

An Asset Management Strategy for Northern Ireland Housing Executive

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1. Executive Summary

1. The Northern Ireland Housing Executive (NIHE) is Northern Ireland's single comprehensive regional housing authority. It has embarked on a process of financial separation between its landlord functions and the strategic functions undertaken by the Regional services division which helps to clarify the future funding position of the landlord.
2. The structural position in respect of delivering social housing in Northern Ireland is as yet unknown but will emerge from the DSD's Social Housing Reform Programme (SHRP). In the meantime an asset management strategy to deal with the NIHE's business as usual (BAU) position is required and is set out in this document.
3. An asset commission has been conducted jointly on behalf of DSD and NIHE by Savills. This asset management strategy (AMS) is based on two of the key outputs; the stock condition survey; and the asset performance evaluation (APE) model.
4. This document sets out the principles which will underpin future NIHE investment decisions and describes an approach to asset management taking account of :
 - The strategic Context within which NIHE sits
 - An analysis of demand and sustainability
 - The stock profile and its condition as ascertained via the recent survey
5. The key sections of the document focus on the information gleaned from the outputs of the asset commission, primarily stock condition survey data and the outcomes from the Asset Performance Evaluation (APE).
6. The strategy proposes the adoption of an active asset management approach to delivering investment. This will mean making investment decisions based on the requirements identified via the survey in those properties identified as having a long term life.
7. It then sets out how investment and maintenance planning would be taken forward in this context. This will include the production of a more detailed 5 year investment plan incorporating the principles set out in this strategy, together with a programme of option appraisal for those properties identified, via the asset performance evaluation, as requiring careful thought prior to making significant investment.
8. The implementation of the strategy will include the following components:
 - A fully detailed 5 year (rolling) maintenance and investment programme based on a mixed element approach supported by stock condition data
 - Increased planned cyclical maintenance programmes to prevent deterioration in the physical condition of the stock.
 - A programme of options appraisals to explore alternative options and establish improvement actions for assets with weak or marginal financial viability

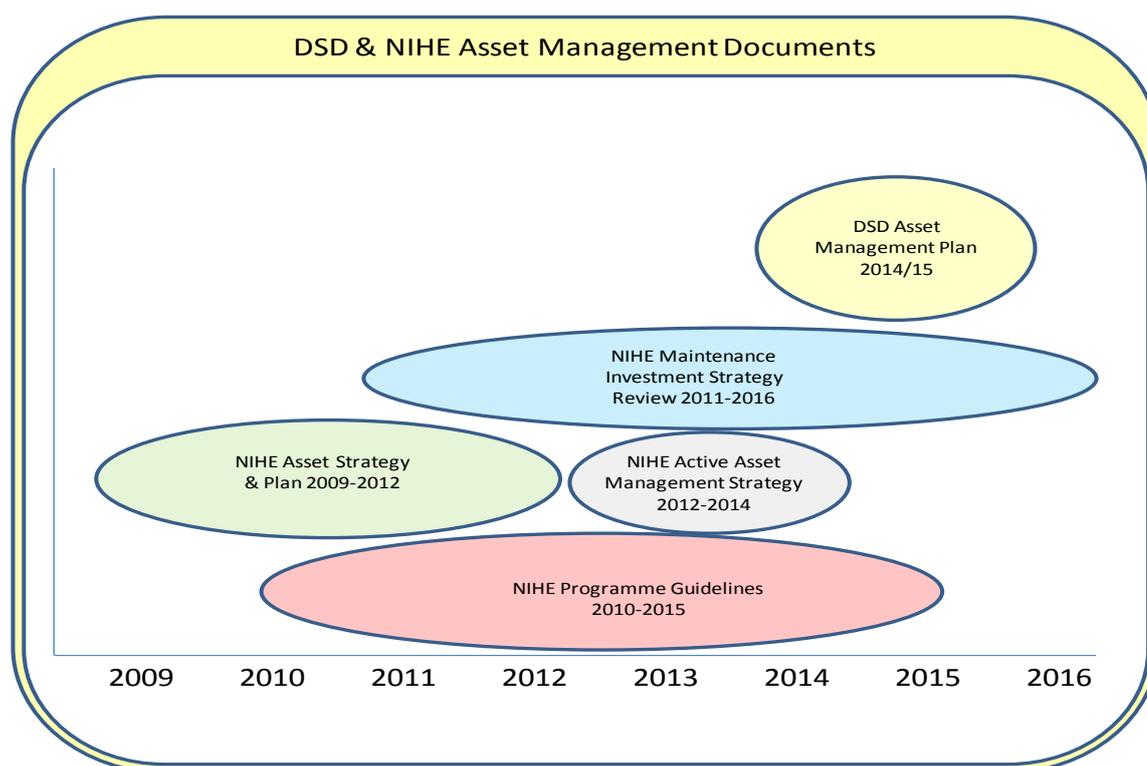
- Working with partners to deliver physical, social, community and economic outcomes to sustain neighbourhoods and communities
 - A programme of small scale voluntary transfers using an estate based approach in order to rationalise local estate management, maximise value and involve local communities.
9. There is an accompanying document to the overall AMS which specifies an approach for the Tower Blocks within the overall portfolio.

2. Introduction

Background

- 2.1 The Northern Ireland Housing Executive is a non-departmental public body and quasi public body, originally established by the Housing Executive Act (NI) 1971 (since superseded by the Housing (Northern Ireland) Order 1981). Under the terms of the Act, the Housing Executive assumed the housing responsibilities of 65 separate authorities and is Northern Ireland's single comprehensive regional housing authority. It is governed by a 10 member board appointed by The Department for Social Development (DSD). The Board has corporate responsibility for ensuring that NIHE fulfils the aims and objectives agreed in the Corporate and Business Plans approved by the Minister. DSD has an oversight role which is governed by a Management Statement Financial Memorandum Dossier of Controls.
- 2.2 NIHE's approach to asset management to date is set out in various interlinked policies as illustrated below:

Figure 1: DSD & NIHE Asset Management Documents



- 2.3 From April 2015 DSD has given the Landlord function the authority to retain surpluses which provides an opportunity for NIHE to take a longer term strategic approach to its asset management strategy. An accounting directive from HM Treasury reclassified the landlord part of NIHE as a quasi public body to reflect this change.
- 2.4 Up until this point, while we had a long term approach for improving our stock, the combination of the reduction in capital funding, short funding cycles and the annual budget regime meant that it became a requirement to adopt a more reactive approach to asset management, by

developing relatively short term plans targeting funding where it would optimise the achievement of decent homes standards.

- 2.5 The Corporate and Business Plan (2015/16 – 2017/18) sets out how reduced availability of capital funding from both government and the sale of surplus assets has curtailed investment plans in recent years. The current budget for 2015/16 is similarly restricted and it is reasonable to anticipate this will continue through the life of the strategy. This strategy therefore sets out how we will use the assessment of value for money and social value to inform investment decisions to enable us to make best use of resources available, using a proactive approach, or “active” asset management to focus resources where they will deliver the best return for the property, the organisation and residents.
- 2.6 As well as financial constraints, we face challenges in terms of the changing demographic profile of Northern Ireland and the extent to which our existing stock profile is aligned to meet need. We need to ensure that our asset management strategy supports the need for regular renewal of stock to avoid obsolescence and tackle uneconomic stock that no longer meets modern requirements. It is also a requirement to consider how policy developments such as welfare reform impact on the suitability of existing stock to deliver future needs.
- 2.7 This AMS is set within the broader context of the Executive’s Social Housing Reform Programme (SHRP) which has a number of key aims:
- Improve housing structures, making the system financially sustainable for tenants and the NI Executive.
 - Ensure delivery of well-maintained housing stock and increase investment in social housing more generally.
 - Improve the focus on strategy and regional delivery of services.
 - Create space and freedom for social landlords to play a more proactive and innovative role in the communities they serve.
- 2.8 As part of the structural reform element of the programme DSD have set out to consider proposals for the role and scope of:
- the Northern Ireland Housing Executive (NIHE) landlord functions (the management of NIHE properties)
 - NIHE regional functions (including the assessment of housing conditions and need, the allocation of homes and the development and delivery of programmes that respond to that need), and
 - Departmental housing functions (including regulation).
- 2.9 A key part of the overall process has been the establishment of an Asset Commission which is being conducted, jointly on behalf of DSD and NIHE, by Savills. This AMS is fundamentally based on two of the key outputs from the Asset Commission:
- Stock Condition Survey
 - Asset Performance Evaluation Model

- 2.10 And furthermore takes into account several other significant outputs
- Report on current compliance with health and safety
 - Asset Catalogue
 - Assessment of current contract and procurement position
 - Energy Report
- 2.11 Several of these are amplified further in specific sections of this document but all have been fully considered in its preparation.
- 2.12 This Asset Management Strategy proposes an overarching strategy for the landlord asset portfolio of the Northern Ireland Housing Executive (NIHE). It reflects the policy framework of the DSD within which we currently operate and provides a framework to allow us to manage the stock actively and support the organisation's key strategic objectives
- 2.13 The approach which underpins this strategy is one of 'active asset management' whereby we seek to make investment decisions based on the performance of the stock, both financial and non-financial, in a way that strengthens the long term 30 year Business Plan and contributes to meeting the social housing needs of Northern Ireland.
- 2.14 The scale of the strategic challenge identified by the Stock Condition survey is significant. The investment principles set out in this document are informed by the following:
- The need to develop, implement and maintain an agreed modern standard which is both equitable and sustainable
 - A recognition of the current funding gap between investment required and current income
 - An understanding that structural change will be required to achieve the desired standards.
- 2.15 The notion that a landlord should hold its asset in perpetuity, at all costs, is not consistent with good practice and the principles of value for money (VFM). The results of the asset performance evaluation mean that this strategy needs to address a portfolio that includes elements of poorly performing stock, leading to issues of demolition and renewal as well as decisions around stock investment.
- 2.16 All of the above challenges crystallise in the need for us to develop a targeted, strategic and efficient approach to active asset management combined with a renewed focus on ensuring all assets are being used to support corporate objectives.
- 2.17 The Strategy does not cover response or void repairs. These are part of our day-to-day services to residents rather than asset management activities although it is recognised that it is important to establish some consistency in the use of parts and materials across the response repairs service and the stock investment programme.
- 2.18 The Director of Asset Management is responsible for the delivery of this strategy. An Asset Management division is being established which will use the outputs from the asset commission work to drive the investment priorities and to oversee the effective implementation

of programmes and budgets. This new division will also ensure that all necessary policy and procedures are in place to deliver a comprehensive asset management function and will ensure, in that regard, that clear roles responsibilities and accountabilities are in place throughout the organisation.

Scope

2.19 The strategic approach is intended to apply to all the homes and hostels owned and managed by NIHE for which it has maintenance and repairing liabilities, as well as its responsibilities to leaseholders where properties have been sold and NIHE retains a freehold interest. NIHE's landlord portfolio also includes travellers' sites, garages and commercial properties and it is intended that the principles for asset management established in this strategy will apply to these other elements of the portfolio as part of our ongoing management of these assets.

Definition and Purpose

2.20 This Strategy distinguishes between: -

- **Stock Investment** i.e. those activities that will maintain the stock to a standard to meet the property's needs. This is principally the stock investment programme designed to keep all properties to an established standard for the full period of a 30 year Business Plan;
- **Active Asset Management**, i.e. those activities designed to address properties that have a poor social and economic performance, because of, for example, low demand or high costs. This potentially includes improvements, changes in use and tenure, demolition, redevelopment to provide properties that are fit for purpose and vacant disposals on the open market followed by the reinvestment of the proceeds in new development in line with related strategies for the development of public assets.

2.21 The strategy recognises that housing assets can also become liabilities, threatening an organisation's viability as a landlord and significantly impacting on tenants' lives. To deliver value for money from assets the strategy assesses asset management costs, risks and opportunities and seeks to take an approach to investment that focuses on financial and social sustainability, in order to ensure value for money from investment decisions in line with agreed objectives.

2.22 The strategy is intended to lead to consideration of wider strategies, such as regeneration, reconfiguration, change of use or disposal and replacement with new better quality homes. In taking this approach we need to be clear that because as a landlord we operate a social business, value for money means getting the best return for both landlord and resident in terms of economic performance and social and economic sustainability. The strategy needs to consider the links between these factors.

2.23 The strategy is designed to ensure that resources for maintenance and reinvestment are concentrated on ensuring the NIHE's housing portfolio meets current and future residents' housing needs in terms of the type, location and standards of their homes.

Risk Management

2.24 There is a recognition that Asset Management carries risks for the organisation:

- It is the greatest consumer of funds
- It is the element of NIHE's landlord operations most vulnerable to increased costs
- The scope and quality of stock investment is a key driver of resident satisfaction

2.25 We will manage these risks in a variety of ways including those below. The objective is to improve the base financial position by active asset management:

- Smart procurement of stock investment
- Investment in remodelling outdated homes and estates
- Disposal of unsustainable stock and where appropriate its replacement by new affordable homes.
- Applying investment tests on a regular basis to all our properties to identify poor performers requiring options appraisal, medium performers requiring some investment and good performers where it is considered prudent to continue to invest.
- Optimise use of underutilised land, garage sites and other related assets by regular option appraisals

2.26 This strategy explores these options and puts in place the framework to be used to create short, medium and long term plans for delivery.

2.27 A regular process to identify and assess risks (strategic and delivery) is in place and actions agreed to manage risks in order to minimise impact.

