



ASSET MANAGEMENT STRATEGY

Policy Control

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Executive Summary

Since the introduction of self-financing, local authorities have been able to set long term plans for the strategic management of their assets in a way that has not been possible before. We recognise the importance of sound asset management principles and applying these to our approach to investment. The first year of this strategy is set to see the investment framework for social housing transformed; new legislation governing fire and building safety bringing increased responsibilities in managing our flats; a review of the longstanding Decent Homes Standard is currently underway and increased energy standards are likely to be strived for.

We now have a new regulator for social housing and consumer standards, this strategy will focus predominantly on the home standard, and specifically the quality of accommodation aspect of this standard.

The cost-of-living crisis and the rising costs of inflation are adding to the challenges in delivering an asset management strategy, in line with the current decent homes schedule. The strategy is further challenged if annual rent increases do not follow the Rent Standard (CPI plus 1%). Rent increases below the Rent Standard, increasing interest rates, alongside material and labour cost inflation have a negative impact on our ability to maintain the levels of investment agreed when the settlement for self-financing was agreed in 2012. For example, each 1% of rent increase not applied, loses around £0.55m per year for the life of the HRA business plan, so over 30 years £23m (inclusive of compounded inflation) is lost.

Therefore, consideration needs to be made on reviewing the current “Derby Decent Homes Standard” against the sectors national Decent Homes Standard (DHS). In some cases, we may look to stretch the lifecycles of components beyond the DHS where we have the confidence that this will not result in excessive repair costs and disruption to our customers. The affordability of the strategy to meet the DHS alone could become an increasing challenge.

The Asset Management Strategy helps us to meet the strategic objectives of the Derby Homes Delivery Plan “quality homes and contributing toward sustainable communities”. It also links to strategic objective four and “value for money is a consideration for everything we do”.

The plan aligns with the HRA 30-year Business Plan and the funding to deliver this strategy is incorporated into the HRA Business Plan.

Primarily we need to ensure that all homes are safe and secure, secondly, we need to make sure that homes are maintained to modern standards and that components are replaced within agreed timescales or when their condition deems replacement necessary. If funding allows we will then invest in other priorities such as decarbonisation and support for new homes.

The first two issues above underpin the basic model of being able to let and generate income to sustain the public sector stock in the City.

We continue to follow several key principles, these are:

- Replacing components through a cost effective professionally managed planned maintenance programme.
- Continue to do all we can to invest in the energy efficiency of homes, reducing both carbon emissions and running costs, integrating this into mainstream work programmes where possible. It is essential that grant funding is obtained to allow for future activity in this area.
- Work in partnership with local contractors and supply chains, to deliver high quality services, using our own workforce where this provides value for money.
- Working with our customers to ensure the quality of our estates are maintained and we continue to invest on estate-based improvements.
- Adopt an intelligence-based approach to asset management decisions. Recognising greater intervention may sometimes be required.
- Do all we can to deliver new homes to meet the needs of future generations

In Derby we believe that a home is the foundation for a good quality of life. Homes need to be well maintained and invested in if we are to provide quality homes for the future. This new Asset Management Plan spans a five-year period and will deliver a multi-million-pound programme of investment to around 12,316 council homes. In addition, we also manage 813 garages and 59 small retail shops.

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What is an asset management strategy?

The aim of asset management is to guide the future shape and direction of the property assets to ensure that they meet the corporate objectives and customer expectations. The National Housing Federation definition of property asset management is:

‘Asset management is the range of activities undertaken to ensure that the housing stock meets the needs and standards for the future’

The principles of effective asset management therefore go beyond just investing in good repairs and improvements and must consider reviewing the overall asset base to ensure it achieves the right balance between need and quality.

The key objective of the Derby Homes asset management strategy is to ensure that we utilise our assets in the most effective way for the benefit of both its existing and potential customers and the business.

