

ABERDEEN CITY COUNCIL

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COMMITTEE	Housing & Environment
DATE	26 <sup>th</sup> August 2014
DIRECTOR	Pete Leonard
TITLE OF REPORT	Development of an asset management model for the Council's housing stock
REPORT NUMBER:	H&E/14/034
CHECKLIST RECEIVED	Yes

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1. PURPOSE OF REPORT

The purpose of this report is to update the committee on the current position of the development of an asset management model for the Council housing stock.

2. RECOMMENDATION(S)

It is recommended that the committee:

- a) Notes the progress to date on the development of an asset management model for the Council's housing stock.
- b) Approves the creation of an Asset Management Steering Group and Asset Management Action Group to identify and take forward the development of an Asset Management Plan.
- c) Instructs the Director of Housing & Environment to report annually on the future high level outcomes and how these will influence decision making on the housing stock.

3. FINANCIAL IMPLICATIONS

The development of an asset management model specifically for the Council's housing stock will support the production of the Housing Business Plan, Asset Management Plan and, therefore, the management of the Housing Revenue Account.

Adopting an asset management approach to capital investment decision making, will assist us to comply with our statutory obligations under Best Value and the Prudential Code and strengthen the HRA asset portfolio and in turn the performance of the Housing Business Plan.

#### 4. OTHER IMPLICATIONS

The development of the Housing asset management model will ensure that financial and staff resources are targeted at those areas of the stock where they will be most effective. The model will also provide a robust information base to support future decisions on the management and sustainability of the stock through an Asset Management Plan.

#### 5. BACKGROUND/MAIN ISSUES

As previously reported to this committee on 14 May 2013 officers have been working with Arneil Johnston, the Council's Housing Consultant, to produce an asset management model for the Council's housing stock.

The model will produce an asset management outcome for each property; red for poorly performing stock; green for stock which is performing well and amber for stock which requires action to prevent it from future poor performance.

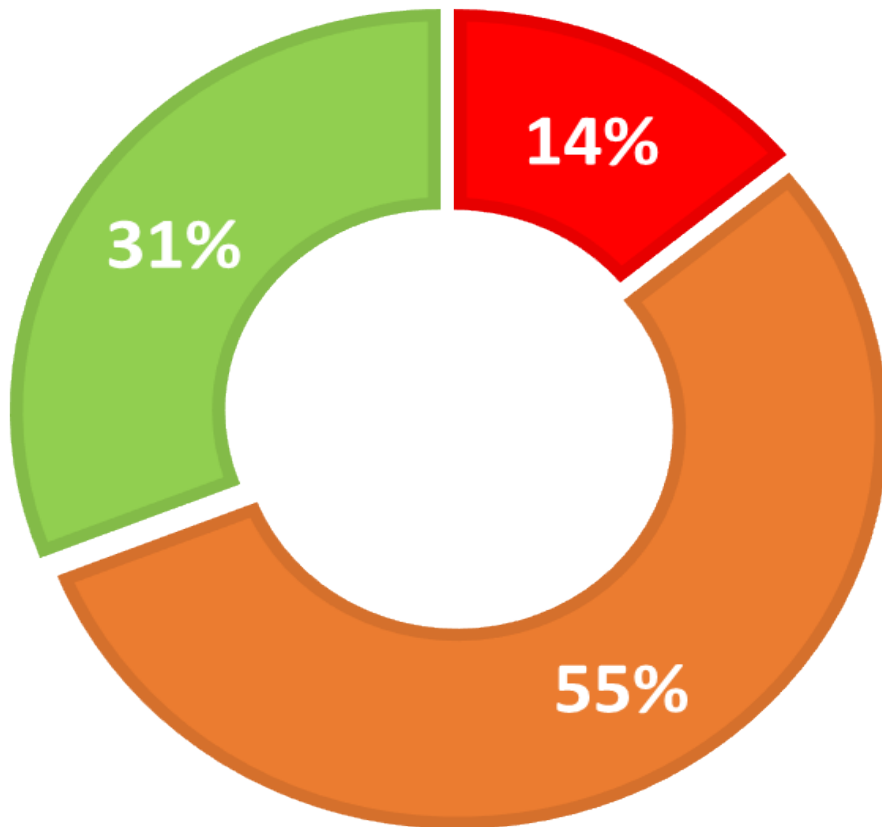
The traffic light indicators will also be plotted on the Council's GIS mapping system. This is currently being tested and will go live in the coming weeks. This will provide another option by which staff and elected members can view the asset management plan results.