General Compliance

2.28 Our strategy takes full cognisance of our statutory obligations under Section 75 of the Northern Ireland Act 1998 to have due regard to the need to promote equality of opportunity and the desirability of promoting good relations.

2.29 We will take opportunities to fulfil these duties through the operational out-workings of the strategy by taking account of local issues and conditions, as, for example, when specific needs such as those related to disability or older people are identified.

2.30 Similarly our strategy recognises the diversity of our stock across both urban and rural areas, and we will ensure that any operational actions relating to our stock are subjected to rural proofing.

Strategy structure

This Strategy is structured into the following sections:

Section 3: **Strategic Context**, setting out the framework in which NIHE operates and links to Executive, DSD and NIHE housing and asset related strategies

- Section 4: **Demand and Sustainability**, exploring key drivers underlying demand for social housing at a local level, resident priorities and consultation
- Section 5: **Existing Stock and Condition**, describing the existing stock profile and its condition
- Section 6: **Asset performance evaluation**, setting out the asset management modelling methodology and results
- Section 7: **Our New Strategic Approach**, setting out the aims and objectives of the active asset management approach
- Section 8: **Investment planning**, proposals for using the active asset management approach to inform investment planning
- Section 9: **Implementation and Delivery**, linking to delivery strategies to ensure value for money in procurement and delivery of works programmes.
- Section 10: **Review and monitoring**, setting out how success will be measured, risk managed and the strategy regularly refreshed.

3. Strategic context

Government Strategy

- 3.1 As Northern Ireland's comprehensive housing body and its largest social housing landlord it is incumbent upon us to ensure that our strategies support the Minister for Social Development's priorities for housing and his Department's Housing Strategy 2012-2017.
- 3.2 The latter sets out a number of key themes for housing that our strategy is intended to help address. These themes include ensuring that people have access to decent, affordable and sustainable homes across all tenures, meeting housing needs and supporting the most vulnerable, and driving regeneration and sustaining neighbourhoods. In particular we would see our strategy as helping to reduce Fuel Poverty and contributing to housing-led regeneration (as exemplified, for example, through the Building Successful Communities initiative).
- 3.3 The central role of housing in area based regeneration is also highlighted by DSD in both its Urban Regeneration and Community Development Policy Framework and its Neighbourhood Renewal Strategy. The actions that will arise out of our strategy will help to promote renewal in our most disadvantaged neighbourhoods, develop more cohesive and engaged communities, and tackle area-based deprivation.
- 3.4 In regard to the wider development and sustainability agenda in Northern Ireland we envisage our strategy contributing to the Sustainable Development Strategy's aim of creating more sustainable places and communities, and to Department of Agriculture and Rural Development's aims - through its Rural Development Programme and Rural White Paper Action Plan - to provide a viable infrastructure in rural areas and support rural communities.

Northern Ireland Executive Investment Strategy for Northern Ireland

- 3.5 The Northern Ireland Executive agreed its Asset Management Strategy in June 2013, this set out a number of initiatives to transform the way publically owned assets are managed in Northern Ireland. This overarching strategy acknowledges that the current economic climate combined with the decision by the Government in Westminster to reduce public spending places a greater emphasis on the efficient and effective management of public assets in Northern Ireland. The scope of the Executive Asset Management Strategy 2013 includes the public assets managed by all public bodies within Central Government including the Housing Executive.
- 3.6 The objectives of this strategy¹ are:
- to reduce the net cost of service delivery through the efficient use of public assets; and
 - to promote effective asset management processes that unlock value.

¹ Link: http://www.sibni.org/index/content-our-services/asset_management.htm

Regulatory Framework

3.7 NIHE is a public sector body and as such is subject to guidance to public sector organisations in Northern Ireland on the management of their assets provided by the Department of Finance & Personnel in Managing Public Money Northern Ireland (MPMNI) and Disposal of Surplus Public Sector Property in Northern Ireland. In summary, these state that a public sector organisation should:

- operate an asset management strategy to define how it acquires, maintains, tracks, deploys and disposes of its various assets, and review asset management annually as part of its business plan
- limit its land and buildings holdings to the minimum required to perform its present and clearly foreseen responsibilities, and justify the retention of all current land holdings by a system of continuing review, with a formal surplus property audit carried out every three to five years
- release surplus property with the least possible delay and within three years
- manage assets like other parts of the business, with information systems to provide feedback on efficiency and value for money
- when retaining assets which are not fully used, consider how the spare capacity can generate a commercial return
- maintain an Asset Register of all the assets owned and used

3.8 Annex 4 of the guidance sets out the fact that asset management is a key part of financial management and each organisation should arrange for the efficient and effective use, maintenance, acquisition and disposal of the public sector assets under their control. This requires the organisation to have a clear and full understanding of

- The content of the current assets base
- The assets needed to deliver efficient, cost effective public services; and
- What this means for acquisitions, disposals and maintenance²

3.9 The guidance goes on to state "Each public sector organisation should complement its business plan with a clear view of the asset base needed to deliver its objectives. Their asset management strategies should then aim to attain, maintain and where appropriate evolve this asset pattern, over a period if change is envisaged."³

3.10 There is also an imperative to have cognisance of policy and statutory responsibilities with regard to, for example, health and safety requirements, duty of care and compliance with the Disability Discrimination Act (DDA).

² MIPMNI A4.8.1

³ MIPMNI A4.8.6

- 3.11 Under housing legislation in Northern Ireland we have a number of functions, powers and duties related to asset management. These include:
- The regular examination of housing conditions and housing requirements and drawing up wide ranging programmes to meet housing needs.
 - The power to effect the closure, demolition and clearance of unfit houses, to carry out improvements or repairs and to acquire and dispose of land.
 - Various duties include effecting the improvement of the condition of the housing stock, managing our housing stock and identifying the need for new social houses.
- 3.12 As an arm's length body of DSD we are subject to its oversight of our activities in respect of the above. These are set out in the Management Statement, Financial Memorandum & Dossier of Controls and include various controls and approvals in regard to our strategy, plans, budgets and programmes and the acquisition, disposal and control of our assets.
- 3.13 This oversight also states that the Minister may indicate non-specific policy priorities and spending priorities that he wishes NIHE to pursue in particular key areas of its business
- 3.14 At the time of developing this strategy DSD is currently consulting on proposals for a new regulatory framework for social housing providers in Northern Ireland. The DSD currently has a regulation and inspection regime which applies to registered Housing Associations in Northern Ireland. The proposal is that this is extended to NIHE. The new framework includes standards in three areas;
- **a consumer standard** that will include ensuring tenants homes meet the decent homes standard and fitness standards and that landlords work in partnership with other agencies to contribute to keeping neighbourhoods and communal areas clean and safe and promoting well being and tackling anti social behaviour;
 - **a governance standard** that will consider robust risk management processes that support efficient use of public funds and support business deliver and objectives. This will include a requirement that landlords base decisions on good quality information and advice; and
 - **a financial standard** which will consider mechanisms in place to protect assets and deliver value for money. This proposes that social housing providers shall annually undertake a robust assessment of all their assets and resources and that this assessment will articulate the organisation's approach to making decisions about how its resources are used to deliver objectives.
- 3.15 This asset management strategy is designed to deliver against these standards.

NIHE Corporate Plan and Excellence Statements

- 3.16 As the comprehensive housing agency for Northern Ireland, NIHE's vision for housing is:
"One in which housing plays its part in creating a peaceful, inclusive, prosperous and fair society⁴."
- 3.17 This asset management strategy (AMS) reflects our Corporate and Business Plans and Excellence Statement objectives. NIHE's Corporate and Business Plans (2015/16 – 2017/18) and its Strategic Statements of Excellence 2014 – 2017 clearly set out the landlord objectives.
- 3.18 Key landlord priorities as set out in the corporate plan include
- Delivering quality services
 - Delivering better homes
 - Fostering vibrant communities
- 3.19 Our decisions on asset management seek to support our business and social objectives. These objectives as set out in the Excellence Statements 2014 – 2017 are to
- be a top quartile performer for customer satisfaction in all areas of our business
 - be an organisation which is sustainable and seeking to improve business performance and long-term financial stability
 - Demonstrate value for money and the social value of all our activities
 - Demonstrate excellence through a robust approach to assurance and performance.
- 3.20 The strategy also reflects the shared principles articulated in the previous 2012-2015 asset strategy, specifically:
- Retain assets only where it is necessary, effective and efficient to do so in pursuit of the organisation's business objectives
 - Maintain the assets in the proper condition necessary to meet their use
 - Set standards and targets for property asset management
 - Investigate incentives to achieve better utilisation of assets and actively exploring the scope for securing greater value from assets.

⁴ Draft Corporate Plan and Business Plan 2015/16 – 2017/18

Regional energy strategy

3.21 The Fuel Poverty strategy for Northern Ireland – “Warmer, Healthier Homes” identifies the 3 main factors which impact on fuel poverty:

- income;
- fuel price; and,
- energy efficiency;

3.22 As a landlord we have a responsibility to tackle the third of these as it impacts on our homes. We will have due regard to the Energy Good Practice Guide for Refurbishment of the residential sector which has been produced by NIHE on behalf of the overall sector in devising any future investment programmes.

Summary

3.23 The strategic context, as outlined in this chapter, has a number of different but interrelated strands. This strategy aims to deliver improved social housing outcomes for our local communities in the context of available resources by adopting an effective approach to asset management, the key tenets of which are set out in the various documents described above.

4. Demand and Sustainability

Introduction

4.1 The Housing Executive is the largest landlord in Northern Ireland with housing stock located across all areas in the province. As such, the demand for, and sustainability of, our dwellings are subject to both national and local pressures and trends and our actions have significant influence on the success or failure of the housing sector. This section sets out a summary of these and the implications for future asset management of our stock.

Increasing need for social housing

4.2 The number of applicants seeking social housing has remained at a constant but high level since 2007/08, with just over 39,000 applicants on the waiting list at March 2015 (over the same period there has been a small increase in the number of those applicants deemed to be in 'housing stress', amounting to 22,000 at March 2015).

4.3 Our latest review on the housing market⁵ and recent research⁶ indicate that this need for social housing is likely to continue to be substantial beyond the short term.

- While the rate of household formation will likely continue to slow, the number of households is projected to continue to increase, driven primarily by population growth but also by an aging population and the continuing trend towards smaller - particularly single person - households.
- Economic factors - including higher levels of worklessness and benefit dependency, rising numbers of part-time and temporary work, and ongoing uncertainties in the labour market - will continue to impact negatively on household incomes and investor confidence.
- Very challenging market conditions, including a stringent finance lending regime, make it unlikely that there will be a significant upturn in the rate of construction by the public or private sector in NI in the near future.
- The Private Rented Sector may continue to grow, but at a much slower rate; there are signs that tenants on lower incomes experiencing more difficulty in bridging the gap between Housing Benefit and market rents.
- Our Net Stock Model estimates a requirement for 15,000 additional social dwellings over the period 2011-2021. However, until recently, the level of new social dwellings delivered via the Social Housing Development Programme has not kept pace with the steadily rising need for social housing, and planning constraints and difficulties in securing land in appropriate locations will combine to create a challenging environment for social new build.

⁵ Northern Ireland Housing Market: Review & Perspectives 2014-2017

⁶ Demographic Change and Future Housing Need in Northern Ireland, November 2014

- 4.4 The household composition of the waiting list has changed little in recent years. Single person households continue to be the largest group (46%), with small families next (26%), followed by older households. It is expected that future demand will come predominantly from these types of households.
- 4.5 In summary therefore, while there are considerable market and policy uncertainties, it is very likely that these issues will result in a sustained demand for social housing and particularly for smaller units of accommodation. Although housing associations' share of Northern Ireland's social housing stock continues to rise, our dwellings represent over 70% of this and turnover in our stock will continue to be the major component of supply in meeting social housing demand.

Variations in housing demand

- 4.6 While the level of social housing demand remains high for Northern Ireland overall, there are considerable variations at sub-regional, local and property type levels. For example, while the regional level of demand has remained fairly constant between 2007/08 and 2014/15, across the various (previous) council areas the variation ranged from a decline of 27% in Fermanagh to a rise of 42% in Derry.
- 4.7 Variations in the popularity of individual social housing estates are not unusual and generally reflect estates' characteristics in terms of property types, condition, location and reputation. However, in Northern Ireland these variations are influenced by sectarian geography and the consequent high level of segregation in social housing along community lines, a factor that inhibits the conventional interplay and balancing of supply and demand.
- 4.8 For many years we implemented a programme of estate-based strategies to tackle low demand and reverse decline in our most vulnerable estates, with action predicated on an assessment of low, medium and high risk stock. In most cases this resulted in phased investment programmes in dwelling and environmental improvements, often linked to management, community and inter-agency initiatives, but in others we have redeveloped or demolished the most problematic stock.
- 4.9 At a property level it remains the case that bedsits, flats and maisonettes are less popular than houses and bungalows, albeit this will vary from location to location depending on the underlying level of social housing need. The unpopularity of flats blocks - low, medium and high rise - has been associated with the prevalence of anti-social behaviour and typically this has been addressed by introducing enhanced security measures or, in the most extreme cases, by demolition.

