedial works.					
Adopt 5 year best practice frequency for EICR electrical inspections (currently 7 years (ex Fortis) and 10 years (ex WHG)).					

