7.1 Introduction

7.1.1 Asset management principles

7.1.1.1 This policy defines Victory’s overall approach to asset management to Victory’s housing stock. It forms section seven of Victory’s Homes Policy. It defines asset management in line with best practice from the National Housing Federation “The principal assets of a Registered Social Landlord are the homes it owns and manages. Asset Management in this context will therefore consist of a range of activities undertaken so that our housing stock meets needs and standards now and in the future, including the development, retention, investment in and sale of homes.”

7.1.1.2 Victory’s definition of Asset Management is the range of activities undertaken so that our housing stock aligns with current and future need including the development, retention, investment in and sale of homes. It recognises that effective asset management includes three key elements

**Stock Investment**

7.1.1.3 Those activities that will maintain the stock to a standard to meet customer needs and regulatory requirements. This is principally the stock investment programme designed to keep all properties to the agreed investment standard for the full period of the Business Plan.

**Active Asset Management**

7.1.1.4 Those activities to improve or replace properties that have a poor social, economic or environmental performance, because of low demand or high costs, and either improving them or replacing them with properties which are fit for purpose.

**Supporting wider objectives**

7.1.1.5 Being clear where and how asset management is supporting wider objectives, such as new development or supporting wider community activities.

7.1.2 National and local context

7.1.2.1 The environment in which the organisation operates reflects continued public sector spending constraints and welfare reform, leading to a reduction in social rents. Despite current political uncertainty from Brexit and a hung parliament it is not anticipated that the external environment will change significantly.

7.1.2.2 The Homes and Communities Agency’s regulatory focus continues to be on governance and viability, with a strong focus on how associations are using their balance sheet capacity to support growth.

7.1.2.3 In April 2017 the provisions of the Housing and Planning Act 2016 were enacted. This removed the requirement for landlords to seek consent from the HCA before disposing of tenanted or vacant stock. However the regulations will require notification to the HCA and it will be important for landlords to demonstrate the governance around decision making, backed by evidence, and linked to the
organisation’s objectives. Where transfer of tenanted stock is considered, there are new consultation requirements, introduced as part of the HCA’s review of the Tenant Involvement and Empowerment Standard. The Housing White Paper “Fixing our broken housing market” published in February 2017 calls on housing associations and local authorities to build more and improve on efficiency, in return for clarity on rent policy post-2020.

7.1.2.4 In this new environment it is increasingly important for us to ensure we are getting maximum value from our assets to support delivery of our objectives, and that we can demonstrate good governance in our decision making. This strategy sets out a framework for asset management decisions which is evidence based and linked to the organisation’s objectives.

7.1.3 Corporate objectives

7.1.3.1 We will undertake efficient and effective asset management in order to assist in meeting Victory’s latest Corporate Plan. This Plan includes Our Ethos that: “We believe everyone deserves to live in a good, affordable home and that homes that meet people’s needs give stability to their lives and help communities flourish”. In addition, it outlines Our Priorities, including that we will “Build more affordable homes”, and “Improve and look after our homes”.

7.1.3.2 The purpose of this strategy is to use our existing asset base to better serve our residents’ needs and strengthen our business. Based on robust data and analysis we will make increasingly effective decisions about the use of our stock.

7.1.3.3 Underpinning this strategy is a comprehensive analysis of the performance of our rented stock against a range of social and financial criteria, which are described later in the strategy. In order to achieve our vision, we must be able to monitor and evaluate how our assets perform in order to target resources effectively.

7.1.3.4 We measure performance in line with the sector score card. Our asset management strategy is measured against this in the following ways:

- **Business Health** – improving our operating margin by targeting resources effectively and delivering efficiently
- **Development capacity and supply** – using targeted disposals of properties and non-core assets (e.g. garages and hardstandings) and using the proceeds to fund redevelopment.
- **Outcomes delivered** – increasing customer satisfaction and development of apprenticeships and relevant work experience programmes in communities where Victory works
- **Effective asset management** – improving our return on assets, the balance of responsive and planned repairs, and the overall net present value (NPV) of our assets.
- **Operating efficiencies** – controlling maintenance and major repairs costs per unit

7.1.4 Asset management objectives

Our key objectives are set out below
7.1.4.1 We will work to improve alignment of Victory’s stock profile (including size and
amenity, type and location) with housing need (incorporating the requirements of
vulnerable people and those with disabilities) for existing and prospective tenants.

7.1.4.2 We will work to ensure we achieve good performance, increasing the value of our
portfolio over time, obtaining value for money in managing our assets. We will
ensure our retained long term sustainable properties are maintained to meet tenants’
needs and to maintain and increase property values.

