

Asset Management Strategy 2022-2027

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Contents

- 1. INTRODUCTION 2
- 2. VISION 2
- 3. OUR BUILDINGS..... 5
- 4. ASSET MANAGEMENT PRIORITIES..... 10
- 5. HOME STANDARD 15
- 6. DELIVERING AND REVIEWING OUR STRATEGY 16



1. INTRODUCTION

- 1.1.** This strategy sets out the steps that Arches Housing is taking to manage assets and provides detail on how decisions on investment are made in line with our Corporate Plan.
- 1.2.** Asset Management is not only about management of the buildings and homes that we have. It is also about how we use knowledge for management of performance and risks associated with them.
- 1.3.** This strategy sets out our approach to how we assess the life term of our assets linking this through to how we make our investment decisions.
- 1.4.** Investment decisions are made considering the asset as a whole with particular synergy to our Neighbourhood Plans to enhance the quality of our homes and residents view of their neighbourhood as a place to live, where we are able to influence this.
- 1.5.** Priorities for our Asset Management Strategy will be set out to reflect long term financial plan outcomes and clear thinking about value for money.
- 1.6.** The Asset Management Strategy will improve standards for all our assets and sets out our approach to the Clean Growth Strategy through which the Government has set a target for social housing providers to attain the minimum rating of Energy Performance Certificate (EPC) for rented properties by 2030.

2. VISION

2.1. Our Vision

Our Corporate Plan highlights our passion for providing good quality homes and services, and our vision recognises the importance of ensuring our residents live in warm, safe and secure homes that meet their needs.

This Asset Management Strategy sets out the steps as part of our overall strategic approach and has been developed with resident's feedback, good practice examples and the Arches board of management.

We will make informed decisions in relation to the management and investment of our assets, for example, about future investment, divesting of poorly performing assets or targeting interventions at poorly performing assets to improve their long-term performance.

To meet the government target of EPC C as part of the wider ambition of the 2050 “net-zero-carbon” challenge, we will follow our strategic focus by ensuring a “no regrets” approach to optimise the thermal efficiency of homes, before the installation of renewables to ensure best value, prevent premature replacement of components and improve the experience of “fuel poor” households.

We want to keep our residents and their homes safe and warm, and to demonstrate to residents and other key stakeholders that we are doing this by engaging with them to understand the Asset Management Strategy.

2.2. Aims of the Strategy

To set out our approach to implementing an active asset management approach which will seek to fully understand the long-term performance of each asset.

To set out how we make strategic decisions based on a thorough understanding of our assets and where they sit within our portfolio.

To set out how we embed compliance with our obligations under health and safety legislation to keep residents safe in their homes.

To compliment the Building and Fire Safety Strategy we will always prioritise the health and safety of our residents ahead of any other asset decision. This means that we make decisions about when and where to invest our resources by taking account of all relevant considerations in relation to each asset, with safety as a priority.

To ensure we meet the regulatory requirements in the Homes and Community Home Standard.

To improve energy efficiency to EPC C by 2030 making warmer homes, help lower energy bills and combat fuel poverty.

To produce a road map to reach carbon neutrality by 2050.

To set out what Arches considers to be the success factors for the delivery of this strategy.

To set out how delivery of this strategy will be governed in line with the expected outcome.

2.3 How does this strategy contribute to the delivery of our long-term goals?

Putting Residents at the heart of what we do;

- a) we will ensure we consult our residents in relation to development of this strategy
- b) we will consult with customers locally to discuss areas of spend for any additional improvement programme
- c) we take a hearts and minds approach, supporting our residents to adjust lifestyles to embrace energy efficiency measures and reduce the risk of damp

Providing homes that people want to live;

