A Strategic Approach to Housing Asset Management

www.milton-keynes.gov.uk/housing-mkc
1. Introduction

This note sets out a proposal for housing asset management; investing in, maintaining and renewing the houses and flats owned by Milton Keynes Council. Secondary strategy notes will be developed for housing land, garage sites and commercial premises.

The Council's existing Asset Management Plan for housing, ended in 2010 to coincide with the completion of the Council’s Decent Homes programme. It therefore has an opportunity to look at how the housing that it owns meets the needs of residents in the long term.

By using good quality and up to date stock condition information it will also be able to determine the levels of investment needed to make sure its stock meets the standards that it agrees locally with tenants and leaseholders.

A new strategy also coincides with the Government’s move to self-financing for Council housing, which is expected to be introduced in April 2012 as part of the Localism Bill.

2. Developing a New Set of Priorities for 20012-17

The current range of pressures on housing assets and resources suggest the Council must prioritise its investment in its housing stock as part of the local standards it agrees with tenants.

The following legal and policy constraints will underpin new strategic priorities.
1. The **Decent Homes Standard** which is likely to remain in force as a national guide but may be superseded by local standards in line with wider national policy

2. The **Housing Health and Safety Rating System** applies to all homes

3. The conclusions of the **Social Care and Housing Policy Development Committee Working Group** in 2009 that the Council’s future investment should focus on these issues in priority order
   a. **Statutory and Health & Safety-related works** such as asbestos management, replacement of domestic heating systems and dealing with urgent failing components
   b. **Preventative maintenance** work that reduces the need for reactive work and increased expense
   c. **Other improvements** to the housing stock and external areas which the Housing Revenue Account pays for

4. The new **Milton Keynes Council Local Home Standard** that the Council is establishing in partnership with tenants. The relevant section of this is detailed below.

**Draft Quality of Accommodation Standard:**

*Milton Keynes Council will manage its assets to ensure it invests its limited resources in providing appropriate, sustainable homes.*

*The Council will invest to ensure that our homes contribute to neighbourhoods that work for the local community and help meet housing need across Milton Keynes.*

*The Council will develop a Housing Asset Management Strategy for the years 2012-17 in partnership with key stakeholders. This will take into account the needs of the landlord, current and future tenants and leaseholders. Within this, the Council proposes that our investment priorities will be to ensure that our homes are:*
   - Structurally stable;
   - Safe for tenants to live in and for our contractors to work in;
   - Sufficiently warm and affordable to heat;
   - A living space that does not restrict residents and that they can fully use.

5. Continuing **consultation with tenants and leaseholders** on the condition of stock and housing need across Milton Keynes and in specific neighbourhoods and communities

6. Legislation, regulation and Council policy on **carbon consumption and renewable energy**, specifically the Low Carbon Transition Plan, which is developing further through the Energy Security and Green Economy Bill and will affect energy efficiency and generating renewable energy.
7. The continuing need to provide a **Value for Money (good and low cost)** service

### 3. Strategic Framework

A strategic framework will enable the Council to develop priorities that meet its statutory, contractual and regulatory requirements and make appropriate resource allocation and service delivery or procurement decisions.

1. The strategic framework is designed to
   - ensure the Council understands the extent to which its housing assets meet housing need and contribute to the physical, social and economic sustainability of neighbourhoods and the wider Milton Keynes community
   - recognise that assets that meet need are the most likely to generate a rental income stream for the landlord
   - prioritise resources to fill the most significant gaps in meeting need or contributing to sustainability

2. The Strategic Framework is made up of three elements:
   - an underlying **principle** for clarity
   - **data** that enable strategic decisions to be taken about the way the asset meets housing need and the investment needed
   - a clear hierarchy of **delivery** where the Council is the client, setting the strategic priorities and allocating funding; Mouchel is its agent, managing works and ensuring information about assets and costs are fed back to the Council and contractors which carry out the work.

The following table gives the purpose of each of the elements of the framework. A fuller explanation of each element is given after the table.