The key objectives of the strategy are:

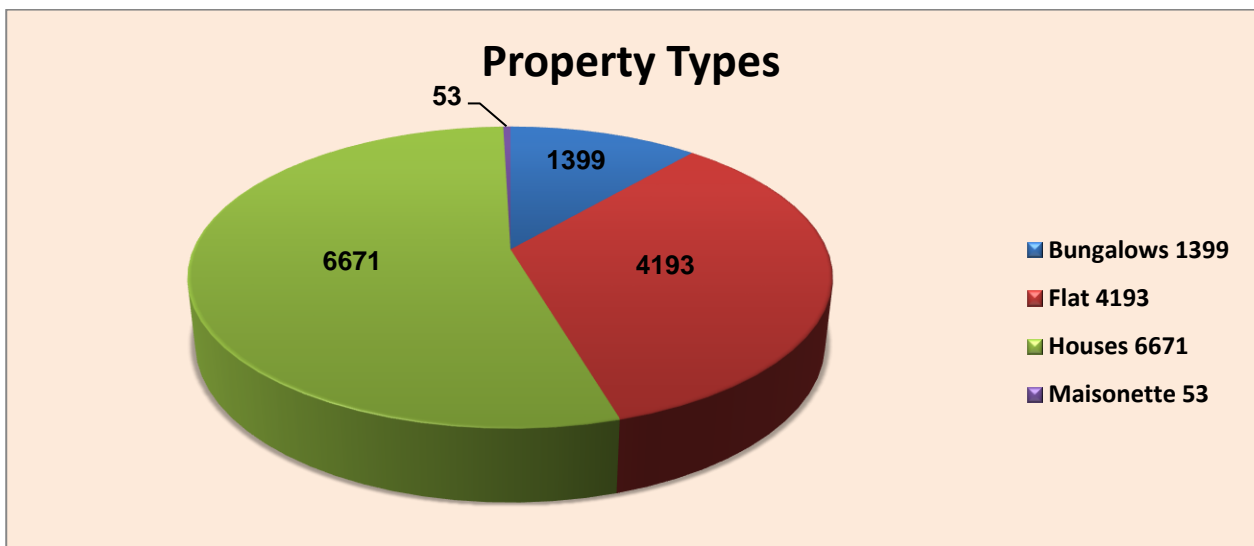
- To ensure the health, safety and security of our customers and the communities in which they live.
- Keep accurate records at an individual property level of the condition of the housing stock, based on a physical assessment of all homes.
- Ensure we adhere to building legislation and regulatory standards.
- To manage and maintain the homes to a good standard.
- Continue to meet the Decent Homes Standard.
- To align with the national goal of being net zero carbon by 2050.
- Use of innovative technology.
- Improving environments on our estates and supporting community regeneration.
- Increase the energy efficiency of our stock to ensure all homes are a minimum of SAP band C by 2030.
- Introduction of digital channels and increased customer awareness of our work programmes.

- Using intelligence from across company to inform an intelligence-based programme.

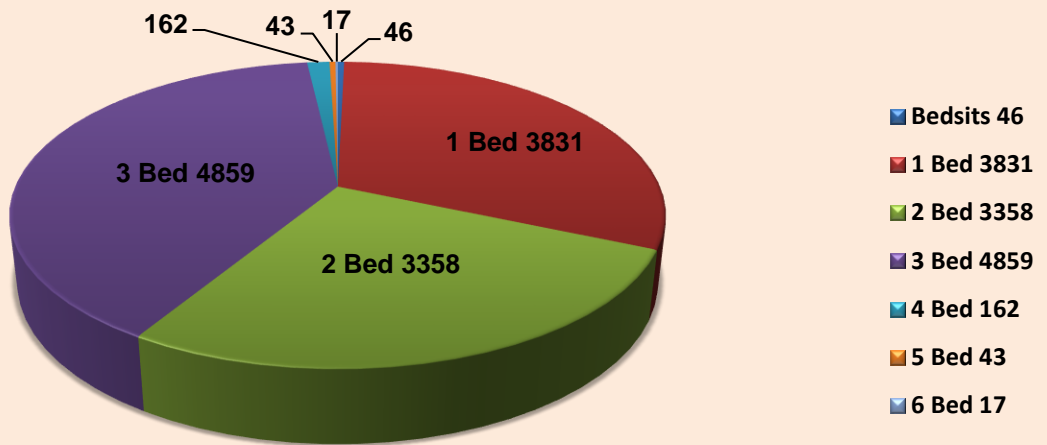
Housing Stock Analysis

The Housing stock comprises of around 12,316 homes, which includes 674 leaseholders within the 901 blocks of flats. Most of the housing stock is of traditional construction but we do have just over 2000 non-traditional built properties. The following tables and charts provide details of the of the housing stock breakdown