Alignment of stock and demand

- 4.10 There is a considerable level of under-occupation in the Housing Executive's stock. Data from the 2011 Census indicated that 58% of its housing stock was under-occupied (albeit this is significantly lower than the corresponding figures found for the owner-occupied sector at 87% and the private rented sector at 69%). Unsurprisingly, given trends in demand, the majority of this incidence of under-occupation was concentrated in single person households (elderly and other) and two person households (elderly couples and married/cohabiting/civil partnership couples with no children). However, 21% of under-occupying households were lone parent households.
- 4.11 43% of all households reported as the Housing Executive's tenants in the 2011 census are one person households. Of these, 71% are living in family sized accommodation (defined as

4 rooms or more). 28% of tenants are in 2 people households, and of these, 88% are living in family sized accommodation.

- 4.12 In part this level of under-occupation is accounted for by past management and development decisions. These would include, for example, the programme of converting 1-bedroomed bungalows to 2-bedroomed accommodation in order to cater for disability and carer needs, and the introduction of lettings policies for tower blocks (i.e. no allocations to families and lettings to elderly or over 55's only).
- 4.13 However, at a broader level under-occupation is largely a function of a relatively static stock - much of which was built as family housing to serve renewal needs in the 1960s-1980s, with no new build by the Housing Executive since the late 1990s - and the continuing trend on the waiting list towards smaller households due to socio-economic and market factors.
- 4.14 While the incidence of under-occupation is high it is not consistent across all of the stock. There are also pockets of overcrowding with the 2011 Census finding that 12% of households were short of at least one room compared to household size (this compares to 7% in Northern Ireland's housing stock overall).
- 4.15 This mismatch of stock to demand could have financial implications for tenants and the Housing Executive following the introduction of welfare changes.

Impact of Welfare Reform

- 4.16 Over 26,500 of our tenants are of working age, in receipt of Housing Benefit and under-occupying their homes, and so will be affected by the introduction of Welfare Reform. The majority of these (74%) have one additional bedroom and 26% have more than one additional bedroom. In total there are over 34,000 rooms in under-occupied properties. In addition there is a projected growing number of over 55s in Northern Ireland and coupled with welfare changes, this may lead to an increase in demand for retirement and smaller homes that currently isn't being met.
- 4.17 A review of research in the rest of the United Kingdom on the impact of Welfare Reform - in particular the removal of the 'spare room subsidy' (the so called 'bedroom tax') - indicates that effects have been, as may be expected, an increase in demand for social housing (i.e. in preference to the private rented sector), but more difficulties in letting larger properties in some neighbourhoods.
- 4.18 A recent report⁷ commissioned by the Housing Executive and the DSD on the impact of welfare reform on social housing noted the following:
- Demand may be redirected from the private rented sector to the social sector or vice versa depending on local circumstances, but certain local areas are likely to be disproportionately affected by the reforms (i.e. those with highest % of under-occupying claimants - Omagh, Cookstown, Strabane, Fermanagh, Limavady and Shankill in Belfast).

⁷ The Impact of the Housing Benefit Reforms on the Social Rented Sector: A Study for the Northern Ireland Housing Executive and Department for Social Development, 2013

- Given the increased supply of privately rented properties, there may in the shorter term be a tendency for unemployed younger people to move to the private rented sector because, depending on LHA rates, the former may become the cheaper option. However, in the future, demand for social renting could be increased by any widening of the gap between Local Housing Allowance and market rents in the private rented sector.
 - Previous Housing Benefit research has shown that recipients are often relatively unresponsive to changes in tax/benefit incentives at the margin and that tenants may not move in response to under-occupation-related reductions in benefit, something that will make it more difficult for landlords to achieve a better balance between households and stock size.
- 4.19 Given the pressure on the HA new build programme it would take a considerable time to significantly affect the overall profile of the social housing stock through the development of new, smaller units, and the number of 1- and 2-bedroom properties will therefore remain low as a proportion of the overall stock for the foreseeable future. Attention may therefore need to be focused on the capacity of the existing stock to house more people and households through re-modelling – a potentially costly option - or by the introduction of innovative housing management solutions
- 4.20 There would be very real practical difficulties in realigning tenants with appropriately sized properties due to the presumed reluctance of tenants to leave their homes, the parochial nature of communities and the likelihood that the incidence of overcrowding and under-occupation are likely to be concentrated on either side of the community divide.

Demand for tower blocks

- 4.21 The popularity of, and housing demand for, each of the Housing Executive's Tower Blocks (or group of blocks) varies across the portfolio and is a function of the interplay between a number of issues. This is set out in detail in a separate Tower Block strategy which links to this overarching strategy and summarised below
- As a general rule tower blocks in areas of high housing stress - such as Lower Falls, New Lodge or Belvoir - will be in demand, if only because there are few other housing opportunities in the area. While demand in these areas may be high, tenants desire to be housed within them is relatively low compared with low rise flats and houses.
 - Conversely the general lack of social housing need in a location can have a severe impact on tower blocks and call into question their future viability
 - Other issues impacting on demand include the physical condition of the blocks, the level of and reputation of some blocks for anti social behaviour and lifestyle clashes, the impact of management responses including the introduction of concierge services and the unpopularity of bedsit accommodation.
- 4.22 There are a few issues that are relatively constant across most of the Tower Blocks including high levels of under occupation across the rented stock.
- 4.23 There are concentrations of leasehold ownership across the tower block portfolio with 93% of leaseholders being concentrated in blocks containing only 41% of total flats. The proportion of leasehold ownership varies by block from 0% to over 73%. The impact of leasehold

ownership on demand will vary depending on the ratio of owner-occupation versus private renting.

Sustainability

4.24 The Housing Executive has always aimed to help produce homes and neighbourhoods where people live by choice rather than necessity and where they experience a good standard of life and the vast majority of our estates are safe, stable and healthy environments.

4.25 However, we recognise that we house many of the most vulnerable and deprived people in our society and that many of our homes and estates are located in the most disadvantaged areas across Northern Ireland. There is, therefore, an ongoing need to tackle the issues that can threaten to undermine residents' and communities' confidence in their neighbourhoods - e.g. poor housing, environmental decay, crime and anti-social behaviour, inadequate access to services and amenities, community helplessness and resignation - and thereby create the conditions conducive to sustaining successful and vibrant communities.

4.26 In attempting to do so we have developed an approach over the years that goes beyond 'bricks & mortar' and includes the following range of measures:

- Modernising the housing stock
- Environmental improvements and estate restructuring
- Demolition, redevelopment and conversion of stock to address imbalances of supply and demand
- Land releases for new affordable private housing, local facilities and amenities, and social/community enterprises
- Improving neighbourhood services and local estate management
- Investing in communities and promoting community cohesion through our community participation/development, community safety and Good Relations activities, including providing community lettings of properties in our estates.

4.27 Many of these measures have been delivered locally via our Estate-Based Strategy Programme. Where possible we have also sought to align and coordinate our activities with other agencies' physical, social, economic and community programmes. Consequently, many of our estate strategies have been implemented on an inter-agency basis and have represented integral parts of wider cross-sectoral partnership-based initiatives (for example, Neighbourhood Renewal Areas, Health Action Zones).

4.28 We have regularly considered a range of social factors in developing our future strategies as demonstrated in the 2007 Neighbourhood Renewal Prospectus and the 2010 review of estate strategies. The asset performance evaluation also considers measures of community sustainability alongside the assessment of financial viability. This is set out in more detail in section 6.

4.29 The contribution to community sustainability through this strategy includes:

- Bringing local housing supply and demand into a better balance

- Disposal/transfer of assets for community use
- Eradication of redundant and derelict properties

Accessibility

- 4.30 It is recognised that the issue of accessibility for social housing tenants is an important one. This is reflected in the work of the interdepartmental Review of Housing Adaptations which is examining the issue of improved accessibility for older people generally and in relation to wheelchair accessible accommodation in particular. Accessibility is not an issue which impacts solely on older tenants but can impact on disabled people of any age.
- 4.31 The introduction of both the Asset Management system and an accessible Housing register will improve the understanding of the stock and help to ensure that demand for particular types of accessible housing can be more effectively matched up with supply in future.

5. Existing Stock and Condition

- 5.1 This section summarises the key characteristics of NIHE's portfolio and goes on to set out the current condition of the stock.

Portfolio Summary

- 5.2 The Housing Executive is one of the larger social landlords operating within the UK and Republic of Ireland. We have some 88,000 rented dwellings, a further 6,000 leasehold dwellings and 20 properties held on a shared equity basis, representing a total housing stock of some 94,000 homes for which we have some measure of management responsibility.
- 5.3 Most of the stock is located in purpose-built housing estates, while the remainder are predominantly formerly private sector properties. Out of 88,000 rented properties approximately 9% are sited in rural locations and 91% in urban locations. The tenure mix within the rented landlord portfolio is 100% social. At present the landlord function has no market rented, private rented or shared ownership property. It does however have one sheltered complex, 19 hostels and 282 community lets.
- 5.4 Since 1996 NIHE has not developed new housing and has therefore had limited capacity to renew or grow its stock base. The combined impact of the House Sales Scheme, demolitions, changes of use to support community based activities, disposals, and small stock transfers to housing associations mean that the residential portfolio has been consistently decreasing in size over most of the last two decades.
- 5.5 The composition of the current portfolio of 87,219 units identified as core stock which need to be addressed by this strategy is illustrated below.

Table 1: Stock profile by region/area

Region	Area	Number of properties	Regional totals
BELFAST	West Belfast	8,351	
	North Belfast	6,073	
	South & East Belfast	7,295	
	Lisburn & Castlereagh	9,881	31,600
NORTH	Causeway	6,742	
	East	5,893	
	South Antrim	6,629	
	West	9,038	28,302
SOUTH	Mid Ulster	4,041	
	North Down & Ards	6,390	
	South	7,765	
	South Down	5,390	
	South West	3,731	27,317
Total		87,219	87,219

Table 2: Stock profile by archetype

Archetype	Traditional build	Non Traditional – Tower block	Non-traditional build	Total tenanted
House	60,755		7,611	68,366
Flat – Tower Blocks (32 blocks)		1,629		1,629
Flat - non multi-storey	15,714		1,510	17,244
Total number of properties	76,469	1,629	9,121	87,219

Table 3: Stock profile by age

Construction year	Number of properties	Proportion of total
Pre 1950	6,301	7.22%
1950 - 1959	12,954	14.85%
1960-1969	19,865	22.78%
1970-1979	26,728	30.64%
1980-1989	15,193	17.42%
1990-1999	6,067	6.96%
Post 2000	111	0.13%
Total	87,219	100.00%

Table 4: Stock profile by bedsize

Property type/Number of bedrooms	0	1	2	3	4	5+	Total
House	8	53	10,041	35,105	3,878	372	49,457
Bungalow	2	4,513	11,748	1,790	78	8	18,139
Flat/Maisonette	1	5,846	11,683	1,065	30	1	18,626
Cottage	0	3	472	274	16	5	770
Hostel	2	22	117	26	1	0	168
Bedsit	0	59	0	0	0	0	59
Total number of properties	13	10,496	34,061	38,260	4,003	386	87,219
<i>Proportion of total</i>	<i>0.0%</i>	<i>12.0%</i>	<i>39.1%</i>	<i>43.9%</i>	<i>4.6%</i>	<i>0.4%</i>	<i>100.0%</i>
Total number of bedrooms	0	10,496	68,122	114,780	16,012	1,973	211,383

5.6 The portfolio as a whole has an average void rate of 1.39% with approximately 164 units appearing as long term voids. In addition there are some 475 properties already earmarked for disposal or demolition which have been excluded from the asset performance evaluation as decisions have already been taken about their future. The majority of these are also void.

5.7 As with demand, the void rate varies across the stock by geography and property type, with increasing pockets of high voids concentrated in particular local areas. This is explored in more detail in the next section.

- 5.8 The portfolio also includes 34 travellers pitches across 3 sites, along with 4 other sites either in partial ownership of NIHE or closed for refurbishment, 7,394 garages, 407 commercial properties. Principles for asset management established in this strategy will apply to these other elements of the portfolio as part of our ongoing management of these assets.

Stock Condition Survey

- 5.9 Savills have carried out a sample survey of 25% of the properties and related assets in order to assess the current and future repairs and maintenance liabilities. This has also included a detailed structural, mechanical and electrical assessment of the condition of the Tower Blocks.
- 5.10 The survey shows that the level of required investment identified during the 2009 survey has not been made and, as a consequence, the stock has deteriorated during the last 5 years and will continue to do so without sufficient investment in the future.
- 5.11 In the short term, the pressing priorities are the internal fabric of the properties, particularly the bathrooms and wiring, but there will be an increasing amount of work required to the external fabric, including fascias, soffits, rainwater goods and roofs. This is inevitable given the age profile of the properties.
- 5.12 Whilst the stock has lacked investment, it generally meets the minimum standard for housing set out in the Fitness Standard, the Housing Health and Safety System (HHSRS) and the Decent Homes standard with only 0.8% of the stock estimated to be below this standard.
- 5.13 The 32 tower blocks are generally in reasonable condition but the structure of the blocks is deteriorating and they have poor thermal insulation qualities in comparison to traditionally built housing. The blocks would benefit from over cladding to protect the structure, improve the appearance and improve the thermal performance. The same principles apply to many of the low rise non traditional properties.
- 5.14 Savills conclude that generally this is a well built stock that has historically benefitted from significant ongoing investment. However, the stock is getting older which results in an inevitable requirement for increasing investment. This issue, combined with the limited investment that has taken place in recent years (particularly since 2009), means that significant investment is now required to bring the properties up to current standards and to maintain them at that level moving forward. This is reflected in the 30 year cost summaries that Savills have prepared.

