

Asset & Development Strategy: The Right Homes in the Right Place

Draft Version



Elim
HOUSING

Homes that change
people's lives

Introduction

Elim's vision is to meet housing need and deliver homes that change people's lives.

Elim is a charity which is fundamentally about services to people, however as a housing association we provide almost all of these services through our housing provision. We currently own or manage over 900 homes with over 2,000 residents.

A five-year asset strategy was approved in May 2020 however since then there has been a dramatic change in the operating environment, a greater focus on building safety and compliance which has seen many organisations shift their balance between the investment in existing homes and new development.

Elim has approved a Corporate Plan in 2023 which has people, property and performance as its three key themes. This strategy addresses all these themes with an obvious emphasis on property.



Strategy Aim & Objectives

The aim is to have **the right homes in the right place**.

By the right homes we mean:

- Homes which the residents like to live in. The housing should be in a good condition, safe and affordable to live in – including affordable to heat. We also want our homes to have a positive environmental impact. Our minimum property standards are set out in the Elim Standard, this standard will need to be reviewed as a result of this strategy and the climate change strategy
- From a business perspective they should be making a financial contribution to Elim's finances, have a low maintenance cost. From a commissioner's view (and responding to our vision) they should be meeting a locally identified housing need

By the right place we mean:

- The homes should be located in pleasant and safe communities with easy access to the facilities, services and infrastructure people need. This strategy will also set out Elim's core geography for each service and therefore our homes should be located within those geographies
- We also need to ensure that Elim continues to be financially sustainable, in 2021/22 one third of Elim's revenue was spent on maintaining and improving our homes, it is essential that we have a property portfolio which is affordable for the organisation to maintain

The objectives of the strategy are:

1. Increased customer satisfaction with the quality of their homes and the property service they receive
2. Reduction in our annual responsive repairs expenditure and an improved balance between our planned and responsive budgets
3. Whole stock portfolio is EPC C in line with 2030 Government target date and a reduced carbon footprint of the organisation
4. Reduced, more effectively managed, operating area for our GN homes
5. Full compliance with property and safety legislation and regulatory standards
6. Improvements in Elim's overall property operating margin
7. Net Growth that meets housing need achieved in line with corporate objectives

A 10 year plan to deliver these objectives will be produced to support this strategy.

ELIM GEOGRAPHY

Elim has 60 years of history and that history has produced the current distribution of our housing stock. Opportunities which were right for the organisation at the time are not necessarily the right fit now. At one point Elim owned properties in London and the East Midlands and has been involved in a progressive process of rationalisation. This strategy confirms a continuation of that process.

No new homes should be developed or procured outside of the proposed core areas without specific Board approval.

Over the next five years it is suggested that the service operating areas should be as follows:

General Needs Housing

Local Authority Areas: Bristol, North Somerset, South Gloucestershire, Stroud, Gloucester City and Newport.

Properties in Wales (apart from Newport) will be transferred to Registered Social Landlords in Wales

Properties in Birmingham. We will seek to swap John Smyth House for homes in our core operating area, if this is not possible other options will be considered. The dispersed properties in Birmingham will be considered for transfer or sale based upon a costed option appraisal on an individual basis. They could also be part of a stock swap.

Supported Housing

Local Authority Areas: Bristol, North Somerset, South Gloucestershire, Gloucester Stroud and Bath and North East Somerset.

Specialist Supported

Local Authority Areas: West of England and Gloucestershire

Gypsy, Roma and Traveller

The issue with GRT is different to our other services. As we seek to have a critical mass of activity and also respond to demand as one of the few associations which serves this community through choice, we are looking to expand our operating area in this service area. Any expansions of geography (which is usually related to management agreements rather than freehold ownership of sites) will be subject to Board approval.

The base core area is: West of England, Somerset, Devon, Gloucestershire and South East Wales.

Property Portfolio

To effectively maintain our properties we need to regularly assess their suitability for our customers and for Elim. These checks include where relevant:

- Stock Condition Survey at least every five years
- Annual Gas Safety Checks
- Electrical Safety every five years
- Compliance checks in line with guidance including: Asbestos, Legionella, Damp, Mould & Condensation, Lift Safety, Fire Risk Assessments

These assessments will drive the data we hold on each property, the investment plan for each property.

We also need to meet relevant property standards, notably the Decent Homes Standard and the Welsh Housing Quality Standard. Elim will also seek to move beyond these and will review the Elim Property Standard in 2024/25. Service specifications will sometimes require very specific property standards which are far beyond the regulatory requirements, for example in our Specialist Supported Housing.

Data will be used to create the following:

- A stock investment plan which will be updated annually setting out the annual budget plus five year, ten year and thirty year investment profiles for our property portfolio.
- A priority list of improvements and works to buildings setting health and safety of residents as the top priority and then statutory standards including the Decent Homes Standard (DHS) and the Welsh Housing Quality Standard (WQHS) and energy efficiency requirements, currently that all properties meet EPC C by 2030.
- The Net Present Value (NPV) of each property.