<table>
<thead>
<tr>
<th>Strategic Framework Element</th>
<th>Purpose</th>
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<tbody>
<tr>
<td><strong>Principle</strong></td>
<td>To optimise the life of the asset so that it meets housing need and provide value for money in doing so</td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td>Milton Keynes Council will work with its Business Partner, Mouchel Building Services to assess sustainability, risk and investment need in</td>
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</tbody>
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3
relation to housing need

1. Mouchel provides cost, works and stock condition data: maintaining an asset management database, from which it provides reports for the client about components, elements and homes by type and within neighbourhoods

2. the Council uses the data and the reports to set strategic priorities and agrees tactic for delivery and resource allocation

<table>
<thead>
<tr>
<th>Delivery</th>
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<tbody>
<tr>
<td>Clear relationships with defined responsibilities between contractors, agent and client.</td>
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<tr>
<td>• <strong>Contractors</strong> procured on the Council’s behalf by Mouchel Building Services carry out work to Council assets. They will</td>
</tr>
<tr>
<td>1. Use components that provide the optimal balance between cost and durability</td>
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<tr>
<td>2. Ensure work is completed at the right time for the tenant and the landlord and is right first time, on time, every time, and all the time.</td>
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<tr>
<td>• <strong>The agent</strong> of the Council, Mouchel will direct work to assets that delivers</td>
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<tr>
<td>1. repair and replacement of components through a responsive maintenance procurement process</td>
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<tr>
<td>2. renewal of elements through a planned maintenance procurement process</td>
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<tr>
<td>3. refit of properties through a planned maintenance procurement process</td>
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<tr>
<td>• <strong>The client</strong>, Milton Keynes Council will</td>
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<tr>
<td>4. establish robust investment priorities</td>
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<td>5. direct funding to those priorities</td>
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<tr>
<td>6. enable the regeneration of neighbourhoods in a way that supports and shapes the sustainability of the housing assets</td>
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<tr>
<td>7. manage tenancies so that misuse and neglect of homes and communal areas is</td>
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**Principle**

**Optimising Life**
Optimising life is keeping components, elements and assets going until the best financial and customer satisfaction point to change them is reached. Work to properties falls into three broad categories: emergency, reactive and proactive.

**Housing Need**
Housing needs are defined in the Council’s Housing Strategy and Allocation Policy.

**Value for Money**
Value for money is about doing the right things (activity that is shaped by a clear purpose) and doing them as well (economically and efficiently) as possible. The Housing Service is developing a Value for Money Strategy that links to the wider Value for Money work of the Council as a whole. The service aims to be good, low cost and continuously improving in achieving its purpose of “right person, right home.”

In quality of home terms, it is an agreed balance between costs and tenants’ satisfaction with their home, communal area and wider neighbourhood.

In delivery terms, it is an agreed balance between cost and quality of labour and materials that can be measured as an outcome by customer satisfaction and work staying fixed, as throughput by the time taken and carried out on time and as outputs by volumes that are right first time.

The Council will ensure it has a good intelligence about market conditions and forces, using procurement best practice to ensure costs and quality are controlled.

**Data**

**Types of Data**
To ensure it makes robust decisions the Council needs to have current and accurate data about its assets. Mouchel collect, maintain and analyse the data to enable evaluation and decision making by the Council. Additionally good data enables robust decisions to be made in delivery, quality to be assured and costs to be controlled. The data needed to do this is as follows:

- Cost Data for Contracts made up of materials, labour and overheads
- Cost data for Agent: how much it costs to manage the contracts
• Works data: the cost of individual jobs and programmes
• Stock Condition Data: the structural condition of properties and the replacement needs of elements and components

The data is collected through the Council’s financial and property information systems but most importantly in an asset management database maintained by Mouchel.

• Stock data currently comes from several main sources which are used to update the Keystone Condition data
• Stock Condition Survey 2004
• Stock Condition Validation 2010
• Asbestos Surveys
• Ad hoc neighbourhood and structural surveys
• Operational financial and quality / quantity assurance checks

Using Data
We will use the data to consider the needs and sustainability issues

• across the borough
• within neighbourhoods
• of property types
• of individual assets

Delivery

The delivery of services is through a supply network that involves the agent, primary and sub contractors, materials suppliers and manufacturers

The Council will procure and shape this supply network so that it carries out the necessary work at the right cost and quality levels to assets, their elements and components.

The underlying principles of optimising life, whole life management and value for money guide the Council’s procurement and then during delivery, the prioritisation, organisation, resourcing and delivery of work

Categories of Delivery

1. Emergency: a situation that puts safety of customers or the structure of the property at risk so must be dealt with quickly and made safe
2. Reactive: work that is done following a report by a customer, officer or employees
3. **Proactive**: work that is done of the basis of data about the assets and is organised. It may be funded through capital or revenue and may be carried out on single dwellings or groups of properties.