7.1.4.3 We will maintain an Assets and Liabilities Register which enables Victory to:
- comply with the regulator’s requirements
- monitor the security chargeability status of unencumbered stock
- provide management with a more detailed overview and realistic values for
  assets and liabilities than those reported in the financial statements
- highlight areas of concern that may require management to take action on
- better manage risk and make better use of assets

7.1.4.4 We will ensure our retained properties meet the Decent Homes Standard, comply
with all landlord, regulatory and health and safety requirements, and provide a
reasonable degree of thermal comfort

7.1.4.5 We will work to improve the energy efficiency of Victory’s properties where financially
viable. This work will aim to reduce running costs for residents and thus extend the
availability of ‘affordable warmth’. Works will be targeted at properties with low SAP
ratings and where households are in fuel poverty where we are able to assess this.

7.1.4.6 We will work to achieve a positive customer satisfaction from our tenants with the
overall quality of their home.

7.1.4.7 We will work within communities and seek to influence other landlords, housing
developers, local authorities and neighbourhood agencies in order to improve
alignment of housing options and need.

7.1.4.8 We will ensure that performance across Victory’s stock portfolio is understood from
both a financial and social perspective, and where poor performance is in evidence
this is taken into account in developing investment decisions, targeting investment to
demonstrate value for money.

7.1.4.9 We will undertake option appraisals on Victory properties, prioritised by existing
financial performance, considering the worth of the properties to Victory (both
financial and social) and taking into account the underlying market value of the
property.

7.1.4.10 We will take a proactive approach to options appraisals at void, identifying thresholds
for acceptable expenditure and options for re-letting based on an understanding of
current performance and value.

7.1.4.11 We will undertake consultation with the relevant Local Authority on our active asset
management plans where options appraisals suggest disposal, redevelopment,
tenure change or other changes of use.

7.1.4.12 We will implement agreed plans for the management of garage areas, and maintain
retained garages to the Victory Garage Standard.

7.1.4.13 We will develop additional homes in accordance with our development strategy. We
will direct investment at providing homes that are sustainable, and improve the
alignment with current and future housing needs.
We will ensure that legislative, regulatory and funding requirements are met.

These objectives, and this strategy, link to our value for money strategy through targeting investment where it will have the best financial and social return, measured against our objectives.

Risk management

Asset Management within the housing sector has traditionally been based on the retention of existing housing stock and prioritising investment to meet a defined standard. There are, however, risks in adopting a ‘static’ approach of retention and maintenance of an existing stock. This process may not ensure the long-term viability of an organisation if it does not continue to ensure the homes provided are aligned with the current and future needs of its customer base.

The strategy recognises that housing assets can also become liabilities, threatening the organisation’s viability as a landlord and significantly impacting on residents’ lives.

Asset Management carries risks for Victory:

- Failures to manage health and safety compliance could put residents, staff and contractors at risk
- Failures to meet statutory standards can carry penalties and will damage the organisation’s reputation
- An incorrect scope or poor quality of stock investment will have a key influence on customer satisfaction
- Poor value for money in asset management will have a major impact on our finances as this represents a very large proportion of our business plan spend
- Internal and external factors impact on expenditure to make it the element of Victory’s landlord operations most vulnerable to increased costs

Key risks to the delivery of our asset management objectives have been identified and are included in the organisation’s overall risk register. Management actions are included to manage risks identified in the following areas:

- Affordability and cost control including funding, procurement, budget management, contract administration and management
- Data management
- Sufficient resources and appropriately qualified staff to deliver the programme
- Using an understanding of performance and options appraisals to avoid re-investment in stock that is not viable
- Monitoring resident satisfaction with quality of their homes
- Identifying opportunities from our asset base to sustain our development programme and community ambitions.

A key part of Victory’s strategic approach is to ensure the homes we provide are aligned with current and future need. This approach, together with the effective maintenance and improvement of its assets, will help to maximise customer satisfaction whilst minimising the risk of reduced income generation.
7.2 Demand and the Housing Market

7.2.1 Evidence of housing demand

7.2.1.1 Ongoing demand for Victory’s properties is high and this is forecast to continue. Data from the Census, local Housing Market Assessment and Local Authority Housing Registers indicate a growing residential population with high levels of households unable to afford private sector housing. Whilst this clearly demonstrates a significant need for a range of affordable property types throughout the local area, Victory’s existing stock portfolio does not currently align with the identified need.