Disposal

The disposal matrix sets out the considerations for disposal. Disposals will be driven by three main factors:

a. The financial cost of retaining a property- Measured through Net Present Value or NPV. A negative NPV means that over the time period measured (usually 30 years) the property will cost more to retain than it generates in income, i.e. it is losing us money.

b. The location of the property- Properties may be transferred, sold or swapped if they are outside the core geographical area for the service

c. **Strategic and social factors**- Properties which are popular with customers or meet a strategic need (e.g. an important commissioned service) may be retained even if there is a negative NPV. If a property is unpopular with customers and doesn't fit our service models it could also be considered for disposal or a change of service model.

More detail of the factors influencing disposal are found in the disposal matrix attached in appendix ii.

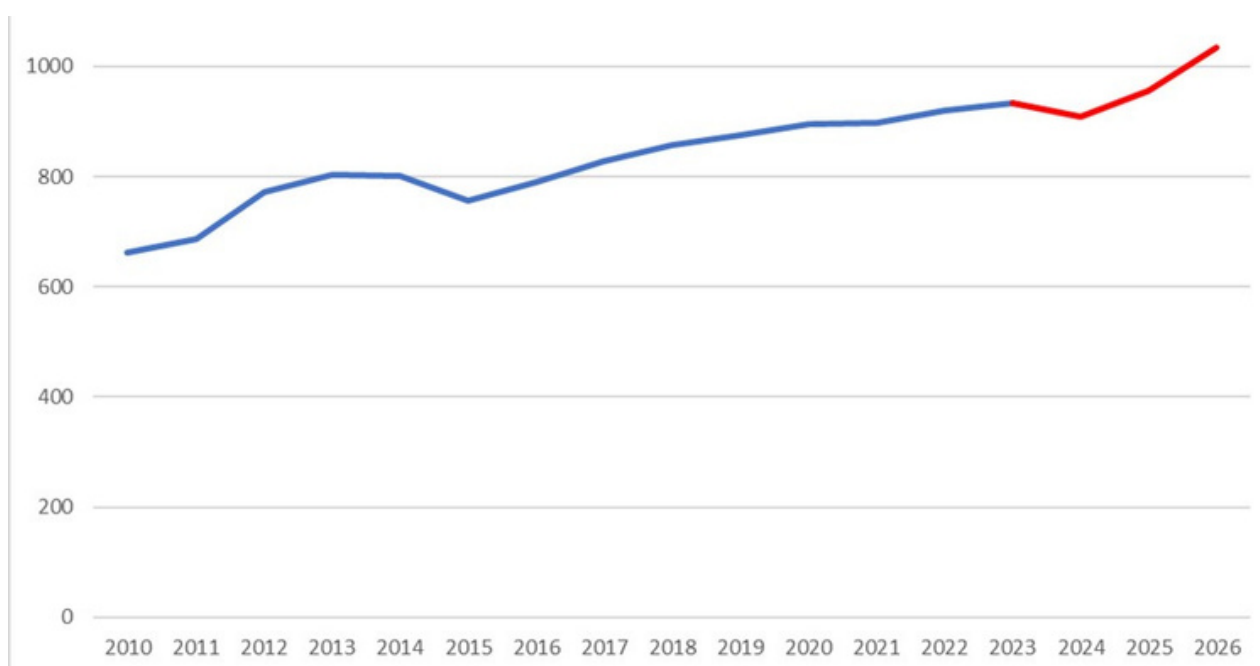
Where we are swapping or transferring properties to another social landlord the relevant customers will be consulted. Where we are making strategic disposals we will work with residents and partner housing associations to find suitable alternative accommodation and will support residents with the costs of the move and other financial implications. A decant procedure which balances the needs of Elim and the residents will be developed in response to this strategy.

We are also aware of the extreme stress upon local government funds. Much of our supported housing provision is dependent upon council support to be financially viable. Elim will develop exit strategies for each project/building to be followed if funding is withdrawn or significantly cut.

Development & Growth

New development allows us to meet new housing need. It also performs other important functions: adding high quality properties to our portfolio, increasing our revenue and building a productive relationship with our commissioners and other partners.

It is Elim's desire and plan to grow, this allows us to help more people and also to improve our financial stability. The graph below shows how Elim has grown since 2010 and the red lines give the current estimate of our growth based upon the net impact of new development, new contracts, acquisitions and sales.



Setting a specific growth target is not appropriate and could lead to poor decision making – growth needs to match our development, growth, financial and service metrics however it is our intention to be ambitious to deliver our vision within our resources. Growth is also dependent upon the strength of our partnerships with other housing associations, public bodies, lenders and private contractors.

There is a Development Policy and a Climate Change Strategy which sets out our approach to development and our environmental standards.

There are far more opportunities available to Elim than we have the resources to respond to. A matrix and scoring system for comparing opportunities and prioritizing them is included in appendix ii.

Elim's largest planned growth in number of homes is via GRT contracts rather than traditional development. A matrix for considering GRT opportunities is also attached in appendix ii.

