



**Nottingham City Homes
HRA Asset Management Strategy
Scoping Document
July 2010**

Executive Summary

Nottingham City Homes (NCH) Asset Management Strategy explains how NCH will meet the needs of its tenants by ensuring their homes are maintained to a modern standard, while ensuring value for money for the investment it makes.

The document also details how the work of managing the stock will link in with Nottingham City Council's wider Strategies for Housing Needs, Sheltered Accommodation, and will look at how stock which does not perform economically could be disposed of to ensure the wider asset can be maintained to the agreed standard.

Scope of the Strategy

The strategy will directly cover the tenanted properties within the Housing Revenue Account. The outcome from the strategy is to determine the course of action for each element of the stock based upon future housing need.

NCH will use its knowledge and modelling tools to assess our homes and develop solutions with our stakeholders for sections of stock. The options for our stock will be broadly based upon the choices below;

- Investment
- Decommissioning and Replacement.
- Change of use
- Modernisation
- Transfer (Stock Rationalisation)

In addition to the Strategy we will set out an Investment Plan which will show how we will use our resources to provide the property needed to match the future housing demand.

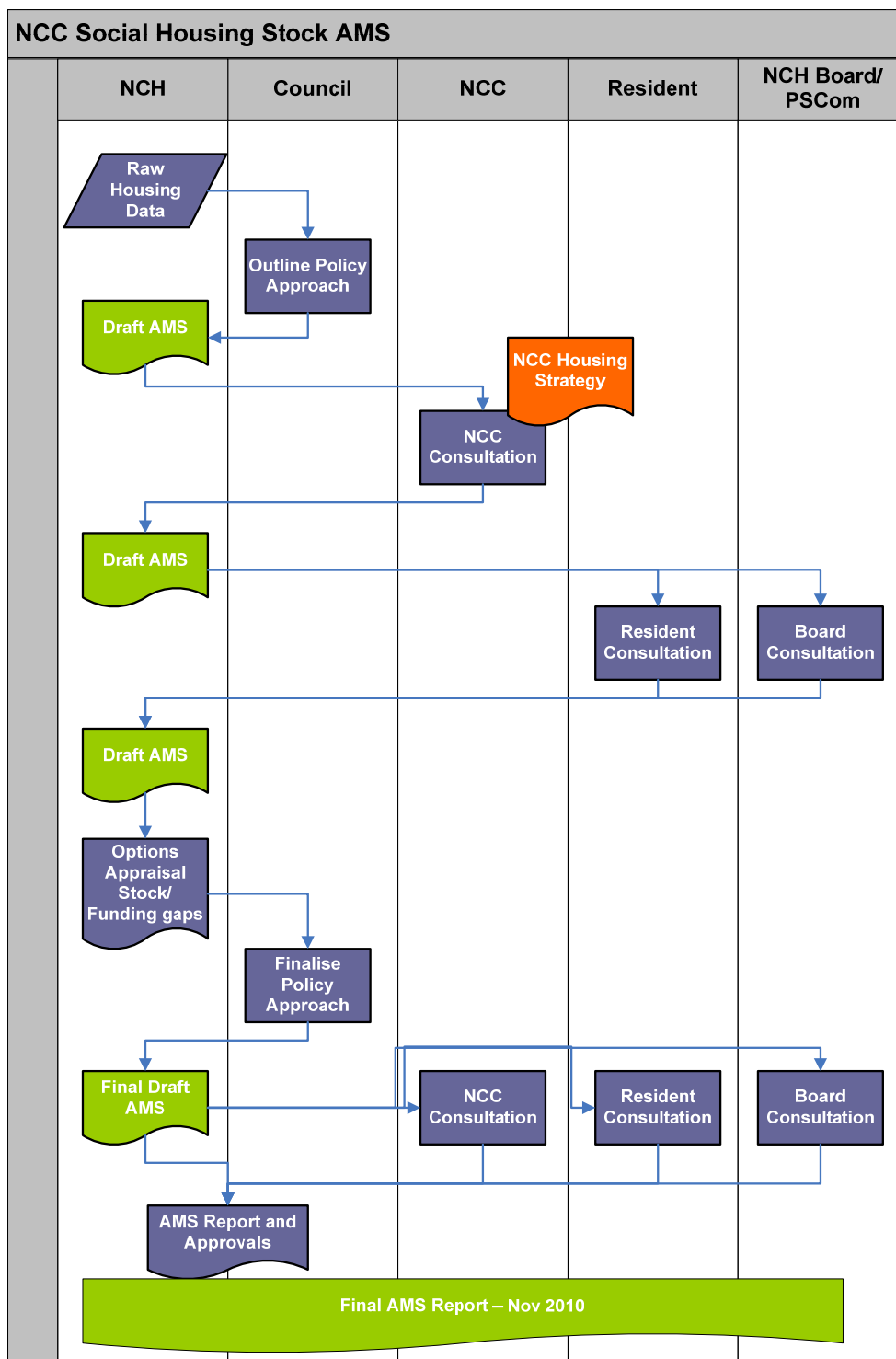
This document lays out the finance which will be required over the next thirty years currently to maintain homes at the standard following the completion of the Decent Homes programme due for completion in 2013, but also to make our stock economically affordable and to deliver commercially achievable outputs for NCH.