7.2.1.2 One of our most important jobs is to manage the housing stock we have so it meets the needs of our residents, both now and in the future. There is a current mismatch between the composition of our housing stock (in terms of the number of bedrooms) and the sizes of the households who occupy them. To help redress this imbalance, Victory is actively building new homes, in part funded from the sale of some existing properties. This strategy provides a framework for regular disposals of energy inefficient and repair intensive properties.

7.2.2 Housing market

7.2.2.1 We need to understand the housing markets in which we operate, and the implications for our residents in terms of affordability and tenure choices.

7.2.2.2 At options appraisals stage we need to consider potential sales value. This enables us to identify where capital resources may be more effectively used through disposal of poorly performing assets to support our development plans.

7.2.2.3 We will use this information, alongside an understanding of the performance of assets in their existing use, to inform future strategies to release latent value and maximise return on investment and rental yields, within the framework of our objectives as a social housing landlord. This is explored in more detail in section 4.

7.2.2.4 We have recently reviewed our Garage and Hardstandings and have strategies in place to redevelop or dispose where appropriate to support our development plans.

7.2.2.5 We have other land holdings where no development potential is identified. We will adopt the principle that these land holdings will be retained for the foreseeable future. However, on an exception basis where circumstances warrant and to maximise benefit and/or reduce excessive liability, disposal may be undertaken (including sale of minor assets, eg. disposal of Restrictive Covenants). These exceptions will be evaluated on a case by case basis, and a decision assessed on merit.
7.3 Our Homes

7.3.1 Geographic focus and housing products

7.3.1.1 Our stock is predominantly in North Norfolk, reflecting our history as a stock transfer organisation. Our development programme since transfer has expanded our footprint into Broadland, Great Yarmouth, Kings Lynn and West Norfolk, South Norfolk, Breckland and Norwich. Although our stock holding is small in these areas, our development focus covers all of Norfolk, so our presence beyond North Norfolk will increase.

7.3.1.2 17% of our stock is built before 1945 and this archetype in particular is beginning to show signs of high maintenance liabilities.

The spread of bed size between rural and urban areas is illustrated below

![Figure 1: Victory stock by bedsize and location](image)

In our rural areas which make up 45% of our stock, three bedroom properties are the dominant property size. In urban areas, two bedroom properties make up the largest proportion, reflecting the focus of recent development programmes.

7.3.2 Investment standard

7.3.2.1 Definitions

7.3.2.1.1 The Decent Homes standard is a government minimum standard for the condition of social housing dwellings. A Decent Home is one which is warm and weatherproof and has modern facilities.

7.3.2.1.2 Development is the acquisition and construction of new affordable housing for rent or sale.

7.3.2.1.3 The Lettable Standard is the minimum standard of repair that tenants can expect when renting a Victory property.

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1 Source: “2017-47 Components v4 smoothed.xls”
7.3.2.1.4 The Victory Garage Standard is the standard which all Victory owned garages to be retained will meet, unless disproportionate expense will be required to meet the standard.

7.3.2.2 Standards

7.3.2.2.1 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. All our homes meet the decent homes standard, and we are keen to maintain this position. We have a high number of refusals for work, and we need to take this into account and engage residents in considering future priorities. Reductions in social housing rents means that we need to focus on minimum property quality standards that reflect essential compliance with all landlord and regulatory obligations including Decent Homes, compliance with fire risk assessments and other health and safety requirements and compliance with minimum energy performance criteria to provide a reasonable degree of thermal comfort.

7.3.2.2.2 The cost of investment to this standard will be considered in the context of long term financial returns and the extent to which resident priorities can be met. We want to move away from a standard lifecycle based component replacement model to a demand-led system based on Victory specific data to reduce unnecessary investment.

7.3.2.2.3 During our decent homes programme we experience a large number of refusals from residents. We need to acknowledge this and develop a standard of investment for long term investment in the stock which meets the requirements of the properties, is affordable within the business plan, and reflects residents’ priorities.

7.3.3 Stock condition

7.3.3.1 Information on the condition of our stock is based on recent Savills surveys, supplemented with internal resources.

7.3.3.2 The Savills survey, prepared to inform the most recent review for funding purposes, shows a total investment need of the stock of £249m over the next 30 years, equivalent to £51,220 per unit. The breakdown is illustrated below.

