

ASSET MANAGEMENT STRATEGY

2017 – 2020

1.1

In our Corporate Plan we are committed “To hold a distinctive position in the sector, setting Hastoe apart in the quality of homes and services that we provide” and also “to promote and demonstrate our commitment to environmental sustainability”. Both of these strategic ambitions together with our core principal of “valuing and investing in good governance” are highly relevant to this Strategy.

1.2

Our Asset Management Strategy (2015-2020) set four clear objectives:

1.2.1

To substantially improve customer satisfaction with Asset Management Services

In the last 12 months we have:

- Adopted the Institute of Customer Service framework to give us a greater insight into our customers future needs
- Began to implement the Mary Gobar methodology into our day to day operations

- Implemented a way to measure satisfaction with repairs through the use of sms/texts. Where a customer expresses dissatisfaction following completion of a repair we make contact to understand the reasons.
- Renewed our repairs handbook clearly setting out our new standards
- Modernised our approach to monitoring major works projects, including customer satisfaction.
- Our performance on improving repairs satisfaction has been slower than anticipated and this new strategy sets out how we will refocus on driving the necessary improvements.

1.2.2

To continue to improve the energy efficiency of our stock

Since the last Strategy we have:

- Commenced the installation of gas central heating to 106 homes
- Trialled new advanced heating systems using latest storage heater technology in conjunction with solar panels

- Maintained our top quartile performance for average SAP of our homes
- Reviewed our Hastoe Green Homes Standard in line with the new Government Fuel Poverty Strategy and recosted our proposals on how we will meet the new standard
- Extended our Green Doctors initiative to a wider range of customers
- Are on track to secure a Gold Award from Sustainable Homes SHIFT Index

1.2.3

To deliver value for money in the management of our stock

In the last 12 months we have:

- Identified and carried out an initial desktop analysis of the top 200 homes that have had a disproportionate number of repairs raised. We continue to review these results and have visited 60 properties. Our findings so far show that a number of older properties have components especially windows and doors that are reaching the end

of their life and as a result we have refocused our investment plan over the next few years to tackle these issues.

- Extended the 3 star servicing model for gas and renewable heating systems delivering 6% savings and making our processes more efficient.
- Developed a 3 year procurement plan and retendered those contracts which have failed to meet our standards.
- Revised our policy on the use PVCu which is already offering very significant savings
- Started to review the Design brief for new homes to ensure we can help to minimise future maintenance costs

1.2.4

To ensure residents live in safe homes through the effective management of risk

In the last year we have:

- Reviewed all our risk related policies and procedures
- Worked closely with our internal auditors and implemented all agreed recommendations. We have identified where we need to improve our controls and increased staff resources. Successfully completed our annual gas servicing programme
- Implemented a programme of Radon monitoring
- Completed fire and legionella risk assessments for all relevant buildings as well as surveying all buildings built before 2000 for asbestos

1.3

In addition to the above we have completed a significant stock condition survey of in excess of 1000 properties. We know from this survey, completed by independent consultants, that our homes are in good condition and well cared for. Together with existing data, this has given us a very accurate picture of future stock investment needs which was reviewed closely by the Finance & Performance Committee in September. We are assured that we can maintain our homes within existing financial plan resources. An indicative 5 year investment plan based on these results is attached as an appendix to this report.

Our bespoke stock condition register has also given us the opportunity to reassess the commercial performance of our

RURAL	FLATS	HOUSES	URBAN	FLATS	HOUSES
Cherish & Grow	88.9%	58.0%	Cherish & Grow	50.4%	42.7%
Improve	0.0%	3.2%	Improve	25.8%	10.1%
Maintain	3.4%	11.9%	Maintain	7.2%	15.4%
Consider for tenure change or divestment	0.0%	3.7%	Consider for tenure change or divestment	0.3%	4.3%
Maintain/potential for trickle sale	7.7%	23.2%	Maintain/potential for trickle sale	16.3%	27.4%

stock. This exercise which has looked at lettability, open market value and management & maintenance costs allows us to categorise our homes at a unit level and support strategic decisions.

1.4

This tells us that the vast majority of our stock meets our strategic objectives. A more detailed review of the homes that appear to underperform will be carried out to analyse the social and financial return on investment and proposals for change, where appropriate. For example, a rural home in a low value area may appear in the 'consider for tenure change or divestment' bracket but still meet our social purpose so would not be brought forward for change at this time.

1.5

The review also confirms our approach to the strategic disposal of stock, 'trickle sales', to support development of new homes and Green retrofit.

