Homes Strategy 2025 – 2028

(Condensed Version)

Prepared By

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Manual Version Control

Version	Date	Author	Change Description
1.0	Nov 2024	Richard Walker	New strategy

Purpose & Background

Pickering and Ferens Homes (PFH) owns and manages 1,453 properties located within Kingston upon Hull and the East Riding of Yorkshire.

Historically PFH has had separate strategies for Asset Management, Development and Environmental Sustainability. However, these areas are not mutually exclusive and to maximise returns on investment, ensure properties are safe, residents receive great services, make sound decisions and optimise component lifecycles, we have integrated our strategic approach into one 'Homes Strategy'. This is the condensed version of the strategy, a full version containing detailed analysis is available.

The total forecast expenditure required to maintain our housing stock, both capital & revenue, is £172,869,300, as per the current financial plan.

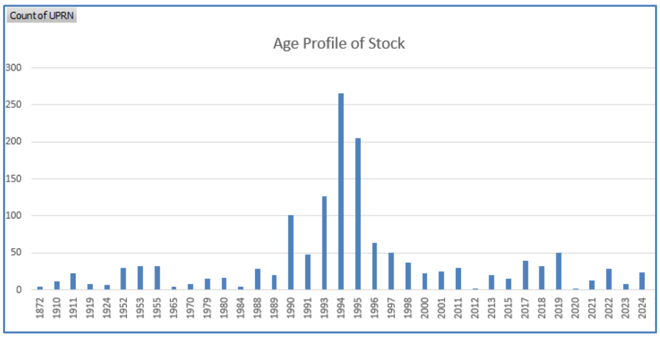
PFH's Corporate Plan 2024/5 – 2027/8 incorporates eight strategic ambitions setting out what PFH aims to achieve. Many of these ambitions and supplementary actions cross-cut with strong management of our assets, approach to environmental sustainability and development decisions.

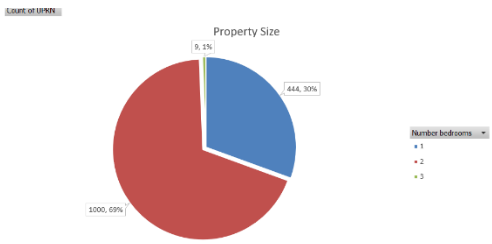
Context:

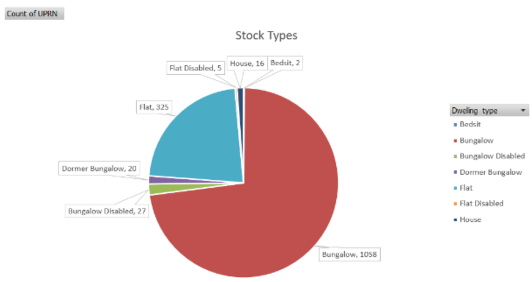
- EU's Taxonomy Regulation
- UK's Climate Change Act and subsequent carbon reduction targets
- Social Housing (Regulation) Act 2023
- Building Safety Act 2022
- Regulator of Social Housing Consumer Standards

<u>PFH Stock Profile</u>

The charts below illustrate the current profile of PFHs homes.







Asset Management, Environmental Sustainability and Development Review 2019 – 2024

A review of the actions contained within our 2019 – 2024 strategies has demonstrated that objectives have been largely delivered. The headlines are:

- Improved the standards of repairs and timescales to 99.9% across our main contractor delivery areas, with related TSM satisfaction ranging from 92% to 96%
- Improved void turnaround times from 51.4 days to 22.5 days
- Meeting our statutory and enhanced H&S compliance requirements
- Providing 100% decent homes
- Significantly increasing the percentage of properties with a physical stock condition survey less than 5 years old
- Continuing to develop new homes specifically tailored and designed around the changing needs of older people
- Satisfaction from residents moving into our new developments has been high, and we've used feedback to improve design and features
- Improved the return on investment for all schemes within the monitoring period, with all schemes continuing to provide a positive net present value
- Developed new properties with solar PV, EV and battery storage
- Implemented a fabric first cavity wall insulation project funded through GBIS
- Made significant progress with the Pickering Crescent refurbishment programme, all refurbished properties achieving an EPC level of 'C'
- Piloted Infra-Red and Smart storage heaters and used learning and feedback to develop further pilots
- Office disposal and leasing, investing receipts into new build
- Agile and hybrid working, reducing carbon emissions for day-to-day operations

We had less success:

- Whilst we have continued to deliver an aids and adaptations service, through our scrutiny review we have identified that there are enhancements we can make
- Stabilising grounds maintenance performance
- Evidencing contribution to neighbourhood regeneration, although the TSM relating to contribution to neighbourhoods outturned at 84% for 23/4
- Developing a carbon reduction plan for the day-to-day business operation and measuring impact

Strategic Drivers 2025 – 2028

Our ‘Homes Strategy’ is shaped by several key strategic drivers that guide our approach to asset management, development, and reducing carbon emissions. These drivers ensure that PFH remains responsive to the needs of our residents, the environment, and the broader community.

Regulatory Compliance and Standards

Adhering to national and local regulations is crucial. This includes meeting building codes, energy efficiency standards, and environmental regulations. Compliance ensures that the homes our residents live in are safe, sustainable, and legally sound.

Resident Needs and Community Well-being

Understanding and addressing the needs of our residents is at the heart of our strategy. This involves engaging with the community to ensure that our homes are not only affordable but also meet the diverse needs of our residents, promoting social inclusion and well-being.

