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Asset Investment and Viability Framework

1.0 Aim / Purpose of the Policy

1.1 The purpose of this Framework is to aid in identifying core and non-core stock in line with the Asset Management Strategy. Core assets are those property assets essential or important to the operation of Coastline's charitable business operations as a social landlord. Non-core stock are property assets that are either not essential or less viable for the company's business operations.

1.2 The framework is designed to help ensure we can better focus investment on the right homes. Retaining all of our homes, regardless of their quality and long-term suitability, would over time result in us having fewer homes at a lower average standard. By selling our 'non-core' homes when they become empty we can focus our investment where it is most effective, with the result being that we provide a higher number of homes at a higher average standard.

1.3 This Framework should be read in conjunction with the Asset Investment and Viability Procedure which deals with its detailed implementation.

2.0 Background / Introduction

2.1 The current Value for Money Standard was introduced in April 2018. This states that Registered providers must:

a) clearly articulate their strategic objectives
b) have an approach agreed by their board to achieving value for money in meeting these objectives and demonstrate their delivery of value for money to stakeholders
c) through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
d) ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

2.2 The Framework is particularly focussed upon deriving optimal benefit from assets to support the strategic objectives of the Coastline Plan and its delivery is supported financially by the 30 year Business Plan. Among other expectations, the Standard also requires "a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance". This Framework and supporting procedure document provide the framework to demonstrate this and includes consideration of how to maximise income, reduce on-going maintenance costs and seek opportunities to fund new developments.

2.3 Coastline's Investment and Viability Framework aims to demonstrate an understanding of the return on assets, and a proactive approach to managing them. It provides a business-

	case driven framework for Coastline to best consider which assets are to be retained and/or considered for disposal.
2.4	Suitability of Homes for Affordable Social Housing
2.4.1	Coastline has a responsibility to provide homes most suited to customers' needs. The existing property stock contains properties of wide age range and archetype with some no longer suitable for retention within the affordable housing sector, especially when compared to the newly developed homes which the Coastline Plan seeks to deliver.
2.4.2	When considering the retention of core stock, a wide range of key factors including open market value, housing demand, sustainability, customer household costs, future investment/maintenance implications and the suitability of the property within social housing will be taken into account, whilst also taking into account the views of existing customers. Older and non-traditional construction homes which are difficult to insulate and have significantly higher household running costs than more modern properties will be identified within the assessment process. Coastline recognises that customers living in such homes are disadvantaged in terms of household budget management, especially those in receipt of government benefits, often leading to fuel poverty.
2.4.3	There are homes which physically cannot meet the objectives of Coastline's Environmental Strategy and others which require a disproportionate level of investment to achieve the desired energy efficiency standards as measured through the Standard Assessment Procedure (SAP). In such cases, whilst Coastline may elect not to invest in the disproportionately costly improvement of those homes, they will remain safe and meet required Decent Homes Standards.
2.5	Location and Geographic Implications
2.5.1.	When considering the longer term retention of assets consideration will be made to ensure that properties with geographical anomalies making them less suitable for the affordable housing sector are weighted in such a way that they are identified for disposal once unoccupied. For example, properties built on Environment Agency Flood Plains and those that have history of or are susceptible to floods have significant implications to customers who find that they are unable to purchase adequate household insurances at reasonable cost, once they have occupied the property.
2.5.2	Coastline has a range of existing stock in rural locations within Cornwall some built within areas of natural beauty and open-market desirable locations. Coastline will have regard to the wider sustainability of rural settlements and as part of the supporting Viability Model, the Executive Team will be advised where it is the final property in that location. This approach is also supported by Coastline's Development Strategy, which includes a commitment to developing new homes in rural settlements.
3.0	**Legislation, Statutory Regulatory duties & references**
3.1	Local Authority Consultation
3.1.1	Coastline is committed to working with Cornwall Council to develop and agree a strategy for the rationalisation of letting stock; this Framework is shared with the Local Authority who will