<table>
<thead>
<tr>
<th>Year</th>
<th>1 To 5</th>
<th>6 To 10</th>
<th>11 To 15</th>
<th>16 To 20</th>
<th>21 To 25</th>
<th>26 To 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Major Works</td>
<td>£25,783,307</td>
<td>£16,937,094</td>
<td>£29,403,773</td>
<td>£25,180,421</td>
<td>£16,643,564</td>
<td>£21,618,143</td>
<td>£135,566,300</td>
</tr>
<tr>
<td>Related Assets</td>
<td>£710,000</td>
<td>£510,000</td>
<td>£410,000</td>
<td>£410,000</td>
<td>£410,000</td>
<td>£410,000</td>
<td>£2,860,000</td>
</tr>
<tr>
<td>Improvements</td>
<td>£404,300</td>
<td>£55,000</td>
<td>£55,000</td>
<td>£399,500</td>
<td>£55,000</td>
<td>£55,000</td>
<td>£1,023,800</td>
</tr>
<tr>
<td>Contingencies</td>
<td>£773,499</td>
<td>£508,113</td>
<td>£882,113</td>
<td>£755,413</td>
<td>£499,307</td>
<td>£648,544</td>
<td>£4,066,989</td>
</tr>
<tr>
<td>Disabled Adaptations</td>
<td>£300,000</td>
<td>£300,000</td>
<td>£300,000</td>
<td>£300,000</td>
<td>£300,000</td>
<td>£300,000</td>
<td>£1,800,000</td>
</tr>
</tbody>
</table>
Table 1: Stock condition survey March 2016

<table>
<thead>
<tr>
<th>Exceptional</th>
<th>Extensive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>£2,425,000</td>
<td>£2,355,000</td>
<td>£46,066,761</td>
</tr>
<tr>
<td>£1,525,000</td>
<td>£48,246,541</td>
<td>£36,335,861</td>
</tr>
<tr>
<td>£1,030,000</td>
<td>£34,603,526</td>
<td>£43,745,988</td>
</tr>
<tr>
<td>£1,025,000</td>
<td>£39,727,342</td>
<td>£2,425,000</td>
</tr>
<tr>
<td>£9,385,000</td>
<td>£248,726,019</td>
<td>£1,025,000</td>
</tr>
</tbody>
</table>

Note: These figures are exclusive of VAT, management and administration costs and are based on today’s prices. Costs are inclusive of preliminaries. If VAT were added at 20% to all costs, this would bring the total expenditure requirement to £298.5m.

7.3.3.3 Our business plan reflects our programmes designed to deliver the investment need, with a smoothed profile of investment. Programmed costs are detailed below:

<table>
<thead>
<tr>
<th>Year</th>
<th>1 to 5</th>
<th>6 to 10</th>
<th>11 to 15</th>
<th>16 to 20</th>
<th>21 to 25</th>
<th>26 to 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components (Capitalised)</td>
<td>£16,720,959</td>
<td>£15,416,350</td>
<td>£21,045,294</td>
<td>£17,627,505</td>
<td>£18,918,727</td>
<td>£16,032,336</td>
<td>£105,761,171</td>
</tr>
<tr>
<td>Major works (Non Capitalised)</td>
<td>£11,190,000</td>
<td>£9,120,000</td>
<td>£8,920,000</td>
<td>£8,620,000</td>
<td>£8,620,000</td>
<td>£8,620,000</td>
<td>£55,090,000</td>
</tr>
<tr>
<td>Responsive repairs</td>
<td>£14,766,949</td>
<td>£14,639,425</td>
<td>£14,630,905</td>
<td>£14,628,236</td>
<td>£14,628,236</td>
<td>£14,628,236</td>
<td>£87,921,988</td>
</tr>
<tr>
<td>Cyclic repairs</td>
<td>£4,211,915</td>
<td>£4,247,664</td>
<td>£4,229,885</td>
<td>£4,222,490</td>
<td>£4,222,490</td>
<td>£4,222,490</td>
<td>£25,356,935</td>
</tr>
<tr>
<td>Total</td>
<td>£46,889,823</td>
<td>£43,423,438</td>
<td>£48,826,084</td>
<td>£45,098,232</td>
<td>£46,389,454</td>
<td>£43,503,063</td>
<td>£274,130,094</td>
</tr>
</tbody>
</table>

Table 2: Stock condition costs prepared for business plan July 2017

Note: These figures are inclusive of VAT, management and administration costs and are based on today’s prices. Costs are inclusive of preliminaries. The Components (Capitalised) costs include £10,822,000 of reduced costs to allow for disposals.