The outcomes for the whole stock are currently being assessed and tested by officers. The timetable for final implementation of the model is:

<b>Task</b>	<b>Timeline</b>
Elected members AMP information briefing sessions	w/c 4/8/2014
ACC Council staff AMP training sessions	September 2014
Development of AMP implementation action plan and formation of AMP officers working groups	Sept/Oct 2014
Inclusion of AMM outcomes on GIS mapping system	September 2014
Implementation of Asset Management Model	October 2014

The current whole stock position by property is shown on the pie chart below:

### Red, Amber Green by property score



These results give an initial high-level overview of our stock's performance. On completion of the final outcomes officers will be able to interrogate these results to an area, block or individual property level to identify the reasons for poor performance and attempt to introduce improvement measures.

Other high level outcomes show:

#### **Red Stock**

There are 3,229 properties highlighted as red in the asset management model. The model shows that demand is not a key driver for the performance of these properties but that current and future costs are.

48% of the red stock is showing poor current cost performance  
38% shows poor future cost performance.

#### **Green Stock**

7086 properties are classified as green with strong demand and low current costs.

95% of green stock shows very low current costs  
92% of green stock shows very high demand  
30% of green stock has very low future costs

## **Amber Stock**

12,400 properties are classified as amber stock

21% of amber stock is vulnerable to becoming red  
37% of amber stock is borderline green.

## **Net Present Value (NPV)**

As well as providing a RAG score for each address the new model will also provide a net present value for individual addresses and for the whole stock.

The NPV calculates the impact of the financial contribution a property, block or the whole stock will have on the HRA over a 30 year period. This is then shown as a positive or negative sum.

Current results show that the whole stock has a positive NPV of £263 million over the 30 years of the model and that 75% of the stock has a positive impact on NPV over that period.

## **Future Development**

Following implementation of the model the information will be updated annually and can be used to:

- Support decisions made on future expenditure at property, block and area level;
- Allow Housing Managers to concentrate efforts to support tenants having difficulty with rent arrears and other tenancy issues; and
- Support strategic decisions regarding the future of particular types of stock or stock in particular areas;

To consider these matters and analyse other outcomes from the asset management model it is proposed that an Asset Management Steering Group of officers be set up. The responsibilities of this group will be:

- To develop the AMP strategy
- To ensure this integrates with other housing agendas
- To provide leadership on AMP system and process improvement
- To co-ordinate area action plans
- To direct and manage the annual model update
- To deliver trend/outcome analysis and continually evaluate strategy

In addition to this it is also proposed that a number of Asset Management Working Groups will be created on an area basis, mirroring the current Housing Management teams. These groups will:

- Analyse AMP output indicators on an area basis
- Develop area proposals to meet AMP strategic objectives

- Devise, implement and monitor an area based action plan

Creating the steering group and working groups will ensure that there is a clear understanding across housing and other partner services of the holistic approach needed to support proper asset management.

## 6. IMPACT

The Single Outcome Agreement refers to a need to enhance the quality of housing and environment for individuals and the community.

“Aberdeen – the Smarter City”, sets out the following policy targets:

### Smarter Living (Quality of Life):

We will provide quality services to our council tenants to enable them to have a dry, warm home in a safe and enjoyable environment.

### Smarter Environment (Natural Resources):

We will increase energy efficiency and introduce carbon reduction measures in our processes and our housing and non housing assets to reduce our carbon footprint, save money and to bring people out of fuel poverty.

The development of a Housing Asset Management Plan will support these outcomes by ensuring that staffing and financial resources are targeted at those properties where they will have the most impact. It will also be possible to use the Asset Management Plan in conjunction with other strategic indicators to assess whether our assets will meet housing need now and in the future.

## 7. MANAGEMENT OF RISK

Failure to adopt an Asset management Plan will put the Council at risk of not applying proper option appraisal processes in place and failing to apply recognised best value methodology when considering future investment in its housing stock.

## 8. BACKGROUND PAPERS

Report on the Development of an asset management plan for the Council’s housing stock, submitted to the Housing & Environment committee of 14 May 2013

## 9. REPORT AUTHOR DETAILS

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