It is important that what is not being delivered by the HRA AMS is also understood. NCH will use the information contained within the Nottingham City Council Housing Strategy and Older Persons Strategy to assist in the development of the HRA AMS, it will not seek to redraft these documents but will use the considerable work already achieved within these documents as a guide for both present and future stock needs.

The Strategy will also take a view on how NCH must plan for and deliver the requirements of what is termed the green agenda based upon what our people will need from our properties in the future.

Governance Route of the HRA AMS

NCH will achieve a successful strategy by following a simple process for consultation which will ensure that all stakeholders are involved from first principles. The table below shows the steps which will be followed over the next 3 months to achieve an agreed HRA AMS, which will drive the NCH Business Delivery Plan.



The 3 P's

The Strategy will be based upon how we consider the key areas of, Environmental Economic and Social need. For Nottingham City Homes in Asset Management terms that means how we match our people with our properties and how we fund that through pound notes. The assessment of those

People – The different needs of our customers today and into the future

- Future Housing Need
- Social Rented demographics
- Making communities sustainable
- Creating work opportunities
- Meeting Fuel Poverty and keeping people warm in winter and cool in summer
- Adaptation to climate change
- Keeping people safe

Property - The Stock Profile today and how it needs to change inline with need.

- National agendas and legislation
- Link to NCC policies
- Net Present Value performance
- Green Agenda
- Energy efficiency
- Reducing Fuel Poverty
- Property climate change adaptation
- Connectivity
- New Build Legislation and Codes
- Retrofit Legislation and Codes
- HHSRS
- Secure By Design
- Non Traditional Properties
- Highrise
- Voids
- Lifetime Homes
- Decent Homes
- HHSRS
- Garages

Pounds – The investment requirement to match our aspirations over 30 years.

- Council funding stream
- HRA funding future
- Investment decision making
- Policy decisions
- 30 year Building Cost Modelling
- NPV Assessment
- Improved VFM from future planned maintenance (use of HRA rev budget)

The Layout of the Strategy

It is proposed that the following headers are used for the HRA AMS;

1. Scope of Strategy
2. Influences
3. National/Regional/Local Policy Objectives
4. Aim of the HRA AMS
5. Portfolio
6. Strategic Investment
7. Key Issues
8. Asset Management Planning Options.