7.3.3.4 We have an ongoing programme of Stock Condition Surveys. These will be prioritised to obtain key Decent Homes Standard and Housing Health and Safety Rating System compliance data-sets which are no older than five years.

7.3.4 Compliance

7.3.4.1 In addition to our legal duties and obligations, providing a safe environment for residents and staff is a fundamental principle. Compliance management, beginning with complete, accurate and controlled asset data records, and the development of efficient processes & procedures is at the centre of our ability to deliver this core objective. Our position in respect of key aspects is set out in related sections of our Homes policy including

- Asbestos (Section 3)
- Legionella (Section 4)
- Fire Safety (Section 5)
- HHSRS (Section 11)
- Electrical safety (Section 12)
- Gas safety (Section 13)

2 Savills stock condition survey March 2016
3 2017-47 Components v4 smoothed.xls
7.3.5 Energy efficiency

7.3.5.1 Our approach to energy efficiency is set out in section 8 of our Homes Policy. This includes targets for energy efficiency of new and existing dwellings. Improvements are targeted where properties do not meet existing standards.

7.3.5.2 At April 2017 we had 94.3% of our properties with a EPC rating of D or above. 280 properties fall below this standard, predominantly our older properties.

7.3.5.3 Where existing properties cannot be brought up these target standards, on the grounds of finance or design, we will explore alternative actions for these assets.

7.3.6 Garages, hardstandings and allotments

7.3.6.1 Section 9 of our Homes Policy sets out our investment standard for retained garages. In October 2015 the board took a strategic decision to consider disposal of non-core assets such as garages and hardstandings.

7.3.6.2 At April 2016 Victory owned 477 garages divided into 58 garage sites located throughout its operating area. Demand for garages had fallen with only 57% let. A review of the portfolio at that time resulted in the decision to use some sites for redevelopment by Victory and to dispose of others, either immediately, or deferred until 2021 and with planning permission to maximise value. Until disposal, our budgets include for works to maintain health and safety.

7.3.6.3 As at April 2016 we also owned 82 hardstandings divided into 14 sites and 4 allotments on 1 site. In May 2017 the board approved that two sites are used as new homes development sites by Victory (either now, or by land banking for the future), six sites are disposed of immediately, four sites are disposed of following a deferral period and three sites are retained as land used either as hardstandings, or as amenity land.

7.3.7 Unadopted Roads

7.3.7.1 Victory owns, and therefore has maintenance responsibility for, approximately 200 unadopted roads, paths and parking areas. Our policy on unadopted roads is set out section 10 of our Homes Policy. This sets out our plans to ensure unadopted areas are maintained to minimise the risk to persons and property, in a way that delivers value for money.

7.3.7.2 We will consider the performance of adjacent unadopted roads in any options appraisals arising out of our review of the performance of existing assets.
7.4 Active Asset Management

7.4.1 Analysis of financial performance

7.4.1.1 We use a 30 year discounted cashflow analysis financial model which determines comparative stock performance by calculating a Net Present Value (NPV) for each property within Victory’s stock portfolio. We will prioritise stock investment decisions as follows:

<table>
<thead>
<tr>
<th>Performance Band</th>
<th>NPV pu</th>
<th>Investment Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Vulnerable</td>
<td>Below £0</td>
<td>Do not invest prior to options appraisal</td>
</tr>
<tr>
<td>Vulnerable</td>
<td>£0 to £10k</td>
<td>Do not invest prior to review and potential options appraisal</td>
</tr>
<tr>
<td>Robust</td>
<td>Over £10k</td>
<td>Continue investment programme</td>
</tr>
</tbody>
</table>

Table 3: Performance bands

7.4.1.2 The 30-year NPV of Victory’s tenanted housing stock of 4,849 units stands at £82.3m, equivalent to an average of £16,980 per unit. The range of NPVs across the portfolio is illustrated below.

7.4.1.3 The NPV will always be lower than the Existing Use Value (Social Housing) prepared for funding purposes. This is because the EUV(SH) uses different assumptions, reflecting the position of a mortgagee in possession. This would include using minimum investment spend and not reflecting social housing rent reductions which would not apply. For asset management purposes the NPVs reflect the current operating position, to inform investment planning.

Figure 2: NPV range

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4 Victory NPV calculation 5/7/2017
7.4.1.4 74% of the stock (3,569 units) is showing robust performance with a 30 year NPV above £10,000 per unit. 21% (1,025 units) shows vulnerable performance and 5% (255 units) is highly vulnerable with an average NPV of minus £3,786.