1.6

In 2011 the Board adopted the Hastoe Green Homes Standard, a set of environmental standards that we decided all our properties should achieve. A hierarchy of measures and level of investment to tackle those properties was identified. It was agreed that 10% of discretionary capital investment would be allocated each year until all homes reached the standard. Since then we have:

- Installed Ground Source Heat Pumps into 228 rural homes, recognised in national Housing Innovation Awards two years running
- Installed solar panels to 199 homes in our west region currently delivering an 10% return on investment against a target of 8%
- Continued with our insulation programme using Government ECO funding to insulate houses as well as a number of residential buildings
- Secured income from the Renewable Heat Incentive of nearly £1 million over a 7 year period and approximately £194,000 from Feed in Tariffs over a 20 year period

- Commenced the installation of gas central heating to 106 homes in our urban schemes.our current and future investment.

In 2014 we carried out a survey of 50 residents who had had a ground source heat pump installed into their home

- Only 18% had been satisfied with their storage heaters compared to 96% following the installation of their heat pump
- 60% of residents told us they were spending a "lot less" on heating and hot water with the new heat pump
- 60% agreed that their home was less affected by mould and condensation following the installation of their new heating system

"It is lovely having a warm house and it feels as if my house has grown in size as I can now use all of it!"

Mrs K from Pipers Place, Honiton after having a ground source heat pump fitted to her home in 2014

1.7

The data below represents what we consider to be our strengths, weaknesses, threats and opportunities:

STRENGTHS

- Robust Stock Condition data
- Overall commercial performance of stock is good
- H&S compliance and strategy
- Average environmental performance of our homes (SAP)
- Unique track record in retrofitting renewable technologies and securing external funding
- Sophisticated approach to procurement delivering vfm
- An experienced and well qualified staff team

STRATEGIC ASSET MANAGEMENT

OPPORTUNITIES

- Creating a more sophisticated supply chain based upon a “price per property” model
- Offering our services to external organisations
- Using our brand as leading rural provider to influence national policy
- Opportunities to grow by merging with like minded rural organisations

WEAKNESSES

- Low stock density and geographical spread makes procurement more difficult
- Pressures on revenue funding
- IT system that prevents us from making repairs appointments at the point of contact
- Repairs' satisfaction

THREATS

- Reduction in number of medium size repairs contractors
- Further cuts in rents/welfare leading restricting revenue funding
- Inability to retrofit older homes in off gas areas leading to reputational damage
- Government policy not to subsidise affordable rented homes

WHERE DO WE WANT TO GET TO OVER THE NEXT THREE YEARS?

2.1

The four objectives from our strategy continue to be highly relevant.



3.1

We will increase the value our repairs and maintenance service generates by increasing the trust and confidence residents have in our services. We will do this by growing our on-line offering and concentrating our staff resources on high impact repair programmes and projects.

3.2

We will continue to identify those homes where we are taking too long (and spending too much time and resources on) to identify and solve complex/non-routine repair problems. We will continue to analyse the granularity/detail of our expenditure, so that we remain clear about our investment needs and standards (also that we remain confident about the evolving investment needs of our stock).

3.3

We will use longer term contracts, with suitable break provision to generate greater value on behalf of our residents. We will sign up all contractors to our customer service vision and values by June 2017 (existing commitment). We will strengthen our focus on contractor management and provide a clear link between ongoing failure to meet our KPIs/standards and breach of contract.

3.4

We will exploit the knowledge and expertise of our contractors, who make over 11,000 visits to our homes each year, to secure the greatest value from our current and future investment.

3.5

We will strengthen and supplement our supply chain to broaden the range of potential suppliers and installers. Regional and national framework consortia, which have traditionally served planned and cyclical maintenance work-streams, use their buying power to offer us guaranteed maximum prices with the opportunity to

drive costs down further through mini-competitions. By concentrating our investment strategy on window renewal over the next five years and we will also maximise our purchasing power and bring online (or deliver/generate) revenue savings from our painting programme.

3.6

We know that to raise all our homes up to the Hastoe Green Homes Standard will require additional funding of approximately £2,750,000 million over and above the existing investment plan. Our ambition is to do this at a rate of £500,000 for 7.5 years so that we would achieve the standard by 2024/25 – 6 years ahead of the Government fuel poverty target of 2030. This rate of investment is not viable currently, though if conditions improve and or more subsidy becomes available we would increase the rate of spend to the target level of £500k/year. This would support our Corporate Plan strategic ambition to “promote and demonstrate our commitment to environmental sustainability” and maintain the Hastoe brand.