Appendix 1

30 Year Investment needs

Repair Element	2010-2014	2015-19	2020-24	2025-29	2030-34	2035-39	Grand Total
Bathroom	23,190,445.72	8,805,537.76	6,147,355.96	8,842,934.87	7,731,128.52	31,488,657.03	86,206,059.86
Chimneys & Flashings	4,504,628.68	7,185,315.59	3,265,446.14	2,245,575.32	753,460.93	673,810.28	18,628,236.94
Communal Facilities	1,752,000.28	2,020,774.36	1,053,380.78	2,368,734.21	5,269,910.48	2,649,318.38	15,114,118.49
Doors	7,593,679.55	3,631,908.24	8,688,980.98	6,538,904.38	4,742,835.50	10,175,313.60	41,371,622.25
Electricals	6,379,147.92	8,919,005.25	13,058,506.05	16,653,395.94	11,496,490.49	37,965,740.05	94,472,285.70
Externals	29,858,241.54	43,686,790.39	43,516,297.01	37,501,658.58	23,384,620.51	51,847,587.52	229,795,195.55
Garages	837,961.11	1,486,240.61	1,111,040.71	1,641,451.82	678,169.29	405,441.25	6,160,304.79
Heating	18,852,577.38	22,934,799.63	19,773,591.03	23,131,389.65	13,478,695.44	25,431,242.76	123,602,295.89
Kitchen	46,174,180.02	16,331,108.18	12,792,139.31	55,987,834.87	31,957,469.82	16,334,930.47	179,577,662.67
Outbuildings	3,361,482.62	5,214,378.49	2,405,933.83	1,928,792.46	1,791,928.15	3,952,048.14	18,654,563.69
Plumbing	1,784,228.15	752,149.00	969,211.94	4,760,337.63	1,457,475.58	1,403,477.86	11,126,880.16
Roof	10,437,239.34	39,525,249.16	37,480,413.86	38,654,867.69	17,311,814.51	33,825,896.73	177,235,481.29
Safety & Security	2,169,630.86	587,619.62	261,364.75	357,636.49	130,171.62	39,628.89	3,546,052.23
Walls	19,632,738.33	19,381,942.80	33,654,080.72	80,130,512.87	26,638,985.07	65,893,577.36	245,331,837.15
Windows	6,820,930.08	418,240.16	1,262,552.86	3,378,543.29	4,762,042.61	15,388,194.79	32,030,503.79
Grand Total	183,349,135.36	180,881,059.24	185,440,295.93	284,122,644.23	151,585,198.52	297,474,865.11	1,282,853,198.39

Appendix 2

NCH Net Present Value Calculation

In addition to the actual investment need NCH will as part of its overall investment strategy be calculating the performance of the stock through modelling not only actual costs but those more hidden expenditure such as rent loss through void periods, customer satisfaction with areas etc.

The NPV calculation is the recognised method of measuring the long-term financial value to the business of a rented housing asset. It is, for example, the standard way in which a housing association assesses the financial value to the association of a new social rented home (and therefore how much it can borrow to help fund the building or acquisition). The same principles apply for NCH and NCC as a guide to the value to the business plan/HRA of an existing home.

The financial value to any business comes from the extent to which income from rents exceeds the costs of management, maintenance and investment over the long-term (normally 30 years). This is usually referred to as net rental income. As well as the actual income and costs, there is the question of when they occur, as a pound in ten years time is clearly not the same as a pound today.

The NPV deals with that time factor of the specific term by applying an annual discount rate by which the value of each pound is reduced each year as it goes into the future. For this model the standard Treasury real discount rate of 3.5% has been used. Using that discount rate, £100 in a year's time would have a present value of £96.50 and in two years time would have a present value reduced by a further 3.5%, and so on. To give a slightly different type of illustration, the present value of £100 per year for 30 years at the same discount rate is around £1840, compared with £3000 in total cash.

In this way, the NPV calculation takes account of all costs and income items over the 30 years, but also allows for the financial effect of time.

Data within the model

- Outputs derived from HFAT investment model from i.s.4 housing and regeneration ltd., based on 25,000 stock condition surveys completed to date, with the remainder due for completion by Dec 2010.
- NPV's (Net Present Values) Calculated using: Rents; Void Costs; Property Investment Costs; Repairs & Maintenance Costs; and Housing Management Costs.
- Stock Performance data on : Stock Turnover; Tenancy Duration; Housing Management Assessment; Tenant Neighbourhood Satisfaction; Tenant Home Satisfaction and Income Deprivation Rankings (Census 2007)