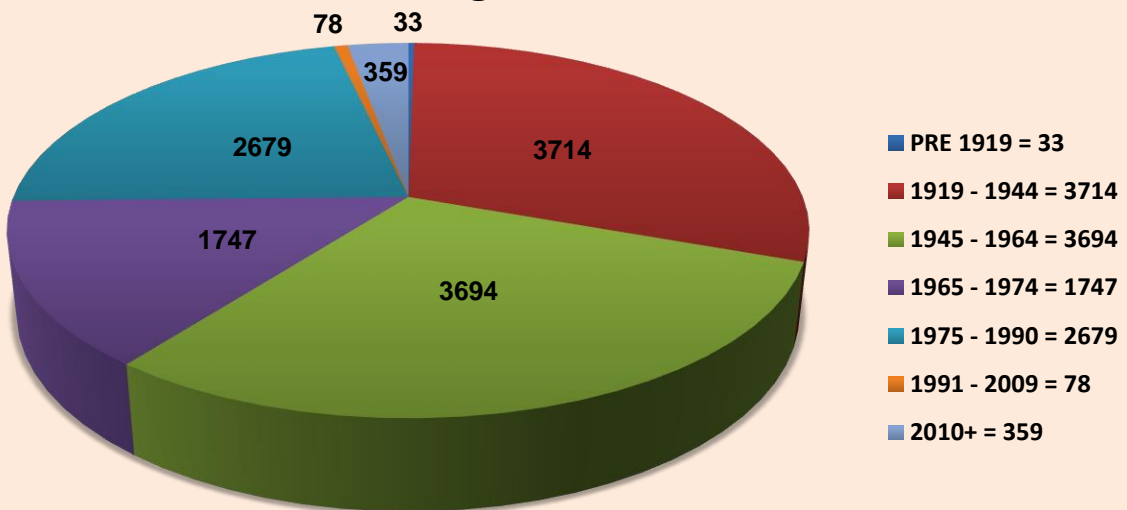
In addition to these figures, we also manage on behalf of the Derby City Council 813 garages and 59 small retail shops.