Overview of NIHE Non Traditional Properties

- 5.15 There are around 9,000 low rise non-traditional properties within the NIHE stock which comprise 10% of the stock. The great majority were built in the 1950s and 1960s at a time when there was a large amount of system building in the UK. The system built properties were popular because they could be erected quickly and were a relatively inexpensive form of construction. Whilst there was never an intention for some of these properties to have a long term life, they generally remain in service and are often popular because they tend to be larger than traditionally built properties.
- 5.16 Some of these properties contained precast reinforced concrete (PRC) components and various defects became apparent in these properties during the 1970s and 1980s. As a result the Orlit properties were designated defective under the Housing (NI) Order 1986.

- 5.17 The issues associated with non-traditional properties vary but general themes are that firstly many are prone to suffer from defects within the structural components of the property and, secondly, the properties generally have poor thermal insulation qualities, resulting in low SAP scores and often damp and condensation issues. As a consequence the issues with most non traditional properties can be addressed by carrying out any necessary repairs to the structural components followed by over cladding. This work can be costly but has the benefit of giving the property a long term life, improving the thermal performance and also improving the appearance. The extent of work varies considerably depending on the type of property, with the PRC non-traditional properties attracting the most significant costs for repairs.
- 5.18 Once any structural works and necessary over cladding is carried out to these properties they generally exhibit the same characteristics as a “traditional” property in terms of future life.
- 5.19 The type of over cladding carried out is generally external wall insulation (EWI) although, in some cases, brickwork is adopted. All the costs shown in the Savills stock condition survey report assume EWI, which is the approach adopted until now and which Savills endorse.
- 5.20 Detail of the specific types of non-traditional properties is set out at Appendix 1.

Investment Standards

- 5.21 Our Maintenance Investment Strategy established in 2011 and covering the period 2011 - 2016 identified a range of investment priorities which were primarily aimed at achieving the decent homes standard prevalent at the that time. Recognising that insufficient funding was available to deliver all required elements of work, priorities were established to focus on single elements which would most impact on achieving decent homes, these were:
- Replacement of obsolete heating systems
 - Installation of modern kitchens
 - External Cyclical Maintenance
- 5.22 These were subsequently added to by the inclusion of a ministerial objective to deliver double glazing to all properties.
- 5.23 The impact of this approach has been to reduce decent homes failures from 17% in 2009 to the position identified in the 2015 survey where only 0.8% of the stock does not comply with a strict interpretation of the standard.
- 5.24 Sample surveys carried out during 2010 identified a range of tenant priorities including
- Gas/Oil central heating
 - Window repair/replacement
 - Roof/wall insulation
 - Modern kitchens
 - Modern bathrooms
 - External door repair/replacement

- External painting/redecoration
- 5.25 Whilst not all of these could be included in the last investment strategy the information has been used to inform the development of investment standards and this strategy. Updated information will be gathered from residents on their priorities for the focus of future investment as part of the development of future spending plans
- 5.26 There is no single answer to the investment required to the stock either now or in the future. The amount of investment is totally dependent on the standards that are set. The survey costs have been prepared against two standards. Both standards identify the estimated costs of maintaining the stock in the future based on statutory and mandatory requirements. In addition, the analysis produces an estimated cost to maintain the properties in a condition which reflects sector accepted principles of good asset management for social landlords. It should be a standard which reflects the principles of good asset management and acknowledges that the quality of social housing should not be “substandard” or viewed as housing of last resort for those unable to afford other housing options.
- 5.27 The two standards are defined as a Tenable Repair Standard and a Commonly Adopted Standard.
- 5.28 The Tenable Repair Standard includes the minimum investment required to achieve statutory compliance plus the minimum investment required to ensure a property is fit for sustainable occupation. This includes compliance with the following:
- The Fitness Standard
 - The Housing Health and Safety Rating System (HHSRS)
 - The Decent Homes Standard (DSD, DCLG and NIHE)
 - Other work required to meet statutory obligations and to keep the property in tenable repair e.g. servicing of boilers and lifts, repairs to paths and fencing where required etc
- 5.29 The Commonly Adopted Standard is higher than the minimum Tenable Repair Standard referred to above. There are two parts to this. Firstly bringing current replacement programmes forward so that all properties are brought up to the same standard within a similar and reasonable timeframe. This generally involves work that would have been undertaken anyway, but ensures that investment is made at the right time, avoiding any potential build up of repairs. It also ensures the work is done in sequence to maximise the benefits, e.g. there is little merit in replacing windows with new double glazed windows, if you do not replace the front and back doors. Secondly carrying out improvement work to properties and providing components which do not currently exist.

5.30 The Commonly Adopted Higher Standard includes the following elements:

- Provision of modern kitchens to an agreed and enhanced specification in terms of quality and number of units fitted i.e. more than a basic kitchen.
- Provision of modern bathrooms including overhead showers to all properties.
- Provision of a minimum number of socket outlets and, where appropriate, adjusting height of sockets as part of the electrical installation, which may necessitate either partial rewiring or full rewiring.
- Provision of full and modern central heating systems which are efficient in use. This generally involves provision of gas wet heating systems, although in many locations within Northern Ireland, alternative options are necessary.
- Provision of modern double-glazing to all properties.
- Provision of modern, secure front and back doors to all properties.
- Improvements in insulation levels in general and, in particular, overcladding where appropriate to do so.
- Provision of improved ventilation and air tightness
- Security improvements including improved external lighting and door entry systems.
- Environmental improvements including landscaping, paths, fencing and car parking.

5.31 Historically our investment programmes have aligned with this higher standard although more recently any investment made has been against the minimum Tenantable Repair Standard as a result of insufficient funding.

5.32 Costs have been prepared showing both levels of investment. Total costs under each standard are illustrated below. Both tables represent costs for 87,439 units at a 2014/15 cost base. Costs include preliminaries but exclude VAT and management and administration costs.

Table 5: Tenantable repair standard

Description	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	Total
Programmed Renewals	£733,373,987	£475,702,378	£620,285,195	£563,784,864	£412,441,571	£313,781,581	£3,119,369,577
Tower Block Structural	£5,015,860	£5,075,005	£120,715	£93,000	£4,443,575	£4,175,005	£18,923,160
Tower Block M & E	£1,979,000	£3,576,900	£1,563,500	£2,502,800	£2,407,500	£1,536,300	£13,566,000
Related Assets	£12,199,992	£10,807,525	£8,976,716	£8,450,787	£7,396,132	£7,006,079	£54,837,230
Response/Cyclical/Void	£325,832,461	£325,832,461	£325,832,461	£325,832,461	£325,832,461	£325,832,461	£1,954,994,765
Painting and Repairs	£96,523,500	£65,594,250	£65,594,250	£65,594,250	£65,594,250	£65,594,250	£424,494,750
Asbestos	£15,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£40,000,000
Fire Related Work	£10,000,000	£5,000,000	£2,500,000	£2,500,000	£2,500,000	£2,500,000	£25,000,000
Aids and Adaptations	£31,501,258	£31,501,258	£31,501,258	£31,501,258	£31,501,258	£31,501,258	£189,007,548
Grand Total	£1,231,426,057	£928,089,778	£1,061,374,094	£1,005,259,420	£857,116,747	£756,926,934	£5,840,193,030
Total per Annum	£246,285,211	£185,617,956	£212,274,819	£201,051,884	£171,423,349	£151,385,387	£194,673,101

Table 6: Commonly adopted standard**Commonly Adopted Standard**

Description	Years 1 to 5	Years 6 to 10	Years 11 to 15	Years 16 to 20	Years 21 to 25	Years 26 to 30	Total
Programmed Renewals	£935,347,695	£585,199,868	£727,895,668	£633,706,093	£461,824,173	£354,779,098	£3,698,752,594
Tower Block Structural	£35,390,335	£0	£1,078,405	£0	£1,078,405	£0	£37,547,145
Tower Block M & E	£1,979,000	£3,576,900	£1,563,500	£2,502,800	£2,407,500	£1,536,300	£13,566,000
Related Assets	£12,199,992	£10,807,525	£8,976,716	£8,450,787	£7,396,132	£7,006,079	£54,837,230
Environmental Improvements	£43,729,500	£43,729,500	£43,729,500	£43,729,500	£43,729,500	£43,729,500	£262,377,000
Response/Cyclical/Void	£325,832,461	£325,832,461	£325,832,461	£325,832,461	£325,832,461	£325,832,461	£1,954,994,765
Painting and Repairs	£96,523,500	£65,594,250	£65,594,250	£65,594,250	£65,594,250	£65,594,250	£424,494,750
Asbestos	£15,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£5,000,000	£40,000,000
Fire Related Work	£10,000,000	£5,000,000	£2,500,000	£2,500,000	£2,500,000	£2,500,000	£25,000,000
Aids and Adaptations	£31,501,258	£31,501,258	£31,501,258	£31,501,258	£31,501,258	£31,501,258	£189,007,548
Grand Total	£1,507,503,741	£1,076,241,762	£1,213,671,757	£1,118,817,148	£946,863,678	£837,478,945	£6,700,577,032
Total per Annum	£301,500,748	£215,248,352	£242,734,351	£223,763,430	£189,372,736	£167,495,789	£223,352,568

5.33 The total investment required over 30 years to achieve the minimum standard is £5.84bn and includes an average major works investment (to fund replacements and improvements) per home of £38,952. The total investment required over 30 years to achieve the modern standard is £6.70bn and includes an average major works investment (to fund replacements and improvements) per home of £48,791⁸.

5.34 The total costs associated with the exceptional work to Non traditional properties in the commonly adopted standard are estimated at £109m. For the Tenantable Repair Standard it is assumed the over cladding would not take place and instead a notional allowance is included of £1m per annum to maintain the fabric of the non traditional properties.

⁸ Excludes responsive, void, cyclical, painting and repairs and related assets

Energy Efficiency

- 5.35 Northern Ireland has the highest prevalence of fuel poverty in the UK and one of the highest in the EU with the current estimate indicating that 42% of households in NI are experiencing fuel poverty ⁹. These figures are exacerbated in part, in comparison to other jurisdictions, by the continued lack of access to mains gas networks in many communities.
- 5.36 The stock condition survey included an assessment of the energy performance of the properties as measured by the Standard Assessment Procedure (SAP). SAP is the UK Government's recommended method system for measuring the energy rating of residential dwellings.
- 5.37 The results show a range of SAP scores as illustrated below. These show that just under 20% of properties have a SAP score of under 50, with an average SAP for the stock as a whole of 57. The overall average is relatively low in comparison with other portfolios inspected by Savills where typically SAP ratings are in the 60s.

Table 7: SAP ratings from stock condition survey

SAP BAND	No Units	%age
1-10	2	0.01%
11-20	9	0.04%
21-30	57	0.25%
31-40	757	3.37%
41-50	3633	16.16%
51-60	9655	42.95%
61-70	7191	31.99%
71-80	1176	5.23%
Total Number of Units	22,480	100.00%

- 5.38 The overall energy performance of the NIHE stock is significantly influenced by the fact that many areas within Northern Ireland are not yet served by a gas network, with the heating system being a major driver behind the SAP rating calculation. The average can be increased by replacement of some of the older and inefficient heating systems, improvements to wall and roof insulation and, in some cases, the introduction of renewable energies.
- 5.39 The detailed analysis shows that there is a correlation between age of the dwelling and poor SAP scores – in general the older buildings fare worst. There is a further correlation between scores and dwelling type with cottages faring significantly worse than flats.

⁹ NIHE, 2011. *Northern Ireland House Condition Survey 2011*. Belfast: NIHE

- 5.40 However the clearest correlation links to fuel type. While 81% of properties with a full gas central heating system have a SAP score of over 55 only 49% of properties with oil based system achieve that score and 45% with solid fuel back boilers.
- 5.41 An opportunity exists with the agreement by the Northern Ireland executive to facilitate the Gas to the West project. In March 2015 it was announced that licenses have been awarded to extend the existing gas mains network to up to 40,000 potential new customers, many of whom will be NIHE tenants. This will provide a direct opportunity to offer significantly more tenants access to both a modern central heating system and tackle one of the root causes of fuel poverty which is the price which needs to be paid to heat a home. This will form a central tenet of the approach to the heating element of our improvement programme. Tenants have identified that it is not only the annual cost of heating which is important but also the ability to “pay as you go” with gas which is not a readily available option for oil based heating systems.

Health and Safety

- 5.42 Health and Safety related compliance is of prime importance to NIHE as with all landlords. Whilst covering a wide range, topics such as gas safety, asbestos, water testing, fire safety and lifts are of particular importance. Significant resources, both financial and organisational, are already targeted at these elements of landlord compliance. However a recent review has highlighted issues in the effective recording of some of this work, particularly in respect of the diverse nature of the data sources used to store information. A compliance module has therefore been prioritised as a key component of the current procurement of a new asset management system in order to address this specific issue and to bring the recording and storage of data up to date with modern technology. All compliance related processes and procedures are being reviewed to comply with the best practice approach included within the new system. In addition an improvement plan is currently being implemented to cover the development of a comprehensive customer focussed policy approach to the area of compliance.
- 5.43 In terms of asset management and investment planning all areas of work identified via stock condition surveys or routine inspection which relate to healthy and safety will be addressed as priority items. A significant programme of works has been developed and is underway particularly within our tower blocks designed to protect our customers.