	be informed of any significant updates and will be consulted for approval on all major revisions to this document.
3.1.2	Innovation and partnership working will allow Coastline to positively drive this agenda forward with stakeholders within the development targets required by Coastline's Business Plan requirements.
3.1.3	The Ethical Sales statement intends to give a framework to assist in both assessing properties for disposal as well as ensuring properties are disposed of in a way that gives maximum support and benefit to the Communities Coastline work with. The application of an ethical approach to sales, in particular asset disposals, is in line with Coastlines objective of delivering homes to local people and a commitment to supporting housing across all areas of Cornwall including rural communities.
3.1.4	There are three strands to the Ethical sales Statement: 1. All the proceeds from property sales will be reinvested in new homes; 2. All communities will be given first refusal on properties to be disposed, by way of Cornwall Council and Parish and Town Councils; and 3. Priority will be given to local purchasers who are looking to occupy the property for their main home. The impact and effectiveness of the statement as a whole is reviewed regularly. Part of this review will include seeking feedback from Town and Parish Councils about their involvement with the process and ways the approach can be improved to facilitate more sales to local purchasers.
4.0	**Main Principles of how the Framework works in practice**
4.1	Coastline will use a system of policies, procedures and software solutions to determine which properties are most advantageous for disposal. The assessment criteria takes into account corporate, customer and local factors using a weighted process to highlight those properties which require further and more detailed assessment to determine retention or disposal. This is detailed in the Asset Investment and Viability Procedure but unless it is a high cost void or has been subject to significant alterations (generally this will be difficult to reverse works such as adaptations for a level access shower, through floor lifts or structural alterations but excludes stairlifts or reversible minor adaptations), the viability model is applied sequentially with "primary rules" applied as follows: - Automatically retain, even if it is a high cost void:- • If less than 30 years old • Where it is Housing for Older People, Extra Care or a Homeless service properties • Cornish Unit flats (due to low value) • Homes managed by/for others (e.g. Legal and General homes) • Garlidna Alms Houses • Any home with 4 or more bedrooms Automatically dispose:- • If the property is on a private waste water treatment plant

	• If the property cannot meet EPC C without solar PV panels (usually listed buildings) • If within a high flood-risk zone (as established by the Environment Agency) If the property is not automatically flagged for retention or disposal, “secondary rules” consider the investment required in the void property and whether it has been subject to major alterations.
4.2	A full Stock Condition Survey undertaken on a rolling five year programme informs the Business Plan and is used to ensure that asset management information is accurate and long term maintenance projections are available for each property. In addition to projected maintenance spend, further investment will be necessary to meet the Government’s net-zero carbon expectations and align with Coastline’s environmental targets.
4.3	Return on assets will be underpinned by data analysis to enable decisions on our assets, for example whether to hold particular stock in its current form, dispose of it to another provider, or on the open market, or convert it to another tenure.
4.4	Development
4.4.1	New property development will be undertaken by Coastline in accordance with the Development Strategy.
4.4.2	Coastline remains committed to new development. This enables healthy stock churn providing higher quality new homes to replace less viable ones that we dispose of. The proceeds from disposal are ring-fenced to fund the delivery of new stock
4.5	Acquisitions, Buy Back and Purchase
4.5.1	Through efficient and effective asset viability modelling consideration will be also be undertaken on the options for acquisitions, Buy Back and off the shelf purchase within the Group’s operating area. A full appraisal and independent valuation process will be completed for appropriate opportunities and presented for formal approval.
4.5.2	Coastline will use net proceeds from any disposal to fund the construction and purchase of new homes.
5.0	**Service Standards**
5.1	Coastline puts customers at the forefront of its business and seeks to consult with its Involved Customers through the customer-led involvement teams on a variety of activities throughout the business. Customers will be consulted on significant changes to this Framework via the Customer Experience Committee if relevant.
6.0	**Cross reference / Working in partnership / Links to other Policies**

6.1	This Framework links to the Coastline Plan, the Asset Management Strategy, Development Strategy, Environmental Strategy and the 30 year Business Plan.
6.2	The Head of Property Investment and Compliance has overall responsibility for the Asset Investment and Viability Framework with other teams contributing towards the successful implementation of its objectives.
6.3	The Asset Investment and Viability Framework will be considered annually to ensure that the company is able to take into account legislative and Regulatory changes and the impact of asset disposals on the Business Plan. Any revisions will be reviewed by the Executive Team and approval will be by the Property and Investment Committee.