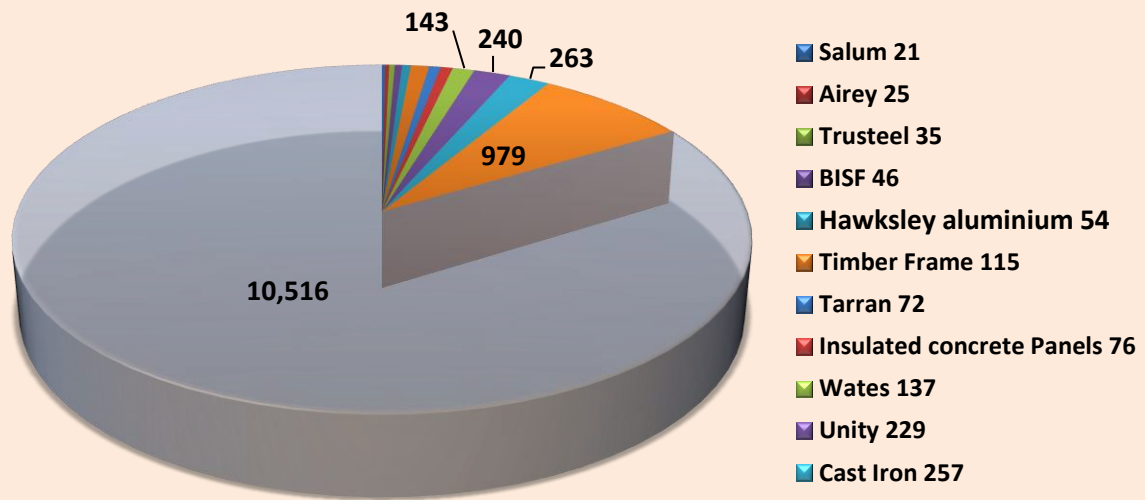
Number of Bedrooms



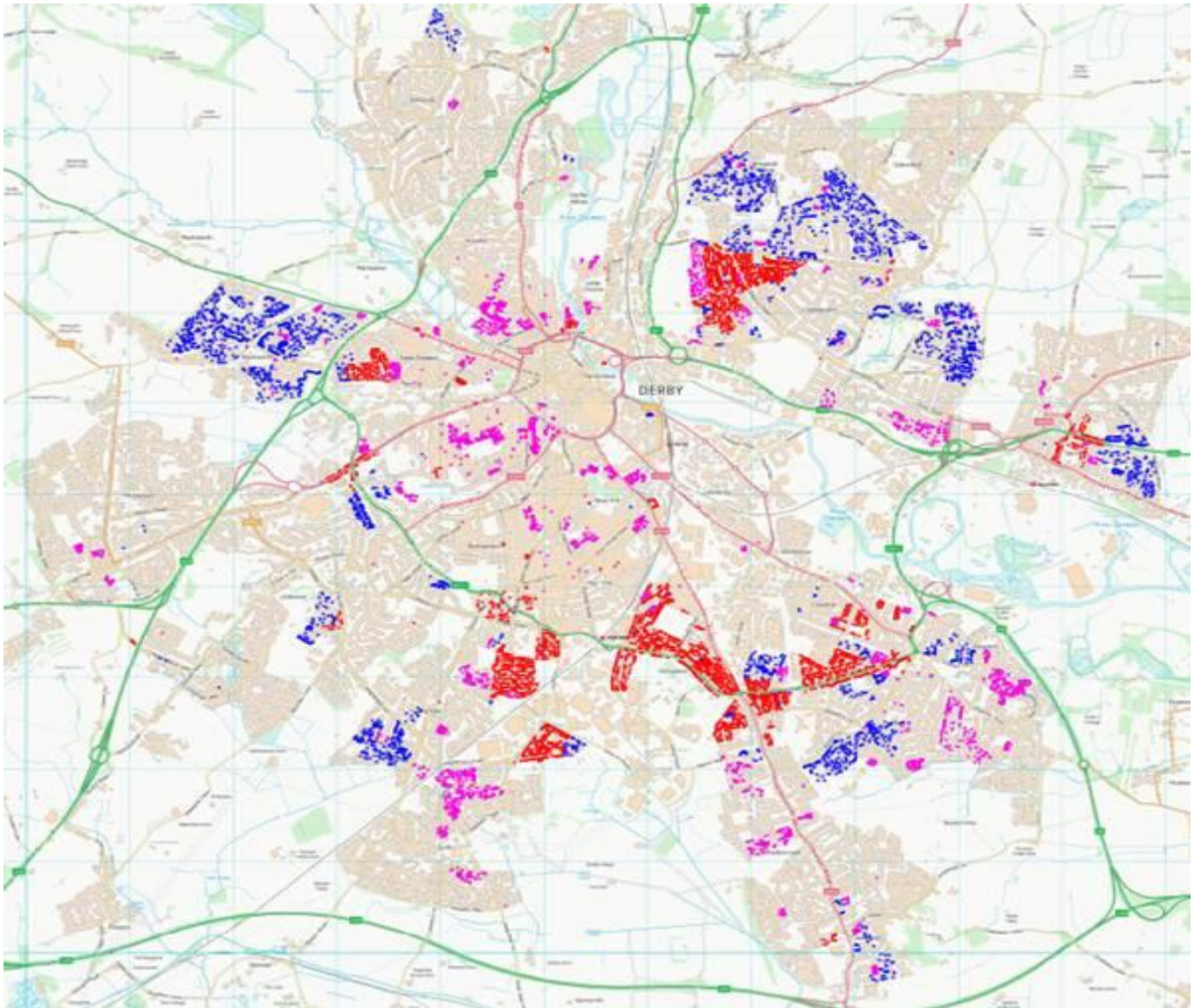
Age Bands



Construction Types



Properties by Age Band in Derby



Pre 1945 = 3747

1945 – 1960 = 3307

1961 Plus = 5250

Background to Council Housing in Derby

Council housing in Derby was mostly built in three large waves. The first wave was in the 1920s and 30s, our 'pre-war' stock, which are all traditionally built family houses, along the model of 'garden suburbs'. A second wave in the 1950s and into the 60s built estates mostly on green field land at the edges of the city. This was much more of a mix of property types and with a proportion of various non-traditionally constructed homes ('non-trads'). A third wave in the 1970s consisted of a considerable proportion of flats and sheltered housing schemes, often 'infill' sites closer to the city centre.

Capital Investment Plan

The Capital programme is funded by Derby City Council (DCC) through the Housing Revenue Account (HRA) to manage improvements to the council's housing stock. Investment funding is generally planned in 5-year blocks, and up to 30 years in the future. We are just starting to hit a spike in the investment programme as we start to replace key components that were upgraded as part of the 'Decent Homes Programme'

5 Year Capital Programme

Description of Improvement Works	2022/23	2023/24	2024/25	2025/26	2026/27
Kitchen, Bathrooms & Wet rooms			4,523,000	3,949,000	4,000,000
Major Refurbishment			1,625,000	1,000,000	1,000,000
Re-Roofing including Solar PV			325,000	1,900,000	2,400,000
Windows and Doors			2,600,000	1,500,000	1,897,000
Solid Wall Insulation / Decarbonisation Work			1,593,234	0	0
Heating Replacements			2,750,000	2,500,000	2,400,000
Rewiring / Electrical Upgrades			900,000	750,000	1,000,000
Communal Door Entry Systems			10,000	50,000	50,000
Disability Adaptations			600,000	700,000	700,000
Estate Improvements			500,000	445,000	500,000