Funding the Strategy

The Elim approach is that development and asset management are not in competition with each other for funding. The Development programme assists the asset programme by increasing the rental income which is the main funding for the repairs service.

Funding for investment in assets will need to come from a range of sources:

- Rents and service charges
- Net proceeds from disposals
- Gift aid from LPV profits
- Reserves (for capitalized repairs)
- Grants (for example Social Housing Decarbonisation Fund)

As set out above the investment programme will be reviewed annually (with 5yr, 10yr, 30yr projections)

Estimated asset investment plans from Stock Condition information. These are rough figures which will be refined as we update our data and review cost assumptions.

	5 Years	10 Years	30 Year
All Homes	£8.5m	£20.4m	£47.9m
Minus those zoned for disposal	£7.5m	£13.8m	£29.9m

Funding for new developments:

- Borrowing
- Recycled grant (from disposals)
- Grants – Homes England, Local Authority & NHS

The investment limit for the development is set by parameters set out in the business plan. The limits are borrowing capacity, gearing and security. In looking at potential developments it is important to increase our borrowing capacity and interest cover. Our approach to treasury management will need to support our development ambitions. All new developments are required to have a net positive impact on Elim's financial position.

Risk

The greatest risk to the organisation is inaction or a passive approach to our assets. Some of the greatest risks facing Elim relate to our properties:

- **Health and safety risk** – we must ensure that our homes are safe and healthy places for our residents to live in and for our colleagues to work in
- **Financial risk** – restructuring our property portfolio, including new developments and disposals/rationalisation is critical to the continued financial sustainability of Elim Housing. Failure to have better quality and more rational distribution of our homes places the organisation in a position where it would no longer be able to continue as an independent association
- **Service risk** – if we fail to maintain and renew our homes the satisfaction of our residents with our service will decline and we will not be able to meet their service expectations
- **Regulatory risk** – without adequate investment our homes will fail to meet regulatory requirements, such as the Decent Homes Standard and the Welsh Housing Quality Standard
- **Environmental risk** – we need to improve the environmental performance of our homes and reduce the cost to residents of making them warm and comfortable to live in while also reducing Elim's negative environmental and carbon impact. Our homes will also need to be more resilient to climate change including increased risks of floods and heat waves

This strategy will put Elim on the front foot, proactively improving our homes and services and growing the organisation. This should increase the financial performance of the organisation, the quality of homes and services, reduce our carbon footprint and improve customer satisfaction.

Recommendations

Asset management and development is a long-term business. It is proposed to:

- a) Develop a 10 year asset and development plan
- b) This plan will be costed on an annual, five year and ten year basis
- c) That DAC will have the overview of this plan
- d) DAC will review the Elim Standard in 2024/25.

Appendix

The following matrix tables show the criteria we will use to prioritise our asset management activity. This includes our priorities and criteria for new development opportunities, new Gypsy and Traveller or contract growth opportunities and the criteria we will use to help us decide when it is appropriate to dispose of an existing property.

Development Priority Matrix

Criteria [the golden criteria score double points]	Completely (score 3)	Substantially (score 2)	Partly (1)	Non compliant scores 0)
Supports Elim to reprovide an existing service currently in unsuitable property				
Improves Elim's revenue position				
Provides financial security for future developments				
Meets Elim's financial development metrics including Return on investment and NPV				
Is an existing Elim service offer				
Meets a priority need of a key commissioner				
The loan required is below £3m, preferably below £2m				
Is within our defined core geography for the specific service				
Has clear timeframes and certainty for delivery				
Has access to appropriate facilities, open space and infrastructure				

Property Disposal Priority Matrix

Criteria [the golden criteria score double points]	Completely (score 3)	Substantially (score 2)	Partly (1)	Non compliant
Has a negative Net Present Value (NPV)				
Outside of core geography for specific service				
Needs substantial investment to meet EPC C				
Does not meet a priority service need (e.g. commissioned)				
Not economic to redevelop/regenerate				
Not with associated developable land				
Has a low customer satisfaction				
Does not economically lend itself to a alternative Elim service model				
Is void				

GRT Development or Contract Priority Matrix

Criteria [the golden criteria score double points]	Completely (score 3)	Substantially (score 2)	Partly (1)	Non compliant scores 0)
Supports Elim or a Local Authority to reprovide or improve the management of an existing service currently in unsuitable location or condition				
Improves Elim's revenue position				
New Development: Has an existing planning permission				
New Development: Meets Elim's financial development metrics including Return on Investment and NPV				
Has local political support (and Cabinet & Councillor level, alongside key administrative housing and development teams)				
Meets a clearly defined need in line with current GRT Needs Assessment Reports for the Local Authority				
The loan required is below £3m, preferably below £2m				
There are appropriate service contracts (including maintenance arrangements) in place to fully meet the needs of the GRT community				
The geographical location is suitable for management from our operational core OR the scale of the development will cover all costs to set up new, local management structures				
Has clear timeframes and certainty for delivery				
Has access to appropriate facilities, open space and infrastructure				