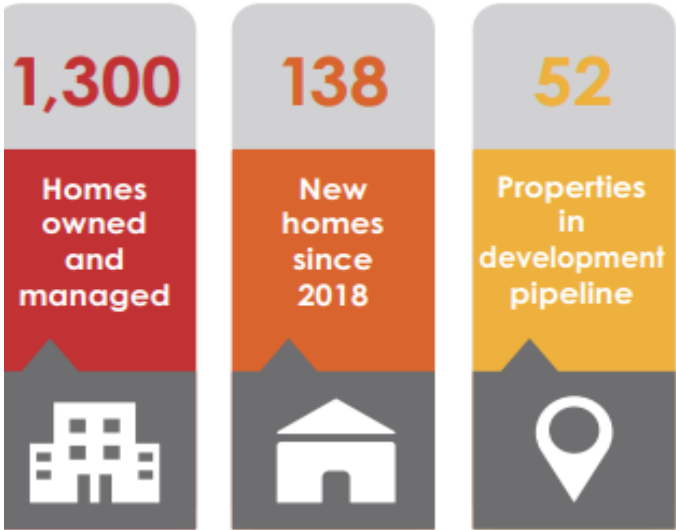
- a) we will maintain all our homes at Decent Homes Standard
- b) we will continue to maintain all our homes to Arches Home Standard
- c) we will enhance the Energy Performance standard of our assets to minimum EPC C and produce a road map to reach carbon neutrality by 2050
- d) we will continue to take a proactive approach to manage homes support residents living in environments free from issues that can arise in properties such as damp and mould

Maintaining a sustainable and balanced business model;

- a) we will use Asset Performance Evaluation Tool to help inform value for money decisions about where to direct investment and divestment decisions in our stock
- b) we will consider capital cost plus on-going maintenance and life cycle liabilities associated with plans for reaching EPC C and carbon neutrality
- c) we will mitigate risk of premature renewal and write off through identification and programming of “business-as-usual” planned maintenance activity to reach EPC C
- d) we will maintain an average operating margin of at least 20% and have a lower operating cost per unit than our peers

3. OUR BUILDINGS

3.1. Assets:



We have 1300 assets within our portfolio (as at 31 March 2022) broken down as:

Asset Types

Bedsit	9
Bungalow	54
Flat	266
House	967
Room	4
Grand Total	1300

General Needs	1130
Housing for Over 55s - Category 1	12
Shared Ownership (Leaseholder)	110
Supported Housing	48
Grand Total	1300

The original purpose of Arches Housing when it was formed in 1975 was to save terraced street properties from clearance to enable communities to keep together. A legacy to the way that the organisation was formed is that our asset portfolio contains a large number of Victorian street fronted properties (pre 1920) around North East Sheffield.

Decade of Construction

1920 or earlier	431
1950	3
1960	13
1980	88
1990	250
2000	153
2010	331
2020	31
Grand Total	1300











Our current areas of operation are in the Sheffield City Region and focussed in Sheffield and Rotherham, our first scheme in North East Derbyshire was in 2019. Our Growth Strategy continues to commit to the Sheffield City Region.

3.2. Stock Condition

Arches carries out stock condition surveys for each dwelling over 5 years old that we own and have repair responsibilities for. A programme of individual stock condition surveying will be undertaken no less than every 5 years and aim for 98% of all assets to be completed.

We will ensure that our long-term financial planning has the most up to date stock condition information available.

The expected life cycle of key components within Arches assets are :

 Doors 30 Years	 Radiators 30 Years	 Electrical Rewire 40 Years	 Shower 15 Years	 Kitchen 20 Years
 Rainwater Goods 25 Years	 Roof 60 Years	 Boilers 15 Years	 Bathroom 30 Years	 Window Replacement 30 Years

3.3. Understanding Our Asset Base

Arches has procured an Asset Performance Evaluation tool called Insight, to help us understand our asset base and to support investment decisions. This compares the necessary costs to keep the asset up to standard, move to EPC C and will be further developed during the life of this strategy to include plans required to achieve carbon neutrality. The tool compares the costs against the income from the same asset over a long term (30 year) period. This is known as the Net Present Value (NPV). The NPV is then combined with other information on the popularity and performance of schemes and asset groups to provide an overall assessment of stock performance.

The NPV takes into account the 30 year replacement and project (EPC C and once developed carbon neutrality) costs for each element of the asset, a maintenance cost, plus Arches housing management costs. Income from the properties over the same time frame is also calculated using rental income and service charges.

Clearly decisions on the investment of the stock will not be taken on a purely commercial basis. To assist consultation and decision making, we will combine the information on the physical investment needs of the assets with wider indicators from the Arches Operational Management Team to indicatively rate stock on its performance and desirability and then to classify and define its future in the asset portfolio.

Our corporate vision is to contribute to peoples' wellbeing by providing safe, secure, warm homes that meet their needs, and our Asset Management Strategy will play a key role in achieving this.