Fire Safety Work			780,000	600,000	600,000
Shops			330,000	250,000	100,000
Rivermead House Refurbishment			81,872	1,120,000	1,863,000
Water Main Supplies			0	120,000	90,000
Emergency Call Systems			583,096	100,000	100,000
Bretton Avenue re-development			0	0	0
Green Homes Grant Programme			50,000	100,000	0
Capitalised Salaries			750,000	800,000	900,000
Total Capital Investment Plan			17,951,202	15,884,000	16,700,000

Decent Homes Standard

The Decent Homes Standard has been the minimum standard for social housing since its introduction in 2002 – and targets investment at the replacement of key building elements to ensure the home is warm, weathertight and has reasonably modern facilities. The Housing Health and Safety Rating System is a key element of the standard, and guides investment to addressing hazards.

Derby Homes introduced its own standard in 2012 known as the 'Derby Standard' with the purpose that it was clearer and met modern day expectations, while still being affordable in the long term. This was made possible by the HRA financial reform, together with efficiencies in maintenance costs which enabled Derby Homes to shorten some of the component life cycles.

Financial modelling of the HRA Business Plan, in anticipation of changes in 2023/24 to the Rent Standard (linked to a rent increase below CPI plus 1%) has necessitated that the affordability of maintaining the "Derby Standard" needs to be reviewed. Depending on resources available, options on amending component life cycles are being evaluated. The table below considers amendments to the current component replacement lifecycles. Assurance is given that the Decent Homes Standard will continue to be met at the "realistic replacement plan years".

The stock condition survey being undertaken by Ridge and Partners, has enabled us to collect data on the current condition of our homes and allow us to review and validate potential changes to component replacement life cycles.