Adaptations and disability access

- 5.44 A significant proportion of our stock has had major or minor adaptations carried out. Where such work involves significant investment, i.e. as in extensions, it is subject to VFM appraisal to determine whether the assessed need could be met by an alternative option (for example, by rehousing in a better suited property).
- 5.45 The cost profiles prepared from the Savills surveys includes a provision £6.3m per annum for aids and adaptation works
- 5.46 The asset commission includes an accessible housing register (AHR) survey to enable NIHE to build up a database of adapted properties. The stock condition survey will collect details of a wide range of property attributes. These details can then be held on housing management systems to inform future allocations, and on asset management databases to inform future maintenance plans. It is the intention, over time, and via further surveying to improve the data held on the accessible housing register to ensure its optimum use in consideration of future lettings.

5.47 Once the AHR surveys are complete, all adapted properties will be recorded on the asset database system to ensure that ongoing repair liabilities are picked up and to enable major adaptations to be reused by households with a relevant need when properties are relet.

6. Asset Performance Evaluation

Developing and Managing an Active Asset Management Strategy

- 6.1 The National Housing Federation guide entitled 'Managing the Assets, 2nd Edition', defines Asset Management as the process whereby a landlord understands and manages the performance of, and risks presented by, a landlords assets. An effective Asset Management Strategy therefore provides a framework for a landlord to manage its stock actively to support and deliver corporate objectives so that decisions are made at both a portfolio and individual property level.
- 6.2 Our Active Asset Management Strategy 2012 reflects this with the following objectives
- To assess asset performance across the Housing Executive's housing stock
 - To identify and address poorly performing stock
 - To assist in targeting investment in the housing stock

Asset Performance Evaluation – A framework for investment decisions

Overview

- 6.3 The evaluation of the performance of the stock has included a financial evaluation, based on 30 year income and expenditure associated with the assets, alongside other non-financial measures of broader neighbourhood sustainability measured against the key Landlord objectives of Better Services, Better Homes and Vibrant Communities.
- 6.4 The modelling is intended to inform an investment strategy based on an active asset management approach where we make investment decisions based on the performance of the stock in a way that strengthens our Business Plan and contributes to meeting our and DSD's policy objectives.
- 6.5 The modelling is focussed on 87,219 rented properties. It excludes other tenures (e.g. travellers sites and shared equity) and also excludes properties where decisions have already been taken to dispose or demolish. In total some 500 properties are excluded for these reasons
- 6.6 The results of this modelling are summarised below.

Financial sustainability

- 6.7 The 30 year net present value (NPV) of the tenanted housing stock has been assessed based on the Commonly Adopted Standard set out in section 5. The modelling uses the technical outputs of the survey and does not make any adjustment for affordability or other decisions to phase work. These are considered in section 7, using the results of the modelling to inform the investment planning process.
- 6.8 For the purposes of analysis, we have broken down the tenanted housing stock into 509 'asset groups'. The groupings are by region, area, property type, age and construction type. The model is built up at an individual property level and the assets are then grouped for

analysis. This means that the groupings can be changed depending on NIHE's requirements in future.

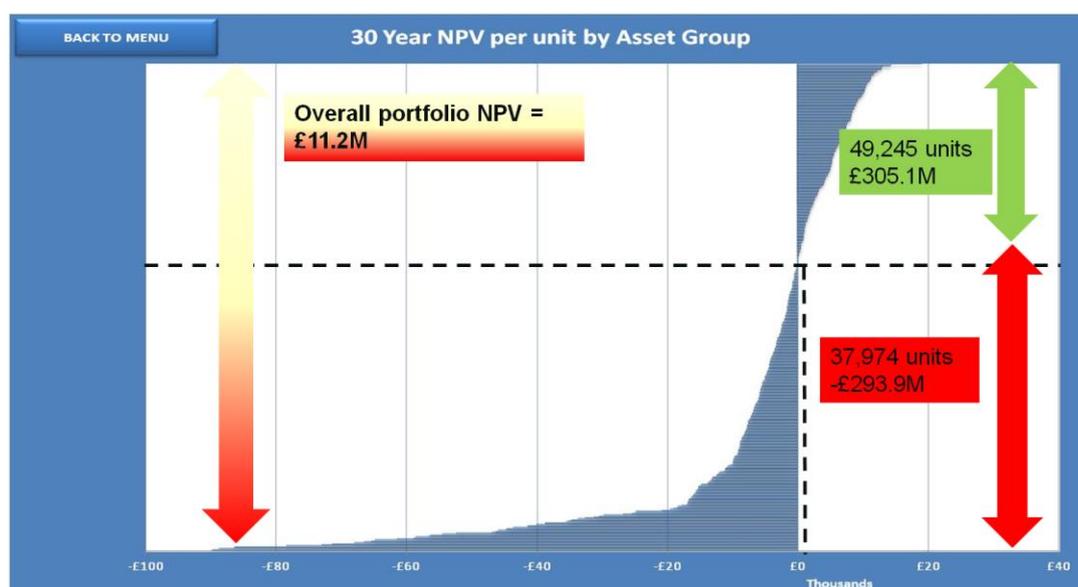
6.9 Data on income and expenditure associated with the housing assets has been collected and cash flows prepared which show an annual surplus and deficit for each property. The annual surplus and deficits for the next 30 years are then discounted back to a value in today's terms to produce a net present value "NPV" which is a measure of the worth of the cash flows to the long term financial plan.

6.10 The asset management model produces the following key results:

- The 30-year net present value (NPV) of the income and expenditure associated with a tenanted housing stock of 87,219 units stands at £11.2m, equivalent to an average of £128 per unit.

6.11 This reflects a range of NPV levels across the stock as illustrated below with 43.5% of the stock (37,974 units) in asset groups with a negative NPV.

Figure 2: Financial performance - NPV per unit



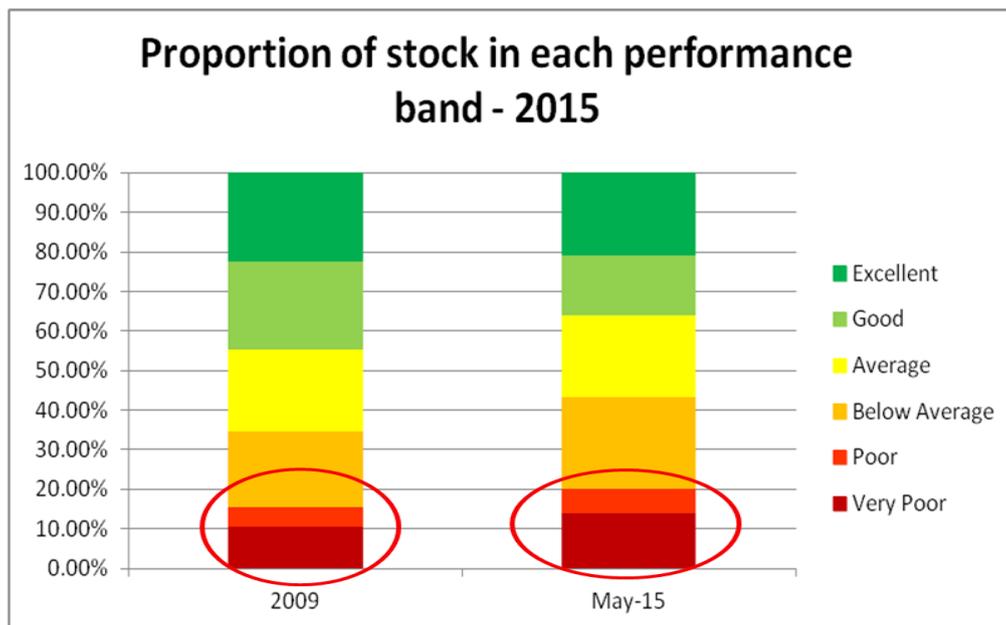
6.12 The breakdown of performance is broken down further below.

Table 8: Financial analysis by performance band

30-Year NPV Per Unit	Performance Band	Unit Count	Proportion of Total Stock	30-Year NPV	30-Year NPV pu
Greater than £7,500	Excellent	18,084	20.73%	£183,414,310	£10,142
Between £5,000 and £7,500	Good	13,319	15.27%	£83,561,078	£6,274
Between £0 and £5,000	Average	17,842	20.46%	£38,089,326	£2,135
Between £0 and -£5,000	Below Average	20,395	23.38%	-£45,697,241	-£2,241
Between -£5,000 and -£7,500	Poor	5,393	6.18%	-£34,507,663	-£6,399
Less than -£7,500	Very Poor	12,186	13.97%	-£213,681,328	-£17,535
Totals		87,219	100.00%	£11,178,482	£128

- 6.13 Within the overall figure of £11.2m the assets with a negative NPV represent a total negative NPV of £294m. There is a broad geographical spread of poorer performing stock, although by property type the weaker value is disproportionately represented by homes of non traditional construction and Tower Blocks. Tower Blocks represent 1.9% of the housing stock but take up 32% of the overall negative NPV within the portfolio.
- 6.14 The detail of financial analysis on Tower Blocks is set out in a separate sub strategy. Details of financial analysis on non traditional homes is set out below.
- 6.15 The financial analysis represents a picture of declining performance when compared with 2009 when Savills carried out a similar exercise. In 2009 the stock was found to have a positive NPV on average at £2,500 although it was forecast to decline as income was forecast to be insufficient to mitigate the impact of revenue and capital costs. The 2015 results demonstrate that this decline has happened.
- 6.16 The graph below shows the range of comparative performance in 2009 compared with current analysis.

Figure 3: Comparison of performance 2009 v 2015 [to be inserted]



- 6.17 The decline in performance represents a loss of estimated value of operating cashflows in the order of £214m. There is a greater concentration of assets with negative value with currently 17,579 properties in asset groups with average NPV below minus £5K per unit, compared with 14,271 in 2009.
- 6.18 A similar picture of decline is illustrated by the range of voids across the stock. In 2009 there were 3,203 properties in asset groups with a void rate above 5%. Current analysis indicates this has increased to 4,637.
- 6.19 The model includes an analysis of key performance drivers for each asset group, illustrating the extent to which investment needs, low rents, void, management costs influences performance. Performance will be driven by different factors depending on the particular circumstances in different asset groups, with low rents driving poor performance in some groups, and high investment need in other groups. There are particular performance drivers

identified in respect of non traditional homes which are detailed at Appendix 1, and in respect of Tower Blocks which are summarised below and detailed in a separate sub strategy.

- 6.20 It should be noted that rent levels are a significant performance driver. The average weekly rent of properties in groups with an NPV above £7,500 is £76.98 compared with £54.84 in groups with an NPV below minus £7,500.
- 6.21 While capital investment is a significant performance driver in some asset groups, in general there is less of a range of capital investment requirement between the top and bottom performance bands. The average future investment need of properties in groups with an NPV above £7,500 is £49,360 per unit over 30 years, compared with £52,444 per unit in properties with an NPV below minus £7,500.
- 6.22 The modelling assumes rents increase in future in line with the average rent rise over the last 10 years which is RPI + 0.5% (total 3%). DSD is currently consulting on a revised rent policy for Northern Ireland which could show steeper rent increases in the short term (10 years.). The adoption of this rent policy would significantly improve the financial performance of the assets, by between £8,000 - £10,000 per unit. This would lift large proportions of the stock from negative and marginal to positive performance. However, fundamental issues of low demand and high investment need in particular locations and property types would remain, in particular with Tower Blocks, a proportion of the non traditional homes and smaller properties with low rents and high investment needs. This requires consideration to be given to the adoption of a revised rent policy to enable a significant improvement programme.

Social sustainability

- 6.23 Sustainability modelling has identified the socio economic context of each asset group. The analysis has used a range of external and internal data covering measures around deprivation, satisfaction, demand and community engagement. The indicators and measures used are illustrated below, along with their data sources and weighting applied.

Table 9: Non financial performance indicators

Measure	Indicator	Weighting	Source
Service impact on communities	Welfare reform risk – under occupation	5%	Internal, property level
20% of Total	Welfare reform risk – rent arrears	5%	Internal, property level (2 weeks or more)
	Turnover	5%	Internal, property level
	Resident satisfaction with service	5%	Internal, district level (2011-13)
Better Homes	Housing demand – waiting list	25%	Internal, by estate
50% of Total	Fuel Poverty	12.5%	level
	House sales	12.5%	Internal, post code sector
Vibrant communities	Satisfaction with place, community relations	6%	Internal, district level (2011-13)
30% of Total	Engaged community	6%	External SCNI, district and ward level
	ASB, NINIS	6%	External SOA level
	Combined IMD	6%	External IMD, SOA level
	Access to services IMD	6%	External IMD, SOA level

- 6.24 The combination of the sustainability analysis and financial assessment is useful as a comprehensive assessment of overall performance. Priority in terms of action will differ depending on whether financially poorly performing stock is located within a relatively sustainable or unsustainable location.
- 6.25 The range of non financial sustainability scores is illustrated below

Table 10: Range of combined non financial performance scores

Combined sustainability score	Number of asset groups	% of asset groups	Number of units	% of units
9 to 10	0	0.0%	0	0.0%
8 to 9	1	0.2%	6	0.0%
7 to 8	34	6.7%	5,748	6.6%
6 to 7	130	25.5%	20,759	23.8%
5 to 6	162	31.8%	22,005	25.2%
4 to 5	134	26.3%	31,526	36.1%
3 to 4	43	8.4%	6,696	7.7%
2 to 3	5	1.0%	479	0.5%
1 to 2	0	0.0%	0	0.0%
Total	509		87,219	

6.26 In general low sustainability scores are driven by low demand, high turnover, high rent arrears and high fuel poverty. These factors are key drivers for the asset management principles applied in this strategy. Sustainability scores can differ within areas. This is in part due to the fact that some indicators rely on data at individual property level, and others at district level. It also reflects the fact that within some high demand areas, there are particular property types (e.g. non traditional properties and tower blocks) with high levels of fuel poverty.

