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Asset Management at Midland Heart

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Who is Midland Heart?

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- Nearly 32,000 units across a range of tenures.
- 67% general needs rented, 17% care & support, 6% shared ownership and 10% other.
- Have stock in 54 local authorities although concentrated in the West Midlands (90%).
- Significant amount of stock is pre 1945 terraced and post 1974 houses.
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- Customer base is characterised by a relatively high percentage of young, BME, single person households.

Who is Midland Heart?

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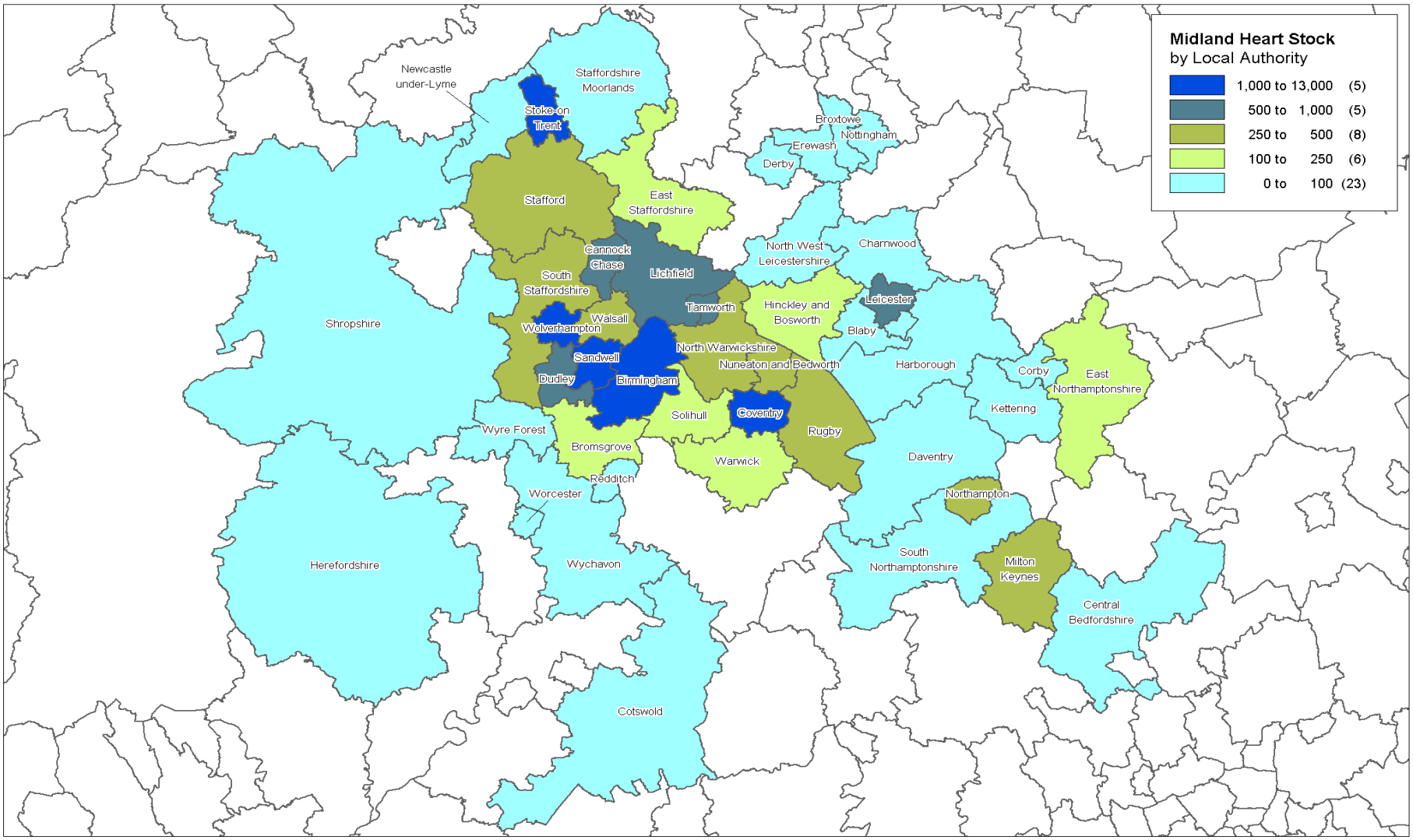

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Midland Heart Stock (Jan 2011)

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Asset Management to date

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Since Midland Heart formed in 2006 the focus has primarily been on:

- Strategic rationalisation
- Decent Homes
- Operational improvements.
- The removal of shared facilities in Care & Support schemes and conversion to wet rooms.
- Increasing our asset intelligence – developed a Strategic Asset Management System (S.A.M.S)

Context for a new approach

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- Having a robust asset management strategy more important than ever for providers.
  - Localism Bill and tenure reform.
  - Welfare reform.
  - Reduced funding for development.
  - Removal of Supporting People ring-fence.
  - Changing customer expectations / Personalisation.
  - What next after Decent Homes?
- Need to actively manage the asset rather than adopting a passive approach.

Developing a new strategy

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- Does not simply re-state the investment plan.
- Sets out the direction and the framework on which decisions will be based.
- Combines our approach to growth balanced against investment in existing stock.
- Based on an understanding of stock performance and what it costs to manage stock, including the housing and care elements.
- Recognises the increasing importance of assistive technology.