3.4. Energy Efficiency and Net-zero-carbon

The government's Clean Growth Strategy announced a new target in March 2020 to get all housing up to an energy performance certificate (EPC) band C by 2030. Our strategic priority 3 "Energy Efficient Homes" through the life of this strategy will support our commitment and investment towards improvements in energy performance ratings to C for all our assets.

The government has committed the UK to achieving net zero carbon by 2050. This requires achieving an overall balance between emissions produced and emissions taken out of the atmosphere. In parallel with the net zero ambition, the government's Clean Growth Strategy will have significant bearing on future investment in our housing stock. A key aspiration of the government's Clean Growth Strategy in relation to housing on the trajectory to meeting net zero carbon is for homes to be upgraded to be warmer for residents in a practical, cost effective and affordable way reducing the number of people living in fuel poverty.

We will develop a road map with a set of ground rules to achieve the target for all our assets to be zero carbon by 2050 e.g. 'Fabric first' should be the default for all carbon reduction works, focusing on wall insulation, triple glazing, insulated doors and floors, well insulated roofs and air tightness. We will manage technical risk: all retrofit should meet PAS2035, with a focus on improving ventilation and designing out thermal bridges, newer assets (post-2007) gain most from swapping over heating systems, as their fabric and air tightness are reasonable good already, assets needing >£30k of spend to have a dedicated, single visit approach, to ensure technical risk is managed. This should be balanced against the NPV and planned asset renewal costs for the asset

The roadmap will detail ways of "taking residents with us" and consider champions to help residents adjust to embrace measures.

All retrofit will be carefully planned technically and with the community in mind. Thought will be given to the data, the outcomes to be achieved, consider how geographical grouping of properties may minimise costs. We will continue to work with partners to verify and assure outcomes.

During this strategy we are aiming to identify a pilot development that will be built carbon neutral and energy rated A. The cost of building assets to an ultra-low carbon standard will be influenced by the type, construction

and technology. We're committed to continuously updating our design standards and knowledge on the costs and benefits of emerging technologies and will deliver this through exploring the market and seeking the guidance of experts. We will continue to work with partners to foster a culture where information and ideas are shared.

All measures will need to be assessed to compare the impact for energy efficiency and/or carbon reduction against any potential increase in energy usage and therefore cost to the tenant. The roadmap will include the requirement to carry out impact assessments and cost benefit analysis.

Residents will be included to help them understand how behaviour and lifestyle can also have a positive reduction on their energy costs. We will identify partners to whom we can signpost residents to give further support on energy efficiency and managing energy expenses.

3.5. Making Informed Investment Decisions

There are three stages to our asset classification that will drive investment decisions and stock is rated based on NPV values from calculations that considers all the elements.

We will review the classification of all assets at least annually in line with our long-term financial plan using results from our evaluation tool Insight.

The three classifications are:

- Long Term Life Asset
- Medium Term Life Asset
- Short Term Life Asset

a) Short Term Asset 0 – 5 Years in Portfolio = Negative NPV

Assets in this group will be maintained to Decent Homes Standard and Arches Home Standard. Capital investment will be made if required to meet these standards. Revenue spend will be made to ensure the asset complies with Health and Safety requirements. Our approach to other components will be to repair in the first instance where it is economical to do so. Any other major repairs required will be subject to a value for money assessment. Works to meet EPC C will not be a priority for this group. Assets designated "short term" will not exceed 5 years in this category. It is expected that assets in this category will be reviewed and either selected for disposal or alternative strategies to move them to medium term assets.

b) Medium Term Asset 5 – 15 Years in Portfolio = Under £ 10K NPV

Assets in this group will be maintained to Decent Homes Standard, Arches Home Standard. Work programmes to achieve EPC C on these properties will be a priority for these assets. Any other major repairs required will be subject to a value for money assessment. It is likely that properties in this classification will be part of the Street Property Improvement Programme. Our Neighbourhood Planning Framework will seek to improve the economic performance of this asset group.

c) Longer Term Asset 15+ Years in Portfolio = Over £ 10K NPV

Assets in this group will be maintained to Decent Homes Standard, Arches Home Standard. Work programmes to achieve EPC C on these properties will be a high priority for these assets. Any other major repairs required will be subject to a value for money assessment. Our Neighbourhood Planning Framework will seek to maintain the economic performance of this asset group.