Overall sustainability

6.27 The table below shows the overall results of the exercise combining financial and non financial sustainability. The financial performance is measured by positive or negative NPV. The non financial sustainability is scored by measuring the extent to which the sustainability score for the asset group differs from the average across the whole stock.

Table 11: Financial and social sustainability

Financial and Social sustainability	Units	Proportion
Positive NPV, High sustainability	29458	33.8%
Positive NPV, Low sustainability	19787	22.7%
Negative NPV, High sustainability	26113	29.9%
Negative NPV, Low sustainability	11861	13.6%
Total	87219	100.0%

6.28 This shows that over 34% of the stock shows strong financial and social sustainability and will be the focus for our investment strategy in the short term with investment in line with the stock condition survey in order to maintain value. 14% of the stock shows poor sustainability on both a financial and non financial basis. These will be prioritised for options appraisals in line with the approach set out in the following section.

6.29 Consideration will be given to the nature of intervention that could improve performance in other areas. Intervention would generally vary depending on the relative position. For example

- a high NPV but low sustainability score may indicate a need for community investment, alongside asset investment to improve NIHE's ability to deliver its housing objectives.

- a low NPV but high sustainability score may indicate a need for regeneration or redevelopment to improve the physical quality of the buildings in an area of high sustainability
- 6.30 The position statement includes more details on the distribution of combined financial and non financial sustainability showing a range of performance across different geographical areas.
- 6.31 At a simplistic level, a sustainable location will in theory continue to be in demand from prospective occupiers in the future, whereas a less sustainable area may be at risk from decreasing demand leading to a cycle of decline that can accelerate fast. Therefore, actions (in terms of options appraisals) often need to be prioritised in respect of poorly performing stock in less sustainable areas. Even in high demand areas, low sustainability scores can indicate risks of increased costs from management and maintenance and bad debts that may have consequences on future financial viability.
- 6.32 Where asset groups actually perform well in a financial sense, but are located in less sustainable areas, potential policy options will differ – the problem will be less a housing issue, but one relating to the factors underlying general sustainability.

Market data

- 6.33 The modelling also compares the value of existing cash flows with information on open market values and market rents. This means that the model can be used to identify opportunities to improve asset performance through disposals or tenure conversions subject to agreed strategies and regulatory requirements.

Using the model to develop strategy

- 6.34 The results from this asset and sustainability analysis will be fundamental in developing our 5 year investment strategy for the stock, based on a transparent investment standard which prioritises investment decisions based on the performance of the assets, delivery of social objectives and business plan affordability. It will assist us to identify candidate asset groups for more detailed options appraisal.
- 6.35 It will also assist, in the context of SHRP, in the production of a 30 year investment profile that takes account of the resources identified in any future business plan cashflow and the establishment of links between the performance of the assets, regeneration and redevelopment to improve the extent to which our asset portfolio is aligned to residents needs and aspirations.
- 6.36 The asset analysis work can be used to identify ways to increase business plan capacity in future which will help to:
- Maximise resources for the landlord by establishing long term plans for the improvement and repair of high quality, affordable homes by demonstrating an approach to asset management that represents value for money
 - Improve communication between landlord and tenants and leaseholders about investment strategies by demonstrating the reasons for investment decisions.
 - Deliver a good return on social housing assets, where investment delivers an increase in value over time, to residents and to the business plan
 - Address regeneration needs to improve the sustainability of neighbourhoods.

7. Our New Strategic Approach

Our long term aim

- 7.1 Given our statutory responsibilities to draw up programmes to meet housing needs and effect the improvement of stock and our position as the largest social landlord in Northern Ireland, it is essential that we have a robust strategy in place to ensure that our stock's contribution to meeting our community's social housing needs is maximised. It is also, however, imperative that this strategy takes cognisance of the funding that would be required to do so.
- 7.2 As demonstrated in Chapter 6, the majority of our stock has been assessed as sustainable, both financially and socially. In the long term, therefore, the aim of our Asset Management Strategy must be to build on this position by establishing a portfolio of assets that:
- Matches social housing needs
 - Provides a quality of housing that meets residents' requirements and aspirations
 - Both supports and can be supported by a robust business plan
- 7.3 This means that our long term approach will be to provide a scale, type and quality of housing that will support sustainable communities and neighbourhoods and, as importantly, that can be supported by the resources that will be available to us.
- 7.4 However, this approach will almost certainly also include actions to remove uneconomic and obsolete stock that fail to meet these challenges. We already have a history of renewing pockets of our purpose built stock with new affordable housing, albeit over the last decade and a half this has been delivered by our housing association partners. In promoting an overall increase in the quality of our own asset base we would want to explore options that would allow us to regenerate our stock through our own new build programme.
- 7.5 The implementation of this longer term approach is to a large extent dependant on the outcome of structural change to our landlord function as determined through the Social Housing Reform Programme, and the regulatory, funding and rent regime that will be put in place.

Strategic objectives

- 7.6 Given the above, in the short term - i.e. over the next five years - our strategic asset management objectives will be:
- To protect our tenants, leaseholders and built assets by ensuring that statutory and legislative compliancy requirements are met
 - To focus investment on our stock's key physical needs - as identified in the Stock Condition Survey - by adopting the Commonly Adopted Standard as the basis for developing maintenance and improvement programmes
 - To adopt an Active Asset Management approach where investment decisions are based on the performance of assets in a way that strengthens our business plan and contributes to meeting our business objectives i.e.
 - Focus investment on well performing stock (i.e. that is sustainable in the long term from both a financial and non-financial perspective)
 - Explore if and how performance can be improved for those assets demonstrating weak financial and social sustainability before deciding to invest

- To maximise income from our assets in order to better support our activities
- To maximise our assets' contribution to meeting wider programmes and initiatives aimed at promoting well being and community sustainability

7.7 The implementation of our new 5 year Asset Management Strategy will therefore include the following elements:

- A fully detailed 5 year (rolling) maintenance and improvement programme based on:
 - achieving the Commonly Adopted Standard for long term sustainable stock
 - delivering holding investment to stock undergoing option appraisal
- Enhanced planned cyclical maintenance programmes to meet our compliancy requirements
- Continued support for aids and adaptations
- A programme of option appraisals for those assets with weak financial and social viability in order to establish necessary improvement actions
- A limited programme of small scale voluntary stock transfers to deliver investment in a number of estates
- A new strategy for our Tower Blocks portfolio that will focus on addressing the particular issues affecting this stock
- A review of service charges and leaseholder contributions to the costs of improvement works
- Continued working with other agencies and communities to align our actions with other strategies and deliver improved physical, economic, social and community outcomes that promote community sustainability and regeneration

Option Appraisals for poorly performing stock

7.8 We will carry out option appraisals for poorly performing stock before any decisions are made on their longer term investment.

7.9 As noted above, interim plans for holding investment will be established for these assets. Holding investment for these properties will comprise meeting our landlord responsibilities through response maintenance, meeting health & safety compliancy requirements and their inclusion in cyclical painting and repair schemes.

7.10 The purpose of the appraisals will be to further analyse in detail the drivers of poor performance and explore alternative options that would deliver better outcomes for us and our tenants. These appraisals will include both financial and non-financial considerations drawing upon the findings of the Asset Performance Evaluation model.

7.11 There are a number of potential instruments and interventions available to address the issues associated with poor financial and social performance. The widest range of options will be considered, but key possible options could include:

- Investment in potentially viable properties to improve sustainability
- Investment in estate improvement measures to address particular issues, improve residents' confidence, reduce turnover and voids, and increase demand. This might include:
 - Physical projects such as environmental improvements
 - Intensive estate management
 - Working with other agencies on area-based initiatives to address social and community issues

- Management initiatives to address the need for efficiencies in management and maintenance costs
 - Redevelopment to replace obsolete stock with new housing that better meets local needs
 - A change of use that better supports our business needs; for example this could involve:
 - Community asset transfer in line with DSD's policy for dealing with underutilised or surplus public assets
 - Sale or transfer to other statutory agencies or voluntary sector groups for uses that benefit our tenants and estates
 - Change of tenure to private ownership through, for example, shared housing or private sector mixed tenure initiatives
 - Disposal of properties that do not meet social need to release value for investment in retained stock
 - Transfer to a potentially better placed housing provider to ensure continued use as social or affordable housing
 - In the most intractable cases where the stock is not financially viable and there are no other needs, demolition in order to reduce the liabilities within our business plan
- 7.12 In particular, any consideration of disposal or demolition of properties must be grounded in a robust detailed analysis of the impact of a reduction in social housing on the local housing market. We already have a methodology in place via Housing Market Analysis and Social Housing Need Assessment in order to do so.
- 7.13 It is impossible at this stage to gauge the potential scale of redevelopment which may be required. However, as this becomes more apparent as the programme progresses it will be necessary to assess the impact on the Social Housing Development Programme, and how these needs will stand in relation to other new build schemes that serve urban renewal and the provision of additional general needs and supported housing.
- 7.14 We will also wish to ensure that, where possible, the options we consider will align with wider area-based regeneration and development plans.
- 7.14 Decisions arising from these appraisals will be subject, where required, to Economic Appraisal in accordance with the Department of Finance & Personnel's Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE).
- 7.15 We have a clear and robust methodology already in place for carrying out Economic Assessment/Business Case analysis which can be readily used to assess the full range of issues which require to be considered in reaching an informed conclusion in each of these potentially diverse circumstances.
- 7.16 Given the scale of poorly performing assets identified by the Asset Performance Evaluation model, it is inevitable that the level of option appraisals to be carried out will be higher than in recent years. Consideration is being given as to how this can be resourced and organised. A governance framework will be developed setting out responsibilities for delivering and approving these appraisals.

8. Investment and maintenance planning

Funding

- 8.1 NIHE, like many public sector landlords throughout the UK, is currently operating under a highly constrained system of funding without the ability to borrow to fund its investment requirements.
- 8.2 A recent decision by the DSD to give the Landlord function the authority to retain surpluses will replicate to some extent the self financing regime enjoyed by public sector social landlords in other jurisdictions. This has taken effect in this financial year (2015/16) and enables us to begin the process of taking a longer term strategic approach to asset investment.
- 8.3 Welcome though this change is, the business planning work carried out as part of the asset commission indicates that there will continue to be a considerable funding gap between the level of investment required in the stock, and what is affordable within the current context. The level of funding gap depends on assumptions about whether, and at what point any revised rent policy is adopted, the standard adopted, the speed of mobilisation and rates of inflation over the next five years. For example, modelling carried out for SHRP indicates that to deliver the Commonly Adopted Standard for all stock, while also incorporating changes from the current consultation on rent policy, indicates that even after adopting the revised rent policy there would remain a funding gap of some £493m by 2022. Without the revised rent policy, this figure would increase considerably dependant on the detail of the rent policy approach adopted.
- 8.4 The outcome of discussions arising from the Social Housing Reform Programme will be pivotal in determining the availability of sufficient finance to deliver the investment required within a reasonable period of time. In the meantime, this strategy needs to consider how investment decisions are prioritised within this constrained environment.
- 8.5 The key issues which impact on available investment resources over the next 5 years are projections for landlord income, including the approach to rent increases, and the impact of repaying existing debt. Debt repayments are projected to fall over the next 5 years which will have a positive impact on available investment resources. A rent policy review is being undertaken by DSD through the SHRP and as part of the asset commission work. However recent announcements by the UK Government regarding rents in England have potential repercussions here as they relate specifically to the size of the Housing benefit bill. In order to illustrate the impact of different approaches to rent increase a series of assumptions have been made about future rent setting to enable comparative indicative resource figures to be produced for this strategy.
- 8.6 The assumptions used in the varying scenarios are as follows:
- that rents would rise by CPI plus 1.5% plus £2 per week (The current proposed DSD consultation position)
 - That rents will remain stable in comparison to inflation
 - That rents will decrease by 1% over the next 4 years.

For the purposes of the above RPI, as a measure of inflation, is assumed to be 2.5% and CPI 2%

8.7 Whilst SHRP uses 2015/16 as year 1 in its modelling for the purposes of this strategy the position is different. This strategy and, more particularly, the 5 year investment plan will be taken forward on a 2+5 year basis. That is the current year and 2016/17 are both accounted for in terms of the interim investment programme and existing contractual commitments. The new approach described in this document will cover the 5 year period 2017 – 22.

8.8 Using the rent assumptions set out above provides for the following, varying, levels of expenditure going forward:

Table 12: Availability of future resources

Projected resources (£m)	1	2	3	4	5	Total
Year	2017/18	2018/19	2019/20	2020/21	2021/22	
Scenario 1 (Rent increases)	216.1	245.0	270.7	296.9	313.4	1,342.1
Scenario 2 (static Rents)	176.1	184.2	188.7	193.1	196.0	938.2
Scenario 3 (Rent Decrease)	170.1	175.2	176.8	181.2	184.1	887.5

8.9 This Internal financial modelling work carried out as part of the development of this strategy estimates that over the relevant 5 years period a programme totalling anything from circa £890million up to £1,340million could be afforded, very much dependant on the rent approach adopted.