Financial Considerations

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- Financial structure and funding
- Financial strategy and aspirations
- Implications of the new world
    - Investment strategy
    - Growth
    - Funding and security

S.A.M.S

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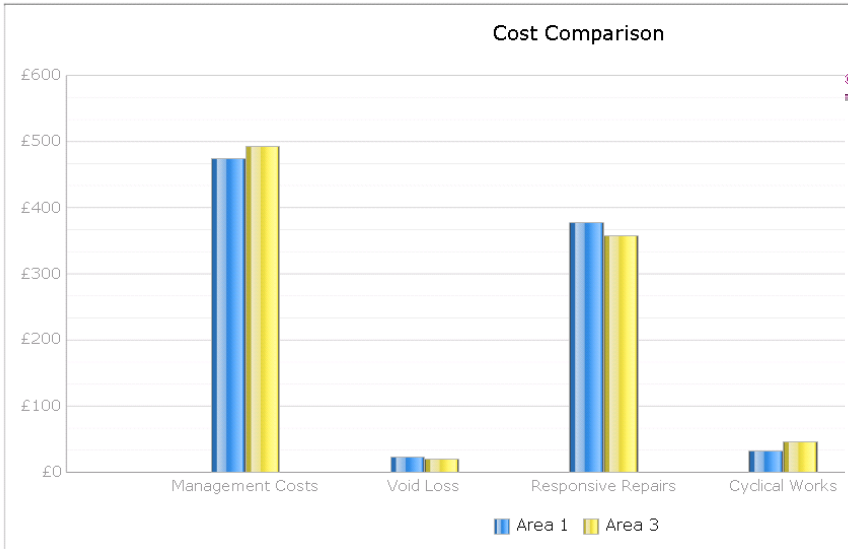
Name	Area 1	Area 3
Bedsize		0
Property Type		0
Geography		
30 year cashflow	£10,716,761	£12,308,525
NPV 30 years	£3,898,809	£4,907,812
NPV 30 years average / unit	£36,781	£33,161
NPV Perpetuity		
NPV Perpetuity: average / unit		

Area 1		
Units:	106	
Ave Rent Per Week	£77.21	
	Total	Per Unit
Block Costs	£0	£0
Management Costs	£50,350	£475
Void Loss	£2,494	£24
Responsive Repairs	£39,986	£377
Cyclical Works	£3,472	£33
Interest Costs	£0	£0

Area 3		
Units:	148	
Ave Rent Per Week	£76.85	
	Total	Per Unit
Block Costs	£0	£0
Management Costs	£72,964	£493
Void Loss	£2,915	£20
Responsive Repairs	£52,975	£358
Cyclical Works	£6,924	£47
Interest Costs	£0	£0



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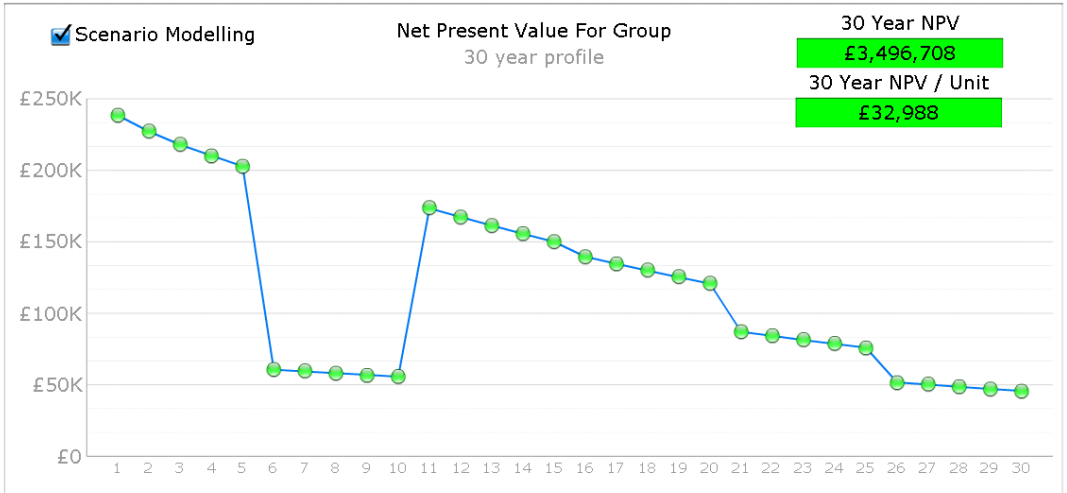

RPI 2.5%	Rent Increase (RPI+) 0.5%	Planned Cost (+-) 25.0%	Loan Cost (+-) 0.0%
Discount Rate 7.0%	Repairs Inflation 0.0%	Rent Collection 100.0%	
Void Loss 9.6%	Write Off 1.5%	Salary Inflation 0.5%	

S.A.M.S

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- Provide evidence base for operational decisions on disposals / investment / intervention.
- Support long term investment planning.
- Understand the value of the stock and those which provide high and low returns e.g. by geography, type.
- Model the impact of changing external factors e.g. rents being tied to CPI rather than RPI, affordable rent.
- Support the valuation process of potential acquisition opportunities.
- Test the assumptions used when appraising new developments

Elements of the New Strategy

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- Growth
  - Geography
  - Core Customer Group
  - Products/Services
  - Tenure
  - Nature

- Asset Management
  - Midland Heart Standard
  - Aids and Adaptations
  - Affordable Warmth/Energy Efficiency
  - Options Appraisal
  - Strategic Stock Rationalisation

Working with Local Authorities

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- Balancing approach to asset management with the priorities of different local authorities.

- Shared understanding the role of responsible stock churn in asset management.

- Transparent Decision making process based on:
  - the opportunity cost for every £ we invest
  - stock intelligence
  - Opportunities provided for home ownership, mixed tenure communities
  - Investment by new owners
  - Sustainability of neighbourhoods
  - Other Midland Heart investment in the local area