ACTION	DESIRED OUTCOME	COMPLETION DATE
<p>1</p> <p>Further analyse the results from the commercial assessment of our stocks performance to assess opportunities to improve efficiency, whilst still delivering our social purpose.</p> <p>Asset Man objective: Delivering Value for Money</p> <p>Corporate Plan link: Valuing and investing in good governance</p>	<p>Ensure our trickle sales programme continues to target those homes with a relative high economic loss. Consider the results of the analysis for future development opportunities. Consider our investment strategy in the context of the analysis. Evaluate the potential of land on existing schemes for further development.</p>	<p>June 2017</p>
<p>2</p> <p>Offer our surveying services to other Associations</p> <p>Asset Man objective: Delivering Value for Money</p> <p>Corporate Plan link: Valuing and investing in good governance:</p>	<p>Additional revenue stream generated. In our first year offering this service we aim to secure an income of £20,000</p>	<p>December 2017</p>
<p>3</p> <p>Carryout a further review of our approach to retrofitting our older properties within the context of any additional funding agreed by the Board.</p> <p>Asset Man objective: Improve the energy efficiency of our stock</p> <p>Corporate Plan link: To promote and demonstrate our commitment to environmental sustainability</p>	<p>Sector leading approach to retrofitting and continued top quartile performance. In addition we will retrofit at least 70 homes to the Hastoe Green Homes Standard.</p>	<p>April 2017</p>
<p>4</p> <p>Review our approach to managing risk</p> <p>Asset man objective: To ensure residents live in safe homes</p> <p>Corporate Plan link: Valuing and investing in good governance:</p>	<p>The internal audit in 2017 validates our approach</p>	<p>December 2017</p>
<p>5</p> <p>Produce a plan to improve repairs satisfaction.</p> <p>Asset man objective: Improving customer satisfaction with our services</p> <p>Corporate Plan link: To hold a distinctive position in the sector</p>	<p>A detailed plan that sets out the key milestones over the life of this strategy to improving residents satisfaction to at least 84% with the repairs service</p>	<p>March 2017</p>

RISK

MITIGATION

1

That we fail to keep costs within the financial plan provision

Robust procurement especially through framework agreements and an intelligent investment strategy that maximises potential for future revenue savings. Greater focus and control on expenditure.

2

Failure to improve customer satisfaction with the repairs service

A more sophisticated procurement strategy that offers longer term contracts to incentivise contractors to work with us to deliver a high quality service. New IT systems that will allow us to tailor our services to the "Customer of the Future".

3

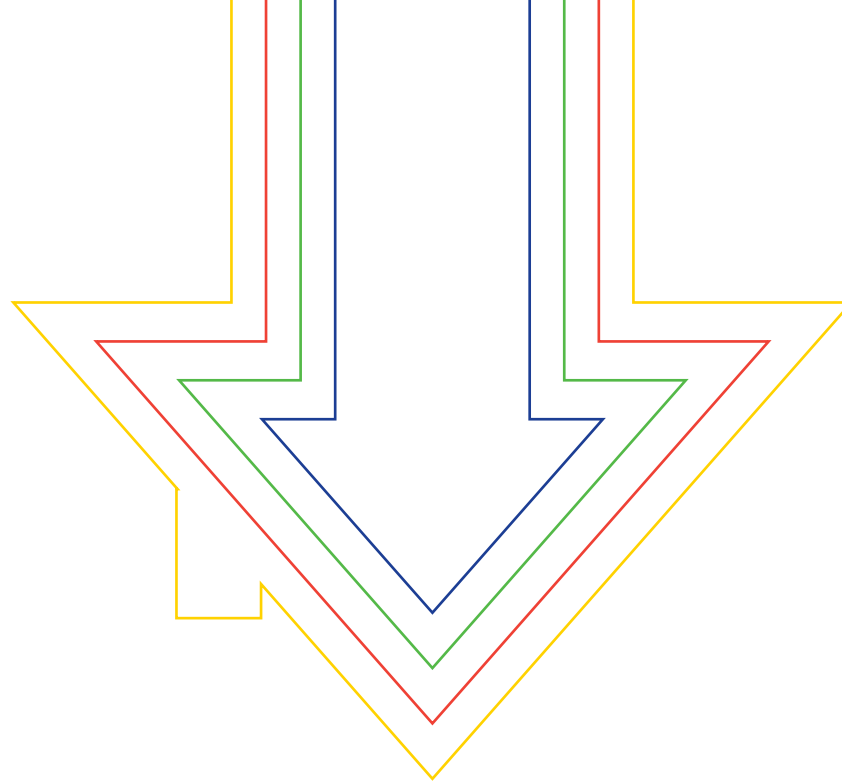
Damage to our brand from failing to improve all properties up to the Hastoe Green Homes Standard in a reasonable timeframe

Continue to exploit external funding streams in addition to additional capital investment funding to deliver our retrofit programme

4

Failure to ensure our homes are safe for residents

Continue to develop and improve our internal controls and ensure sufficient financial provision. Ensure our staff are fully trained and that the profile of compliance is maintained at a high level.



Hastoe

Group

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