8.10 These sums include the costs of responsive, void, cyclical, external painting and major works. The stock condition survey indicates an investment requirement of almost £2 Billion between now and then. That means if there is no significant change to the existing funding position we could afford around 60% of the identified investment requirement based on the higher rent assumption.

8.11 The significance of the impact of rental increases or otherwise on the available resources for investment is clear from the table. Taking the median position as an example the distribution of this resource across the various investment categories is estimated as follows:

Table 123: Use of Future Resources

Category of activity	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
	£m's	£m's	£m's	£m's	£m's	£m's
Responsive Maintenance, inc Void maintenance	41.7	41.7	41.7	41.7	41.7	208.5
Cyclical Maintenance, including painting and repair schemes	32.5	32.5	32.5	32.5	32.5	162.5
Planned Maintenance / Improvement works	101.9	110	114.5	118.9	121.9	567.2
Totals	176.1	184.2	188.7	193.1	196.1	938.2

8.12 This strategy sets out the ambition to bring the long term sustainable stock up to the commonly adopted standard. The reality is of course that carrying out full improvement and modernisation works to every property within a large portfolio over a relatively short period of time will not be realistic, achievable or affordable. The flexing of timing and works is therefore the key consideration in the development of a detailed investment plan.

8.13 Where the asset performance identifies that the long term future of the stock may not be sustainable, options to improve financial performance will be explored and alternative investment options will be considered before decisions are taken to proceed with investment. In order to allow time for these appraisals, this stock is not programmed for comprehensive investment in the early years of our investment plan.

8.14 In the event that structural change is forthcoming as a result of the SHRP, and access to additional resources is secured, this strategy will be reviewed and updated.

Investment planning process

8.15 Section 5 of this strategy sets out the stock condition survey results that show the technical assessment of future investment requirements. This sets out the value of what is required to be spent on all the stock in order to bring it up to the identified standard and to maintain it at that standard long term.

8.16 Section 6 then sets out the position in relation to the evaluation of the performance of the stock.

8.17 Taking these together, the investment planning process then has to consider how this technical requirement is translated into a viable programme of works. This process will involve:

- Taking as a starting point the nature of works identified within the SCS outputs
- Using the evidence from the detailed asset modelling to establish the viability of the properties and, in the process, developing this with more detailed local options appraisals to understand whether investment is sensible and will deliver the best outcomes based on an economic appraisal.
- Any resident priorities to inform periodic review of investment standards.
- An assessment of the energy performance of the stock, using the data from the stock condition survey, to establish which investment adds the most value in terms of improving the energy performance of the properties.
- Matching the emerging programme of works to the available resources identified in 8.7 above.

8.18 This strategy confirms our commitment to bring all our long term sustainable stock up to the Commonly Adopted Standard, a position which assumes there will be a structural change in our financial position arising from social housing reform. However, recognising the existing funding constraints we also need to acknowledge that some elements of the standard may need to be appraised on an individual basis to confirm the impact on the financial sustainability of the overall portfolio. This includes elements of improvements associated with over cladding in Tower Blocks and Non Traditionally built dwellings as well as environmental improvements. The Commonly Adopted Standard also includes allowances for the replacement and repair of existing environmental works. Consideration will be given to the extent of these works that can be delivered within the available funding envelope.

- 8.19 In order to manage the existing funding position, some works identified within SCS will be deferred in the early years. This will include works associated with improved thermal efficiency through over cladding in Tower Blocks and Non Traditional dwellings, and also deferring elements of environmental improvement. As set out previously, the Commonly Adopted Standard also includes elements of repair to environmental works and these will be prioritised on a health and safety basis within available resources. Beyond this, affordability will need to be managed by limiting internal and external investment work and by prioritising works to maintain fitness and health and safety compliance and to prevent future deterioration of the asset.
- 8.20 Investment needs to be targeted at the long term sustainable stock. Our first priority for investment planning will therefore be stock which shows a viable financial future, and long term strong demand. The APE model identifies that 44% of the stock shows weak or poor financial performance. The investment plan will set interim investment programmes only on these units until options appraisals are completed and final plans confirmed for the long term future of these assets. The investment planning process will also consider whether any of the stock currently showing strong financial performance faces weak sustainability in terms of long term demand. Investment in this stock may also be deferred until strategies to secure long term demand can be identified.
- 8.21 Investment planning also needs to make sense at Estate level. Where there is poorly performing stock adjacent to and on the same estate as good performing stock, local options appraisals will be carried out to consider the extent to which the inclusion of investment in the poorly performing stock can be justified by taking a view of the viability of the estate overall. If overall the estate can demonstrate viability, and it makes sense in terms of estate planning and investment programming, then poorly performing stock will be included for investment in the first five years of the plan.
- 8.22 From the above it can be seen that the process of developing a robust detailed investment plan can be lengthy and complex. Simply taking the results of the survey and dropping them into a plan for delivery would result in investing in some properties that should not be invested in, particularly in light of the outputs from the asset appraisal work. Neither can the stock condition survey simply form the investment plan from a financial point of view as it identifies all requirements, the costs of which currently exceed the available resources. The plan therefore needs to be tailored to fit the available landlord budget.

5 year maintenance and investment plan

- 8.23 The next key stage of the process is to develop a 5 year investment plan which takes into account the new information available from the work of the asset commission. This will involve a transitional process from where we are now to where we need to be. Over the next two years (2015/16 and 2016/17) the investment approach will comprise of the existing 2012 - 2016 Maintenance Strategy (single element replacement etc) plus the new 'Interim Investment Plan' agreed by the Board in February 2015. Engineering a change to the new approach will involve not only establishing a new programme of works but putting in place the necessary procurement arrangements to deliver it.
- 8.24 In this context it is envisaged that a gradual transition in the nature of work carried out will occur over the next two years with years 3 - 7 being the key period in which the 5 year investment plan will deliver, on a new basis, the key priorities identified within the SCS.
- 8.25 The interim investment priorities agreed earlier this year broadly reflect the priorities identified in the outputs of the SCS and were categorised as follows:

- Mixed Element internal improvements
- Health and Safety Compliance
- Thermal efficiency Programme
- Multi Storey Blocks
- Non Traditional stock
- Roof Replacement/external renewal
- Environmental Improvement Schemes

8.26 The budgetary assumptions described earlier include resources required for day to day repairs and cyclical maintenance programmes which will be budgeted for as a first priority. The value of what is available for programmed investment projects is estimated to total £1,201 million over the 5 year period 2017- 2022.

Investment planning priorities

8.27 This asset management strategy seeks to confirm investment planning priorities that will be applied in the process of developing a detailed long term plan. Set out above is the process of developing a detailed investment plan, which will be taken forward over the coming months.

8.28 The Maintenance Investment Plan 2011 highlighted a number of priorities but concluded that a single element approach to investment works provided the optimum approach at that time. It is proposed to change that approach to one where, if investment works have been identified as viable in a group of properties, as many elements of work as possible which contribute to achieving the agreed standard will be carried out.

8.29 Our Investment Plan for the next five years will focus on achieving the optimum improvement in as many properties as possible in line with the Commonly Adopted Standard.

8.30 In order to achieve this the following elements will form the main work categories in the development of an outline 5 year plan which will then be reviewed and updated with the results of the detailed investment planning process described above:

- A package of Internal upgrading - to include where required, Kitchen replacement, bathroom renewal and internal rewiring
- The standard for this package of works would be intended to ensure the provision of modern kitchens to an enhanced specification in terms of quality and number of units fitted i.e. more than a basic kitchen and, where necessary, changing the layout of the kitchen to provide adequate space. In addition the provision of modern bathrooms including overhead showers and the provision of a minimum number of socket outlets and, where appropriate, adjusting height of sockets as part of the electrical installation, which may necessitate either partial rewiring or full rewiring.
- Provision of full and modern central heating systems which are efficient in use with an emphasis on installation, where practical, of gas central heating systems. Strategically we will liaise with infrastructure supply agents to maximise the potential for this approach

- Completion of window and door programmes across the stock to improve thermal insulation values and to provide modern, secure front and back doors
- External cyclical maintenance – in order to address the backlog of external cyclical maintenance, resources will be targeted to deliver a maximum cycle of 8 years on average across the stock.
- To support efforts in relation to fuel poverty, a targeted programme of improving insulation in properties identified via SCS as having a poor SAP rating
- Emphasis on all health and safety and compliance elements identified within the survey
- A programme of external improvement works with a focus on fascias/soffits and rainwater goods

8.31 In tandem with developing this investment plan we will initiate a significant programme of options appraisals for those assets identified as having poor sustainability characteristics. This will facilitate the requirement to develop long term plans for the sustainability of all assets.

9. Implementation and delivery

Taking the Strategy Forward

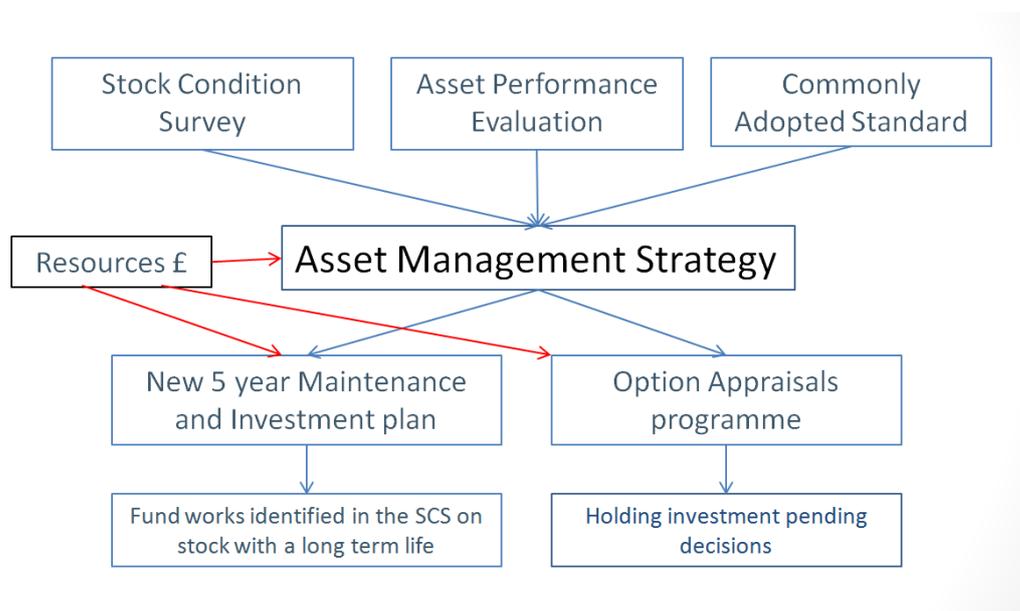
9.1 The following comprise the practical steps we will take in implementing this Asset Management Strategy:

- Using the data provided by Savills, a draft high-level 5 year maintenance plan has been created.
- This output will now be used to develop a more detailed plan that will inform future procurement planning in order that the shift in emphasis to mixed element improvements and, where required, specialised major works programmes can be implemented effectively. These elements of investment will sit alongside the more routine responsive repairs, voids and cyclical works.
- The stock condition data provided in 2015 will be uploaded into our new Asset Management System Database which will be procured in September 2015.
- Detailed programme planning and monitoring will ensure that delivery proceeds to plan and that the new Asset Management Database can provide real-time reporting on works completed, stock condition and progress against investment plans.

9.2 There will be an annual plan identifying stock investment priorities and other elements of the active asset management approach such as a programme of option appraisals and there will be routine reporting to the Board on progress and financial and quality out turns against these plans. Key accountabilities for monitoring and review are set out in the next section.

9.3 Our approach to asset management going forwards is illustrated below:

Figure 4: NIHE Asset Management Approach



Value for money – delivery

- 9.4 We will, as a matter of routine, consider how best value for money (VFM) can be achieved in respect of this strategy to maximise the use of scarce resources.
- 9.5 Consideration will be given to whether works will be delivered as “one hit” all in package, separate programmes for internal and external works, an elemental approach or a combination of these options.
- 9.6 The investment and delivery process will ensure the following:
- That works programmes are affordable within the available budget
 - That a programme is mapped out to suit local needs
 - That work packages are structured to secure best value for money
 - That the capacity and skills of our staff, centrally and locally, are enhanced to ensure effectively delivery of the programme.
 - That the external contracting market can deliver the programme
- 9.7 Works will be programmed wherever possible so that works can be done in sensible geographical locations in order to minimise costs related to set up and preliminaries.
- 9.8 Benchmarking will be used to verify that all planned programmes are delivering value for money.

Value for money – procurement

- 9.9 The programme for 2015/16 is already in hand and therefore we will develop a procurement strategy designed to deliver the programme for 2016 – 2021. New and alternative investment and supplier arrangements are anticipated to be in place in 2017/18.
- 9.10 The detailed investment plan will inform the procurement of work to deliver the programme(s) in the most cost effective way. In order to do this the asset management and procurement teams will take the results of the detailed investment plan and look at how the work can be packaged in such a way that will attract competitive pricing and efficient delivery. They will also schedule the work in such a way that the programme(s) can be delivered realistically. Packaging work correctly and setting out timescales that are realistic will have a major influence on the overall price paid and maximising the benefits of the money set aside for investment in the stock.
- 9.11 The Procurement strategy being planned for the major investment programme will ensure that Value for Money is its key driver. Correct identification of the works through the stock survey and pre works scoping will ensure the contractors receive sufficient quality information to build a programme based on correct volumes of replacements thus minimising abortive work/visits and unplanned additional costs.
- 9.12 Appropriate procurement of supplies is one of the most important aspects of value for money and cost control and good procurement can increase profitability enormously.
- 9.13 The procurement approach is designed to deliver the investment plan, as set out above whilst meeting the following objectives:

- Certainty – meet identified investment Standard and customer needs.
- Deliverability - Meeting required timescales and quality standard.
- Affordability and Value for Money – within the available budget.
- Predictability and Flexibility – to meet future changes in the business.
- Mitigate risk – reduce and contain.