7.4.1.5 The majority of poorer performers in the highly vulnerable category are older pre-1945 properties. A large number of these (147 of 255) are three bedroom properties predominantly in rural locations. This is driven by the higher repair costs associated with older properties.

7.4.1.6 The range of archetypes in the vulnerable category is more mixed across a range of archetypes from Urban 1 beds built 1975 – 2005, to pre-1945 family dwellings. This group requires further analysis to understand individual performance drivers and to prioritise options appraisals particularly where NPVs are forecast to decline in future. Currently we use a measure of short term NPV (5 years) to assess whether the property has a short term future.

7.4.1.7 We also use a comparison with market data at options appraisal stage, to understand and test alternative options.

7.4.1.8 Our NPV modelling is regularly updated and used:

- when we are considering options for void properties (in terms of viability of long-term investment) and;
- where major repairs are due, whether to proceed or consider other options (again to review in terms of viability of long-term investment).

7.4.1.9 We also need to consider how to reflect performance against our objectives as a social housing landlord. This could include measures linked to affordability, deprivation, fuel poverty, resident satisfaction etc. Consideration will be given to developing a framework to evaluate this. The combination of the social and financial assessment is useful as a comprehensive assessment of overall performance. Priority in terms of action will differ depending on whether stock that performs poorly on a financial basis is also not meeting the organisation’s social objectives. Intervention in areas would generally vary depending on the relative position. For example a high NPV but low social score may indicate a need for community investment, alongside asset investment to improve our ability to support our residents and to help them thrive in their homes and communities. A low NPV but high social score may indicate a need for regeneration or redevelopment to improve the physical quality of the buildings in an area of high sustainability.

7.4.1.10 We need to understand the impact of changes in welfare reform on NPV. We will be comparing existing rents and service charges against local LHA rates in order to assess our risk in each area and each archetype.

7.4.2 Footprint strategy

7.4.2.1 Our development strategy focuses on the whole of Norfolk, reflecting our operating area. Schemes beyond, but close to, the border will be considered on their merits and not be dismissed solely due to geography. Within that operational area, development will be focused on urban areas, together with market towns and larger villages which are all seen as sustainable communities. More rural schemes will be
subject to an assessment of their sustainability, will be considered on a case by case basis and form no more than 20% of the overall programme.

7.4.2.2 As such our asset management approach does not involve any plans to rationalise our stock holding as it is all aligned with our development strategy. Our rationalisation plans in asset management will be more archetype based, focussed on dealing with underperforming older properties, and replacing them with better performing newer stock.

7.4.3 Options appraisals

7.4.3.1 The modelling provides a framework for investment decisions to inform a strategy based on an active asset management approach where we seek to make investment decisions based on the financial and social performance of the stock, in a way that strengthens the business plan and contributes to meeting our policy objectives.

7.4.3.2 Where our analysis identifies assets that are performing poorly, either on a financial or non-financial basis, a more detailed options appraisal will be carried out and all options for improvement will be explored. Interim investment programmes will be established for those assets identified as requiring options appraisal before long term investment decisions are made. When appraising options for neighbourhoods we will consult residents and other stakeholders.

7.4.3.3 We have established triggers for options appraisal including

- Potential expenditure for repairs in excess of £2,000 (including VAT), but excluding the cost of clearance, required to bring the property up to Victory’s Lettable Standard.
- Potential expenditure for planned works, to meet Victory’s Lettable Standard prior to re-letting an empty property in excess of £6,000 (including VAT).
- Specific technical reasons – e.g. flood risk, significant health and safety related issue
- Poor energy efficiency performance – i.e. Energy efficiency rating below band D and costs more than £1,000 (including VAT) to achieve a band D rating.
- Community cohesion issues.
- Poor amenity (e.g. inappropriate layout) with no easy way to resolve.
- Unusual financial circumstances.
- The property is assessed as being financially ‘vulnerable’ or ‘highly vulnerable’ (i.e. 30 Year Net Present Value of £10,000 or less).
- All properties with three bedrooms (except post transfer new builds).
- All urban* properties built prior to 1945 and all rural* properties built prior to 1974 (* as categorised within the ‘Classification’ list held in Victory’s asset database, Keystone).
- All properties with non-standard form of construction.
- All properties with solid wall construction which are likely to cause high heating costs for the tenant and / or condensation issues.
- Low demand and difficult to let as social housing.
7.4.3.4 Our corporate plan makes clear our commitment to improve and look after our homes. However where properties are performing poorly against financial and the social measures set out above, we will explore alternative options to improve performance. This would include consideration of