Assets in this group will be the priority for investment to maintain as a long-term asset returning a high asset performance

4. ASSET MANAGEMENT PRIORITIES

4.1. Asset Management Strategic Priorities

LONG TERM PRIORITIES

The long-term priorities in the Asset Management Strategy are linked to four of our strategic priorities detailed in the Corporate Plan:

Strategic Priority 1 Inclusive homes, services and support

PRIORITY	WHY	HOW WILL WE DO THIS?
Making strategic investment based on an understanding of our asset base	Customers will be assured we understand their needs using good data and systems Addressing this will enable	Consultation with residents on this strategy Consider divestment of uneconomical assets

	us to make value for money decisions on where and when to invest in our asset base	<p>Consider the sale of high value assets to generate funds for reinvestment in the delivery of new assets</p> <p>Define and review three classifications of assets annually to support investment decisions in financial plans</p>

Strategic Priority 2 Properties and Neighbourhoods where people are proud to live

PRIORITY	WHY	HOW WILL WE DO THIS?
Decent Homes and Arches Home Standard	<p>To provide safe and secure homes where people feel proud to live</p> <p>To provide homes that are better than Decent Homes Standard and influence people to stay and sustain their tenancy reducing void and maintenance costs to free up funding to do more</p> <p>Minimise Disrepair Claims and no home to be deemed unfit</p>	<p>Using resident engagement the Arches Home Standard was defined to shape investment</p> <p>Define classification stages of assets to inform investment decisions</p> <p>Decent Homes and Arches Home Standard will be met and maintained on all dwellings</p> <p>We will run a program of proactive asset surveying related to mitigating common issues from damp, mould, condensation etc to remove, resolve issues and maintain through regular future monitoring visits.</p> <p>Proactively respond, investigate and defend Disrepair cases where claims are unfounded.</p>
"Street" Property Investment	We recognise approximately a third of our stock is 1900 terraced properties whereas customers aspire to live in modern, easier to heat homes	Deliver a refurbishment program to a number of our older street properties that would benefit from additional investment

	Our approach to asset management will facilitate improving these dwellings to meet customers aspirations, creating demand and removing negative perceptions	
Legislative and Health and Safety	<p>We will always meet all safety requirements set out in law and keep our residents safety a priority</p> <p>We will meet the requirement of the regulatory Home Standard and all Building and Fire Safety legislation</p>	<p>We will ensure up to date policies are in place which set out our approach to;</p> <ul style="list-style-type: none"> Fire Asbestos Water Hygiene Gas Electric <p>We will develop a Resident Engagement Strategy for Building a Fire Safety and a Fire Management Plan for each Block where one is required.</p> <p>Will ensure we have resources in place to manage health and safety compliance appropriately</p> <p>We will continue to ensure that health and safety compliance is part of mandatory reporting and committed to as a priority at all levels in the business.</p>

Strategic Priority 3 Energy Efficient Homes

PRIORITY	WHY	HOW WILL WE DO THIS?
Achieve Energy Performance Certificate (EPC) or Standard Assessment Procedure (SAP) rating C for all dwellings	The government has set a target for social housing providers dwellings to all be an energy performance rating of C by 2030.	We will develop a program for work programmes for investment to achieve EPC C rating for all assets by 31 st March 2026

<p>Develop a roadmap to achieve “net-zero-carbon” neutrality challenge by 2050</p>	<p>A target of net-zero-carbon has been set by the government to achieve by 2050</p>	<p>We will develop a costed road map by March 2026 which identifies the required investment in our properties to reach zero carbon by 2050.</p> <p>Target our investment plans through complementary investment programmes where possible in advance of road map works start date</p> <p>We will support our colleagues to develop their skills to enable us to successfully deliver our net-zero-carbon plans.</p> <p>We will develop a methodology for engaging with residents in the delivery of EPC and net-zero-carbon works</p>
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Strategic Priority 5 A well governed, financially strong, agile organisation

<p>Understanding the asset base through our asset evaluation tool</p>	<p>To understand how each asset is performing, including income it generates and understanding its associated investment/management costs</p>	<p>Use the Insight model on an annual basis to review “flag” of assets classifications to inform investment or divestment considerations</p>
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4.2. Arches Active Asset Management Approach

Our approach is aligned to “Dynamic Asset Management” which does more than focus solely on tracking components life cycles and replacing them at the end of their theoretical life.