Value for money – return on assets

9.14 We will use the asset modelling work set out in section 6 to determine how limited resources are targeted to deliver maximum return for investment. This will mean giving careful consideration to all investment but, in particular, may result in delaying key investment decisions in stock which is currently performing poorly within the model. A series of option appraisals will be undertaken to determine the most effective course of action in particular estates and /or asset groups. This may mean reviewing the investment standard to be delivered in particular instances and determining the timing of that investment.

Value for Money – Social Value

9.15 In pursuing the aims of this strategy we will include considerations of how our Social Housing Enterprise Strategy, aimed at promoting and supporting social enterprise within our local communities, can be advanced.

9.16 Social housing enterprises can create employment opportunities for those who might otherwise remain unemployed, invest in community-based projects, act to protect or improve the local environment, and provide services which are important and accessible for those who might not otherwise get them.

9.17 The scale of the investment programme will potentially provide opportunities to support these goals, particularly in partnership with future contractors. We will:

- examine ways of ensuring the positive application of Social Value Clauses in our procurement approach in order to build community skill bases.
- explore opportunities for “buying social” procurement of services where appropriate local enterprises exist for example in house clearances, furniture removal and storage, etc

Generating stakeholder support for the asset strategy

Resident involvement

9.18 Community involvement is a cornerstone of our efforts to improve and maintain the sustainability of estates and neighbourhoods. We have proactively promoted local engagement for many years, and have an extensive tenant/resident consultation/participation framework in place including:

- Several hundred local tenants/residents/community groups.

- 13 Tenant Scrutiny Panels, one for each of our Area Offices, setting and monitoring our services at that level.
 - Residents and inter-agency partnerships to help develop and deliver local strategies.
 - Forums for 'Difficult to Reach' Groups including People with Disabilities, Youth, Rural Community, and BME communities.
 - The Housing Community Forum Central Panel which serves as the 'tenant voice' at policy/strategy level.
- 9.19 Allied to this engagement framework – and often driven through the work of its Tenant Scrutiny Panels and local groups – is our work to monitor tenant satisfaction with our services.
- 9.20 In taking forward this Strategy we will utilise the existing framework to ensure tenant and community engagement in the processes and decisions which will flow from the strategy. DSD have recently produced proposals for a new tenant participation strategy across Northern Ireland and, in that context, we will consider the need for any changes or improvements that may be required to achieve effective tenant participation in our asset management activities.
- 9.21 Crucial elements for resident involvement arising from this strategy will include:
- Routinely consulting tenants on any works that we are proposing in their homes and appraisals we are carrying out of their homes.
 - Ensuring resident involvement is at the forefront of any small scale stock transfer considerations
 - Involving tenants in developing investment standards and priorities
 - Examining further the range of services that can be delivered by local groups via Community Service Agreements
 - Monitoring resident satisfaction with particular works on their homes and incorporating the results into future programmes.

Other stakeholders

- 9.22 It is imperative that DSD is aligned with the overarching direction of the strategy, is kept appraised of all key developments and has specific roles in key elements which, over time, will emerge. These would include but not be limited to the need for DSD to approve any proposal for demolition or other type of asset disposal. Similarly DSD must give its consent to tenanted stock transfer proposals.
- 9.23 Other stakeholders will include the new Councils who receive annual statements setting out investment plans. This is the formal process but, in addition, informally we would routinely consult local elected representatives and involve them in consultation exercises on strategies, proposals, option appraisals, etc.

10. Monitoring and Review

Monitoring

- 10.1 The Director of Asset Management will be responsible for implementing, monitoring and reporting on the Strategy.
- 10.2 The Strategy will be reported on at the Director of Asset Management's monthly Performance Review meeting.
- 10.3 The Director of Asset Management will report on the implementation of the Strategy:
- Bi-annually to the Chief Executive's Business Committee
 - Annually to the Board (or as otherwise directed)

Review

- 10.4 It is intended that this Strategy will have an initial timeframe of five years, with a full formal review carried out in 2020/21.
- 10.5 However, the strategy may be reviewed at an earlier date as directed by the Board, or as may be required by the introduction of relevant new Ministerial priorities.
- 10.6 The underlying data and asset and modelling assumptions in the Asset Performance Evaluation (APE) Model will be reviewed at the 3 year mark. This will be facilitated by the following:
- Stock Condition Survey data will be updated via:
 - The capturing and recording of planned, cyclical and response maintenance works by property
 - A rolling annual programme of stock condition surveys
 - Actual unit costs and prices for component replacement will be monitored on an ongoing basis and used to update the model
 - Trends in response maintenance works and costs will be subject to ongoing analysis, and used to inform investment programmes
 - Management costs will be monitored
 - Housing demand will be regularly reviewed
- 10.7 Also included in this review of the APE Model will be:
- an assessment of the Asset Groups structure to ensure - after three years in use - that it provides the most appropriate basis for asset performance modelling and evaluation
 - A review of the non-financial (social sustainability) indicators and their weighting to ensure that they remain robust and relevant to our business objectives

Approvals

- 10.8 Option Appraisals for poor performing stock will be subject to the Regional and Central scrutiny and approval processes already in place.
- 10.9 Where necessary the option appraisals will be presented to the Board for approval, and further to the Department for Social Development as required.

11. Appendix One: Stock condition overview of NIHE non traditional properties

No Fines

- 11.1 These properties are built from in-situ poured concrete. They are called no-fines as the concrete mix should be composed of cement, water and aggregate of one size only. They are 2 storey dwellings built between 1950 and 1979 using proprietary concrete systems. Half of these are deemed to fail the thermal comfort criteria.

Timber Framed Construction

- 11.2 These are system built houses constructed 1970 to 1980. They are mostly brick clad however some have tile cladding or sheeting to outer skin. Much of construction was completed off-site. The homes were more energy efficient than standard homes built at the time. The main structure of the dwelling is a carcass of timber framing with plywood and insulation. An external skin of brickwork is usually added. The insulation level of below 50mm is below the present standard required but it would be difficult to top up. Insulation has been added in the roofs of these dwellings.

Orlit

- 11.3 An Orlit is a prefabricated concrete frame and panel patented construction system built post war. There are 2 storey and single storey orlits called 'Ulster cottages'. They were built between 1947 and 1957. Major improvements were undertaken circa 20 years ago. At the time of construction they were thermally inefficient.
- 11.4 There are a small number of proprietary concrete systems called Gregory and Dorran. Single storey orlits (Ulster Cottages) are also concrete frame and infill panel construction. They are generally in pairs with a door on each gable. The internal layout is poor.
- 11.5 In their original form all of these properties are designated defective under the Housing Defects Act.

Cross-Wall

- 11.6 Cross-wall construction is so called because the front and back walls are of a different construction to the gable and party walls. They were built 1963 - 1975 the party walls are brick or no-fines concrete. All were constructed using a combination of on-site construction and off-site prefabrication with some panels constructed in Harland and Wolff. The original timber and composite fronts and backs had little insulation, were single glazed and used a great variation in the quality of timber. Some have been reinstated as conventional houses. They are unlikely to meet today's energy standards. Maintenance of these properties has proven particularly challenging because the kitchen units are built into the external wall structure.

Aluminium Bungalows

- 11.7 These property types were constructed between 1948 and 1951. They were designed with a 60 year life. A comprehensive programme of upgrading of the internal linings and partitions was undertaken to improve fire safety, this improved the energy efficiency and air leakage of the bungalows. Of the original elements that remain the roofs and walls have reached the end

of their useful life, different approaches to re-roofing have been taken across the stock. Many of these properties have had structural repairs and over cladding undertaken to them.

Wilson Masonry

- 11.8 This construction consists of a single wall of hollow block 200mm in depth. The blocks are large and difficult to lay. There are two steel bars for handles in the blocks; it was thought that these would corrode and encourage rain penetration if the walls were cavity filled. This doesn't appear to have been a problem in the one estate which did receive this measure.
- 11.9 Whilst some repair work has been undertaken to the non-traditional properties contained within the NIHE portfolio, the vast majority of properties remain in their original form. As a consequence the recommendation would be to undertake any necessary repair work to the structure followed by overcladding. Unlike the tower blocks, Savills has not been commissioned to undertake detailed structural investigations into the condition of the non-traditional properties. Savills has therefore made an allowance for each non-traditional property type for repairs and over-cladding, with the costs based on our experience in other jurisdictions. Many thousands of these properties have been repaired over the years and there is lots of benchmark information about the costs involved.
- 11.10 Savills have set out below a summary of the non-traditional property types contained within the database, the budget costs that we have allowed for repairs and overcladding, together with a brief comment against each type.

Table 13: Non traditional property type and estimated costs for exceptional work

Type	Per unit			Comments
	Bungalow	Flat	House	
Aluminium Bungalow	£20,000			Repairs to structure followed by overcladding
Cross Wall		£7,000	£12,000	Repairs to structure followed by overcladding
Cross Wall Gregory			£19,000	Repairs to structure followed by overcladding (these properties contain some pre fabricated reinforced concrete
Cross Wall Timber Frame	£10,000		£12,000	Repairs to structure followed by overcladding
Dorran			£20,000	These are PRC properties which are designated defective - they need repairs to the structure followed by over cladding
Easiform / No Fines	£10,000	£7,000	£12,000	Some repairs required (generally to defective lintels) followed by overcladding
Easiform Laings			£12,000	Some repairs required (generally to defective lintels) followed by overcladding
No Fines	£10,000	£7,000	£12,000	Some repairs required (generally to defective lintels) followed by overcladding
No Fines Cross Wall	£10,000	£7,000	£12,000	Some repairs required (generally to defective lintels) followed by overcladding

Type	Per unit			Comments
	Bungalow	Flat	House	
Orlit	£20,000	£17,500	£35,000	These are PRC properties which are designated defective. They need repair (particularly the concrete beam structure on the first floor) followed by overcladding
Tarran or Dorran	£15,000			These are PRC properties which are designated defective. Repairs to the structure followed by over cladding
Timber Framed	£10,000	£7,000	£12,000	Repairs to structure followed by overcladding
Timber Framed / Liverpool			£12,000	Repairs to structure followed by overcladding
Timber Framed/Trusteel			£20,000	Steel frame houses with potential corrosion. They need any necessary repairs carried out followed by over cladding
Ulster Cottage	£11,000			These are like Orlit properties and hence contain PRC components which need repair, followed by over cladding
Wilson Masonry	£13,500	£10,000	£20,000	Issues with the ties between the cavities in these properties - they need repair followed by overcladding

11.11 The total costs associated with the exceptional work to Non traditional properties are estimated at £109million.

Future investment need – non traditional construction

11.12 The average 30 year costs associated with properties of non traditional construction, included in the tables in section five is £53,165. This represents stock condition costs and works to deal with issues relating to non traditional construction. The equivalent average for the whole stock for major repairs only which is £42,301¹⁰. The average costs per property ranges considerably by non traditional construction type from over £76,800 for Trusteel and Orlits, to under £47,800 in the case of Cross Wall construction type and a little over £51,100 per property for No Fines .

11.13 This shows the concentration of investment requirement linked to high numbers of no Fines properties across all areas, Orlits in West Belfast and Timber Framed in the Western Area, North Region.

11.14 When stock condition costs are viewed on an average per property basis this identifies where there are high concentrations of investment need at individual properties. High cost individual properties include

- Orlits in all areas
- Aluminium bungalows in the Lisburn & Castlereagh area, and the West area of the North Region

¹⁰ Programme renewals Commonly Adopted Standard total £3.7bn divided by 87,439 units

- Trusteel timber framed properties in South & East Belfast
- Ulster Cottages in Lisburn & Castlereagh
- Cross wall Gregory properties in the South area of the South region

Financial analysis - Non traditional homes

11.15 The table above includes the results for homes of non traditional construction. When analysing results for these homes separately, the results show that the 30 year net present value (NPV) of the non traditional stock is -£76.2m, representing an average value of minus £8360 per home.

11.16 The range of performance across the different asset groups varies from minus £34,947 to £8,662. Key factors that drive this performance variation include

- Rates of future investment need per unit, which range from an average of just under £40,000 to £90,000 per unit once all major works costs are taken into account including stock condition, asbestos, FRA and external painting. Again, the equivalent average for the whole stock of these elements is around £54,273.
- Low rents in No Fines flats, although these often have lower stock condition costs compared to other elements of the non traditional portfolio.
- Above average voids in some asset groups, particularly in Timber Frame properties in mid Ulster, the West area of the North region, and no Fines flats in North Belfast
- Estimated future repair costs which vary from £732 per unit to £795 per unit compared to the average for the whole stock of £760. The variation is driven by an analysis of historic responsive repair expenditure needed in this stock. In general historically this stock has had lower average costs for responsive repairs than for the whole stock, with only 16% of non homes having higher than average historic repair costs.