- Re-modelling or re-development opportunities
- Potential transfer to another social landlord
- Potential disposal to allow stock re-provision
- Demand and community issues in the local area
- Level of potential flood risk
- Local Authority’s Housing Strategy requirements
- Regulator’s requirements
- Funder’s requirements
- Resident preferences (where property occupied)
- Affordability issues (running costs, etc)
- Level of existing amenity (room sizes, layout, etc)

7.4.3.5 Key potential options for stock could include:

- Management initiatives – for example, efficiencies in management costs or reductions in underlying maintenance or repair expenditure, reduction of voids, increases in income subject to Victory’s policies on rents and service charges
- Other management initiatives to improve financial performance such as change of use to sub-market renting and potentially market renting and shared ownership (subject to regulatory requirements) and in line with our diversification objectives
- Transfer to a better placed housing provider to ensure continued use as affordable housing and release value for investment in core areas
- Disposal of properties that do not meet social need to release latent value for investment in affordable housing that will better meet the needs of communities in our core area
- Decommissioning and disposal for redevelopment, again to release latent value for reinvestment, linked to our development strategy
- Decommissioning and re-development of released sites

7.4.3.6 Our asset management strategy includes targets for disposals, to reduce our capital liabilities, and to provide resources to support our development plans. When Victory decides to dispose of a tenanted property, we will:

- Consult with the Local Authority
- Consult fully with the resident to establish their preferences
- Consider options for transfer to another suitable Victory property (including new-build where available)
- Facilitate the resident in bidding for properties
- Provide the tenant with support to move (including ‘Assisted Moves’)

7.4.3.7 We will not normally sell properties that remain occupied, unless there has been appropriate consultation with the tenant(s) and with the specific approval of the Board.
7.4.3.8 The results of options appraisals will be brought back to Executive team for decision who have delegated responsibility from the Board.

7.4.3.9 Our current NPV modelling shows 255 properties in the “highly vulnerable” category, with a further 1,025 in the “vulnerable” category. Appraisals in this category will be prioritised based on an understanding of short term (5 year) NPV. Major investment decisions in these properties will be deferred until options appraisals are complete. An interim investment programme will be established to ensure essential health and safety requirements are maintained.

7.5 Investment planning

7.5.1 Investment priorities

7.5.1.1 Our approach to investment planning is set out in section 2 of our Homes policy. This sets out our approach to routine, planned and major repairs investment and includes our approach to tenants in terms of information, consultation and specific vulnerability.

7.5.1.2 The investment programme will prioritise works to the long term sustainable stock within available budgets under agreed criteria set out in priority order below. Investment priorities are designed to achieve the optimum balance between planned and responsive maintenance and include:

- Statutory compliance such as fire safety, gas servicing, lift servicing etc.
- Works identified through health and safety risk assessment to residents and risk assessments with regard to disrepair or where properties are structurally dangerous
- Works that impact on high responsive repair costs
- Works to maintain quality decent homes
- External and communal area redecorations based on poor condition
- Estate and environmental improvements, enhancements to overall appeal and letting potential of the stock.

7.5.2 Investment planning

7.5.2.1 Investment rules are drafted to reflect stock sustainability. We direct investment at homes which are sustainable and which improves the alignment of our housing stock with housing needs. Victory’s housing stock is currently compliant with the Decent Homes Standard. It has programmes in place to maintain this standard. Victory has a financial plan to support the required financial investment necessary to maintain and improve its stock, as well as develop new-build properties. The figure below shows total maintenance expenditure requirement over 30 years (components, major repairs, responsive and cyclical) compared with business plan resources and benchmark costs.
7.5.2.2 This reflects the commitment in our corporate plan to spend £50m over the next five years on improving and looking after our homes.

7.5.2.3 Five year investment programmes will be developed based on stock condition data and investment priorities. These will be updated on an annual basis to meet any changing priorities or budget constraints. Other factors that will be considered in setting up annual programmes of work include:

- Information on the future viability of the stock
- Approaches to investment which delivers Social Value
- Feedback from key stakeholders
- Referrals from Housing Management
- Frequency of repair/repairs expenditure
- Opportunities - e.g. for disposal to release resources, or redevelopment

7.5.3 Value for money

7.5.3.1 We will constantly be looking to deliver value for money in our asset management strategy to maximise the use of scarce resources, and target investment where it can deliver the best return.