By dynamic asset management we mean a process that makes sure investment considers the long-term future of each asset and its performance as appropriate.

This takes all our knowledge of both technical and community needs to diagnose relevant issues. The model is based on robust data and utilising our stock performance evaluation tool.

At times, we recognise the need to look at the bigger picture and step back to consider the long-term future for an area and where Arches may sit within that also using Neighbourhood Plans to support decisions rather than maintaining for maintenance's sake. This means opportunities are always sought to obtain wider benefits from the investment process.

This approach will be developed further during this strategy to include the most up to date information following the 2022 stock condition survey and consider additional works streams for bringing properties to EPC C, street property improvements and the roadmap to net-zero-carbon alongside anything relevant from Neighbourhood Plans.

One of the key outcomes for active asset management is to ensure our assets are delivering as much value into the business as possible to help the business grow and contribute to the national housing crisis and the climate change and decarbonisation agenda.

4.3. Assessing Assets for Investment and Divestment

We will aspire to provide homes that are of good quality and in areas where people want to live and will choose to stay. This will mean, that as part of our asset management strategy we may exit an area or neighbourhood, if the assets we have, are not delivering our expected or social outcomes. We will use Neighbourhood Plans, partnership working, targeted investment and environmental improvements to move assets from short term to medium term classification. The Growth Strategy will align with the Asset Management Strategy to ensure that areas and assets we look to add, provide safe, secure, warm homes and are in areas where people want to live and choose to stay. Where we do not own a building and have assets that trigger additional Building Safety and other legislative and safety requirements for fire, asbestos, water hygiene,

electrical or gas we will consider the sale of these assets as they become empty to reduce our and our customers exposure to risk.

The process for investment plans and works will include for assessments to be made for divestment or investment against an asset where value of spend is in excess of £ 5K and outside Decent Homes Standard or Arches Home Standard, to ensure the Asset Management Strategy classification and ratings do not get overlooked before going ahead.

4.4. High Value Assets

We will consider the sale of high value assets that are in the Long Term classification group as they become empty where the market value will contribute to our development objectives. The value must exceed the cost of replacing the divested asset plus at least one more income generating unit.

5. HOME STANDARD

The regulatory consumer standard relating to the quality of homes is the “Home Standard”.

Our ambition is that all residents – now and in the future – will live in better than decent homes, providing a fundamental foundation for a better quality of life – we call this the Arches Home Standard.

Over the last 5 years we have prioritised our investment plans and have successfully completed works to achieve 100% of our assets now meet Arches Home Standard.

Our future investment and financial plans include maintaining 100% compliance with Arches Home Standard ensuring this is done in line with meeting our corporate objectives and strategic priorities whilst ensuring a sustainable and balanced business model.

Arches board are responsible for ensuring the organisation is compliant with the regulatory “Home Standard”.

The outcome of this strategy will be monitored by the Arches board of management. The Arches board will consider this strategy to be successfully delivered when:

- a) All areas of health and safety laws and regulation is adhered to over the life of the strategy and external sources of assurance annually confirm this is the case
- b) Ongoing adherence to the regulatory Home Standard and this is reported to the Board as part of the assurance framework
- c) A full asset performance evaluation tool and methodology is embedded in the business
- d) Decent Home and Arches Home Standard is maintained at 100% and this is reported to the Board as part of the KPI framework
- e) A plan to achieve EPC C for all our homes by 31st March 2026 is in place and is monitored through reporting to the Board
- f) Customer Satisfaction with Quality of Home achieves top quartile performance
- g) Investment decisions are driven by our active asset management approach
- h) Full stock condition is independently completed every 5 years and is used to drive investment plans
- i) A road map is developed to move the assessment for all our portfolio to “net-zero- carbon” by 2050

6. DELIVERING AND REVIEWING OUR STRATEGY

This is a 5 year strategy. Our Director of Operations has responsibility for this strategy and the programmes, activities and actions which are needed to deliver it. Progress will be reported to our Board, which sets the overall strategic direction for our business and receives assurance that our obligations are being met.

We will carry out a review of progress against the strategy each year to ensure we are on track and that there have been no significant changes which would impact on the importance or delivery of the priorities and actions we have agreed.