Components - Expected Life Cycles

Component	Existing (years)	New Years	Comments
Roof & / or Chimney works	60	60	No Change
Block Roof - large	60	60	
Block Roof - small	60	60	
Electrical sockets and system	25	46	SCS Assurance
Electrical wiring	40	46	
Block Wiring	40	46	
Heating Boilers	15	17	Current estimate of replacement
Heating Distribution	30	40	Technology Improvements
Air Source Heat Pumps	25	17	Lifespans similar to gas boilers
Windows	30	31	Revised in line with SCS estimates
External Doors	30	33	SCS Assurance

<u>Component</u>	Existing (years)	New (years)	Comments
External Doors - Flats	30	33	SCS Assurance
Kitchens	20	22	
Bathrooms	25	28	
Wet Rooms	25	28	
Lift Maintenance	30	20	Revised down in line with last cycle
Door Entry System	15	20	System reliability
Communal Entrance Door	30	30	No Change
Shower Units	12	12	
Communal Block Windows	30	33	SCS Assurance
Integrated roofing solar panel	60	60	No Change
Invertors - solar panel	10	15	Technology Improvements

Stock Condition Survey

The stock condition survey is a non-intrusive inspection of a home's components both externally and internally, such as kitchen, bathroom, windows, doors, heating, roof and electrical wiring. This will record the type, condition, and residual life. This survey will also include any communal areas and outbuildings.

The last independent stock condition survey was completed in 2008 and it involved a 10% survey of the stock both internally and externally (1,380 properties).

We have appointed Ridge and Partners LLP to complete the independent stock condition survey as recommended by Savills in their recent audit of consumer standards. Ridge and Partners LLP started on the 8th January 2024 and commissioned to continue until 1st April 2026 where we are aiming for 100% access rate on a 5 year cycle.

15 months into the contract we have completed over 7,100 property surveys this includes identifying HHSRS hazards ranging from Category 1 to 3.

Number of HHSRS hazards:

Category One – 49nr

Category Two – 668nr

The survey has had a strong focus on the safety of our homes and recording details in accordance with the housing health and safety risk assessment. The low numbers of Category 1 and 2 hazards recorded reinforces the view that the current stock both meets Decent Homes Standards and that the main components remain fit for purpose and decent.

The data from the survey is also being used to help manage the component replacement programmes, for example the roof covering programme has been altered to prioritise roofs with concrete Finlock guttering, due to a damp and mould design flaw. Also, kitchen replacements were previously targeted by age primarily but now targeted on age and condition.

The survey has identified a few tenant alterations completed without permit authorisation, this has led to a change in policy by housing management, to re-introduce tenancy audit inspections which will initially prioritise properties Ridge and Partner LLP did not get access too. This has further identified the need for HHSRS refresher training for front line staff.

New Build

Together with the Council, Derby Homes will remain instrumental in the delivery of affordable housing for all residents of the city. It's recognised that affordable housing is a key need in the city and will continue to build strong partnerships across the sector aimed at providing housing for all.

Important principles governing both Derby Homes and the Council's development and regeneration activity includes:

- Building components must be easily maintainable and replaced over their design life within reinvestment assumptions
- A 'fabric first' approach should be adopted to meet environmental standards, as opposed to add-on technologies where these are difficult for residents to operate and potentially a long-term maintenance liability.
- Affordable homes should not be easily distinguishable from private homes.
- Education, health, employment, leisure, and public transport should be properly considered in conjunction with providers in good time ahead of major new developments.
- Working closely with the community to support engagement and inform them of major new developments.
- All new homes to be built to a minimum government Future Homes Standard

Climate Change Action Plan

The Council and Derby Homes are committed to reducing carbon emission in the city and have a formulated action plan.

These Include:

- All Council homes to be at least band C by 2030.
- The current government target of Net zero carbon on housing by 2050.
- Make best uses of resources, reduce energy consumption, minimise waste and ensure we repair, reuse, and recycle wherever possible.
- Use energy from renewable sources.
- Utilise grant funding for energy improvement measures and upgrades to stock.
- Provide energy advice to our customers.
- Consider installing renewable technologies within our planned maintenance programmes.