7.5.3.2 Our value for money self-assessment 2017 shows our return on capital employed has increased from 8.5% in 2015 to 10.2% in 2017. Our maintenance cost per unit has reduced from £1,036 in 2015 to £840 in 2017 which is below our benchmark comparators. Our major repairs cost per unit has reduced over the same period from £1,390 to £986 per unit. This is higher than our benchmark comparators, reflecting the capacity generated from efficient operating costs, enabling us to focus investment on our homes.

7.5.3.3 Disposals brought in net receipts of £6.1m and saved an estimated total of £290k in maintenance costs in 2016/17. This is calculated through the difference in the average responsive repair costs between a new property and the archetype of the disposed property plus any planned maintenance that is now no longer required.

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5 Source: "2017-47 Components v4 smoothed.xls"
7.5.3.4 We continue to focus on procurement, through a combination of both directly tendered and framework contracts. In 2016/17 savings of £156k were obtained due to effective procurement in asset related activities.

7.6 Review and monitoring

7.6.1 Governance and reporting

7.6.1.1 The board has overall responsibility for this policy, with the Executive team responsible for overseeing the implementation. Assistant Directors and Managers are responsible for ensuring that all aspects of their services comply with the policy. Employees are required to ensure that they act in accordance with the policy.

7.6.1.2 Appendix One sets out the governance structure in respect of asset management.

7.6.1.3 This Asset Management Policy is a corporate-wide policy. It applies to:

- All current residents and leaseholders living in properties owned or managed by Victory;
- All permanent and temporary employees and agency staff;
- Consultants and contractors working for Victory.

7.6.1.4 This policy applies to all properties and land owned or managed by Victory.

7.6.1.5 Investment programmes and the results from options appraisals leading to alternative proposals for assets will be reported to the Board. Reports will include financial and quality outcomes against plans. We will measure our success through a range of Key Performance Indicators (KPIs) developed specifically for Victory which include:

- Overall growth in NPV across our portfolio
- Option appraisal for all properties which meet the triggers established
- Understand the extent to which our assets meet our social objectives
- All properties to have an EPC rating of E by 2018 and D by 2021 with alternative options explored where this is not feasible
- Adherence to major works budget and timescales
- Compliance with all health and safety, regulatory and statutory standards
- Maintain resident satisfaction above median when benchmarked against the national Registered Provider sector

7.6.2 Review

7.6.2.1 This strategy covers a five year period from 2017 – 2021. Options appraisal triggers and investment programmes will be reviewed annually. The strategy will be reviewed in 2019.

7.6.3 Authority and control information

7.6.3.1 The Assistant Director - Assets will monitor and review the effectiveness of this strategy, including:

- Production and maintenance of the policy document
• Providing periodic updates to the Development and Asset Management Committee
• Progress in delivering the Assets-related objectives set out in Victory’s Corporate Plan
• Undertaking stock option appraisals and delivering outcomes
• Delivery of investment programmes
• Undertaking stock condition surveys
• Updating Victory’s asset management database
• Compliance with legislative, regulatory and funding requirements
### Appendix 1: Governance

<table>
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<tr>
<th>Tasks</th>
<th>Senior Management Role</th>
<th>Board Role</th>
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| Drafting, maintaining and updating the Investment Programme (IP) | Prepares draft IP for Board decision  
Maintains IP  
Provides annual update of IP  
Provides full periodic reviews of IP | Approves draft IP and has overall responsibility for ownership of Asset Management Strategy  
Approves annual updated IP and periodic reviews. |
| Implementing options appraisals and managing outcomes | Conducts options appraisals and makes decisions delegated by Board  
Implements Board decisions  
Annual report to Board on options appraisal outcomes including outcomes from transfer / disposal proceeds fund (see below) | Delegate responsibility to Senior Management to make decisions for implementation by the executive |
| Managing progress against delivery of five year investment programme | Monthly reporting and consideration of progress / corrective action via senior management team  
Formal reporting to Board at least every six months | Receives and approves formal reports from the executive and takes / approves any corrective action required  
Regular monitoring |
| Updating stock condition survey information | Annual programme of stock condition surveys implemented so as to achieve 100% survey  
Outcomes used to inform annual revisions to the IP and to the NPV Model | Results reported to Board for information and via annually updated Investment Programme for approval of revised Asset Management Strategy. |
| Updating NPV model | Model will be owned and managed as a decision support tool and it will be updated on a regular basis in response to changes in the stock portfolio (additions, disposals, transfers, investment, etc.) | Model outputs will be reported to Board on at least an annual basis so as to demonstrate that implementation of the IP is improving the Net present value (NPV) of the portfolio as part of the overall Asset Management Strategy. |