Delivery will be in one of the following processes:

- **Repair**: is reactive and optimises the life of the components within an element of an individual property, where work is right first time on time every time and does not fail because of workmanship but only where the component or element must be replaced.

- **Replace**: tracking the life of components so that the number of times they can be repaired can be reasonably predicted and carried out to optimise the life of the larger.

- **Renew**: where analysis of data shows the replacement of components becomes so frequent across properties within a neighbourhood and / or construction type it will no longer be value for money to continue to tackle them in a reactive way.

- **Refit**: takes place when simply renew elements cannot remedy the issue in a way that provides value for money to the landlord or to the customers. It takes place across communities but is likely to be tied to particular construction methods and / or property types. It is likely to involve an improvement in design and specification. As a result of the scale it will; be a capital scheme.

- **Remodel / re-provide**: where the asset may be structural sound but does not meet need.

- **Regenerate**: regeneration is considered where both refit and remodelling are necessary because need is not met and the structure is not sound: therefore, the sustainability of the wider neighbourhood is undermined.

4. **The Council’s Prioritising and Investment Decisions**

To fulfil its role as the owner of the assets and as client in the framework, the Council needs a clear process for deciding its strategic asset priorities and how and where to direct investment.

The approach of the Council to investment uses the sustainability criteria detailed below and operations factors below to evaluate the risks and benefits that arise from housing need, landlord business sustainability, asset location and stock condition.

It is intended to be clear to tenants, leaseholders, and contractors. Investment is assessed against its ability to do three things: meeting housing need, ensuring the Housing Revenue Account can continue to pay for maintenance of homes and management of tenancies and making sure properties are sustainable.
1. Meeting Housing Need
All decisions on the allocation of resources to the Housing Revenue Account asset base will be in the context of the evidenced housing needs of Milton Keynes as defined in the Council’s Housing Strategy. To receive investment, the asset must provide suitable accommodation over a period of thirty years.

2. Landlord Housing Revenue Account Sustainability
Decisions will be contextualised by the HRA Business Plan, which has to be sustainable (not fall into deficit). Investment therefore needs to ensure that the property will be lettable (i.e. there is a continuing demand and need for this property type in this location) and continue to generate rental income (a return on investment) over the period of the business plan for individual or grouped assets (e.g. blocks of flats).

3. Physical Sustainability
The investment will need to demonstrate a contribution to the sustainability of Milton Keynes and to the immediate neighbourhood as defined in the relevant strategies. This also covers economic and social considerations: Council homes need to enable neighbourhoods to function as places to work and in which communities thrive.

Sustainable Assets

Using these three prioritising criteria, the Council defines a sustainable asset as one, which

- Contributes to a thriving neighbourhood,
- Contributes to a mix of property sizes and types that is appropriate to housing need in the neighbourhood and across Milton Keynes
- Is structural stable, safe for the tenant to live in and for contractors to work in,
- Is sufficiently warm and affordable to heat,
- Provides a living space, which does not restrict residents and that they can fully use

The Council will evaluate the sustainability of individual assets, assets grouped in neighbourhoods and by type across the borough by considering the following questions:

- Site Suitability:
1. Is our stock in the right place: to make the place better how can we work with others to improve estate layout and connectivity with neighbouring areas?

2. Do we have too many or not enough of the same type in a neighbourhood and across the borough?

   **Size Mix:**
   1. Do our dwellings offer the right mix of bedroom numbers for current need?
   2. Are they suitable for the future demographic make up of Milton Keynes (age, health, family sizes etc)

   **Structural Integrity:**
   1. Are properties currently stable?
   2. Will the core building methods work over time or do we see risks arising in the future?

   **Safety in the Home and Workplace:**
   1. What do we need to do to minimise the risks in the home and communal areas to customers and employees?

   **Space and Accessibility:**
   1. Can customers, get in and out of their home?
   2. Can they move about in it without restriction?
   3. Can they use all of it?
   4. Is it sufficiently modern and in good repair?

   **Sufficient Warmth:**
   1. Is the property well enough insulated?
   2. Does it have a heating system that will keep costs to the minimum for the customer over time and offers value for money to the landlord?
   3. Can the asset be used to generate sustainable power in addition to minimising consumption?

   **Service to Customers:**
   1. Are we working with customers in a way that offers value for money?
   2. Do we carry out work to their homes that is right first time on time every time and stays fixed?