We are currently in a cycle of replacing gas boilers up to 2027, during this time we will be carrying out a full evaluation of a switch to alternative heating provision and reviewing case studies to ensure this is the best option for our customers. We have already installed over 100 air source heat pumps in properties that were suitable for this technology.

Derby Homes encourages the use of low energy light fittings and provide residents with energy saving ideas in newsletters, on its website and through other information sources. Both the Council and Derby Homes actively seek grants to supplement programmes of work and energy efficiency initiatives whenever possible.

We have recently completed a major external wall insulation programme to flats in the Mackworth area and to the Thorncliffe Cast Iron properties in the Allenton area, using government grants to support this much needed work.

Safe homes and communities

Derby Homes has recently had a review of housing compliance risks by an external consultant. This included a review of all compliance related policies, management plans, procedures, and processes for each of the risk areas summarised below:

- Asbestos containing materials (see section below.)
- Fire risk assessments.
- Electrical safety (Tested every 5 Years)
- Water safety (legionella and scalding risks.)
- Lifts and other lifting equipment.
- Gas (annual testing and servicing of boilers etc.)

The review and recommendations will ensure that all our landlord obligations are being fulfilled thus helping to ensure the health and safety of residents, staff, and visitors.

In addition to a cyclical testing regime, safety of these items will be assessed when a property becomes empty.

Derby Homes will continue to undertake regular Fire Risk Assessments (FRA) and ensure actions arising are dealt with in a timely manner. FRAs will be published so that residents can access these. In addition, we will undertake surveys of communal fire doors to assess suitability and compliance. Testing will be undertaken of components such as fire doors in accordance with regulatory and best practice requirements. Precise testing requirements should be clarified following the Building Safety Bill and any further updates to Part B of the Building Regulations.

Smoke detectors are installed and maintained to every home and upgrading of wiring to modern standards. This scheme will ensure that the electrical systems in homes are up to date and safe. Homes should also have sufficient plug sockets to suit a modern lifestyle.

We have completed the installation of carbon monoxide detectors to all homes.

Procurement

Derby Homes has long understood the importance of effective procurement and the requirement for good working relationships with partner providers, whilst delivering high standards and good value for money. Longer term partnering relationships with contractors who view Derby Homes as an important local customer will continue to be developed and actively managed.

Derby Homes will encourage improvement and efficiencies in terms of cash savings and non-cash benefits, striving for continued value for money and by considering collective procurement with similar organisations. We will aim to undertake a greater proportion of work in a pre-planned way, aiming to benefit from the potential for lower costs and improved consultation and communication.

Derby Homes procurement strategy is constantly being reviewed, updated, and may identify the need for term contract arrangements to supplement works carried out by our own in-house teams. We recognise the benefits of working through consortia and where appropriate will always try to achieve better value for money by tapping into deals that provide value for money by working with others to achieve economies through scale.

All contract arrangements will undergo both Derby Homes and Derby City Council scrutiny via the Housing Capital Programme Board to ensure that best value is being achieved and will be closely monitored at all levels to ensure that they are delivering to the appropriate quality and service standards.

Risk Management

We have considered how the risks that Derby Homes and the HRA faces could influence our asset management strategy. These form part of an assessment of risks carried out across Derby Homes which its Board uses to identify the risks and agree measures that can reduce, mitigate, or alleviate them. The most severe risks are coded red in the analysis that follows:

		2025/26
1.	New Decent Homes Standard	Amber / Red
2.	Insufficient funds to continue maintenance and meet new improvement standards	Amber / Red
3.	Shortage of skilled labour and retention of staff	Red
4.	Over-heated building market – increase in prices, reduced interest from contractors	Red
5.	Procurement Delays	Amber
6.	Fire safety & compliance	Amber
7.	Adapting to the Impact of climate change	Amber

Conclusion

In conclusion we find ourselves in one of the most challenging periods from an asset management perspective. Introduction of new financial pressures, building safety measures to decarbonisation to the demand for the provision of new homes, whilst at the same time facing significant real term reductions in the level of resources available and the uncertainty of rising inflation and costs.