Net Present Value Performance of each NCH Estate

Estate	Properties	NPVs	Stock Performance	Overall Rating
Radford HiRise	202	-£19,050	21	33
Kildare/Kingsth	214	-£14,471	22	30
Cranwell	192	-£16,841	21	29
Top Valley Sth	80	-£3,824	21	29
Lenton Highrise	480	-£18,212	16	28
Strelley	252	-£2,130	18	26
Bulwell Hall	396	-£9,359	16	24
New Basford	137	-£2,273	16	24
Crabtree Farm	540	-£2,920	15	23
Leen Valley	319	-£10,600	15	23
Old Basford	13	-£11,446	15	23
Pearmain Drive	210	-£393	15	23
Arboretum	201	-£18,650	10	22
Ashwell Gardens	44	-£3,275	14	22
Broxtowe	1,103	-£9,051	14	22
Hyson Green	491	-£5,946	14	22
Snape Wood	520	-£1,104	14	22
Woodlands	372	£11,221	18	22
Aspley	1,460	-£8,012	13	21
Basford	351	-£4,006	13	21
Bells Lane	610	-£8,543	13	21
Bestwood	604	-£5,346	13	21
Colwck Woods Ct	90	£3,097	17	21
Meadows	1,245	-£1,849	13	21
Robin Hood Chse	475	£5,704	17	21
St Peters St	259	£2,274	17	21
Top Valley West	158	£1,088	17	21
Whitemoor North	290	-£2,422	13	21
Beechdale	483	-£2,495	12	20
Bobbers Mill	40	£4,744	16	20
Carrington	48	-£1,721	12	20
Central Bulwell	849	-£4,888	12	20
Lenton Sands	9	£8,210	16	20
Nobel Road	340	£8,360	16	20
Top Valley East	1,029	£3,117	16	20
Ainsley	37	-£9,835	11	19
Bilborough	1,255	-£8,972	11	19
Edwards Lane	412	-£10,615	11	19
Forest Fields	54	-£7,367	11	19
Old Highbury	349	-£2,055	11	19
Abbey Bridge	124	-£3,713	10	18
Capitol Court	26	£17,452	14	18
Fernwood	86	-£642	10	18
Heathfield	290	-£1,380	10	18
Lenton Abbey	378	-£12,276	10	18
Mapperley	143	-£11,846	10	18
Old Meadows	226	-£8,147	10	18
Old Sneinton	123	-£11,073	10	18
Porchester	48	£8,133	14	18
Rodwell	53	-£3,327	10	18

Sherwood	396	-£17,498	10	18
Sneinton Dale	179	-£16,263	10	18
Southchurch Ct	124	£8,668	14	18
St Anns Well Rd	541	£8,299	14	18
Stonebridge	191	£15,062	14	18
Wollaton	59	£19,965	14	18
Bakersfield	175	-£797	9	17
Bestwood Park	1,108	-£4,348	9	17
Cantrell Road	72	-£3,458	9	17
Sneinton HiRise	270	£11,961	13	17
Stockhill	87	£133	13	17
Wilfd/Silvdale	35	-£4,040	9	17
Cinderhill	92	£7,209	12	16
Hempshill Vale	31	£14,544	12	16
Radford	311	£9,170	12	16
Austin Street	103	£6,179	11	15
Beechdale Bungs	509	£3,871	11	15
City Centre	107	£6,090	11	15
Colwick	111	£1,261	11	15
Penn Avenue	47	£15,777	11	15
Southwold	293	£404	11	15
St Anns Valley	468	£4,902	11	15
St Matthias Rd	98	£5,905	11	15
Whimsey Park	11	£26,126	11	15
Windmill Lane	458	£7,714	11	15
Wollaton Vale	149	£2,456	11	15
Woodborough Rd	497	£6,586	11	15
Canning Circus	120	£822	10	14
Cardale	157	£2,640	10	14
Mapperley Park	44	£16,549	10	14
Marmion Road	305	£2,936	10	14
Marple Square	155	£14,915	10	14
Squires Avenue	208	£846	10	14
Victoria Centre	432	£18,735	10	14
Whitemoor South	138	£9,722	10	14
Willoughby St	67	£5,032	10	14
Wollaton Park	164	£7,318	10	14
Woodth/Winch Ct	175	£18,253	10	14
Clifton North	1,157	£5,430	9	13
Clifton South	1,059	£509	9	13
Hollydene	27	£28,384	9	13
New Highbury	327	£12,163	9	13
Top Valley Nth	65	£14,946	9	13