Financial Sustainability

Ensuring the financial viability of PFH and our assets is essential. This includes effective asset management to maximise the value and lifespan of our properties, the components within them, the estates and communal spaces surrounding them, as well as securing funding and investment for new developments and sustainability initiatives.

Technological Innovation

Leveraging new technologies to improve the efficiency and sustainability of our homes is a key driver. This includes adopting smart home technologies, renewable energy solutions, and innovative construction methods to reduce our carbon footprint and enhance the living experience for our residents.

Environmental Responsibility

Our commitment to achieving net zero emissions is a fundamental driver. This involves implementing energy-efficient designs and retrofits, utilising renewable energy sources, and promoting sustainable living practices among our residents and our day-to-day business operations to reduce our overall environmental impact. Whilst this strategy takes us to 2028, it will build a solid foundation to enable PFH to achieve net zero requirements such as EPC ‘C’ for appropriate properties by 2030, and then EPC ‘A’ by 2050.

Market Trends and Demographic Changes

Staying informed about market trends and demographic shifts helps us anticipate and respond to changes in housing demand. This ensures that our developments are future-proof and meet the evolving needs of the communities that we serve.

Current Position

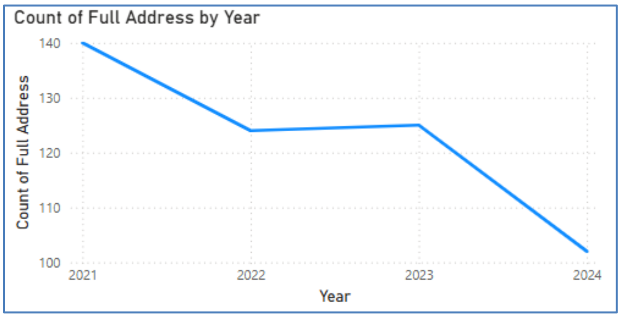
Stock Condition - We have a good understanding of our stock, with 97% of properties having had a physical stock condition survey within the past five years, a sample of which have been externally validated.

Component performance – Our component performance is well aligned to our policy and anticipated lifecycles. Over time bathrooms have been replaced with wet-rooms, identifying a potential £658k savings over the 30-year plan. Kitchens often outperform lifespan by 25%, possibly enabling a saving of £1.75M over the 30-year plan.

We must give consideration to future replacement of boilers with air source heat pumps, which will become more prevalent in the future, both potentially increasing lifespans of heating components, reducing compliance requirements and offsetting installation costs with boiler replacement costs already earmarked within the financial plan.

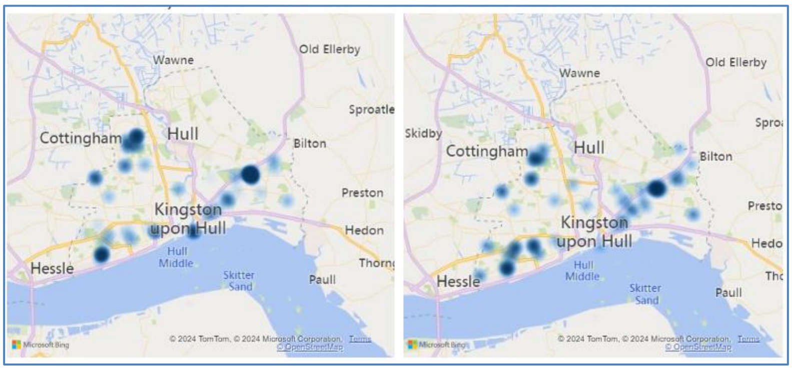
Compliance and Safety - We have a high degree of confidence that we manage our stock safely. Resident feedback through the externally collated TSMs provides us with assurance that between 95% and 99% of residents feel their homes are safe. Independent compliance assurance reviews have supported that. We continued to perform with a zero tolerance on non-compliance of safety standards. Our Resident H&S Forum provides us with further resident led experience of H&S matters, enabling us to enhance standards and implement policy and design changes based on resident feedback.

Voids – Between 2021 and 2023, PFH had an average of 130 vacant properties each year, our work to sustain licenses for longer and enable residents to live in their home for as long as possible has provided us with a year-on-year reduction, which we have continued to benefit from in 2024.

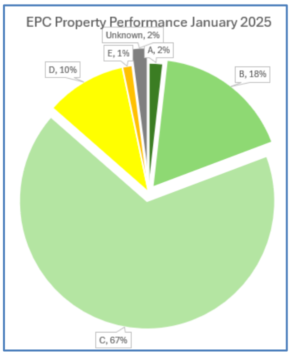


The heat maps below demonstrate where we have had empty properties during this period, vs where our stock is located. This largely demonstrates proportionality, although there are hot-spots at our Ada Holmes Circle and

Humber View PFH+ schemes, suggesting a disproportionate volume of properties becoming empty during the period. We explore this further in the Return On Investment section of this strategy.



Energy Efficiency – At the time of writing, 87% of our stock meets the current 2030 target of achieving an EPC rating of at least ‘C’, this equates to 1,256 properties. This means that 197 properties don’t meet the required standard for 2030, 28 of which are listed/heritage properties, including 5 that are within the Pickering Crescent refurbishment programme and are expected to achieve a ‘C’ rating upon completion. Our current average SAP rating is 73.5.



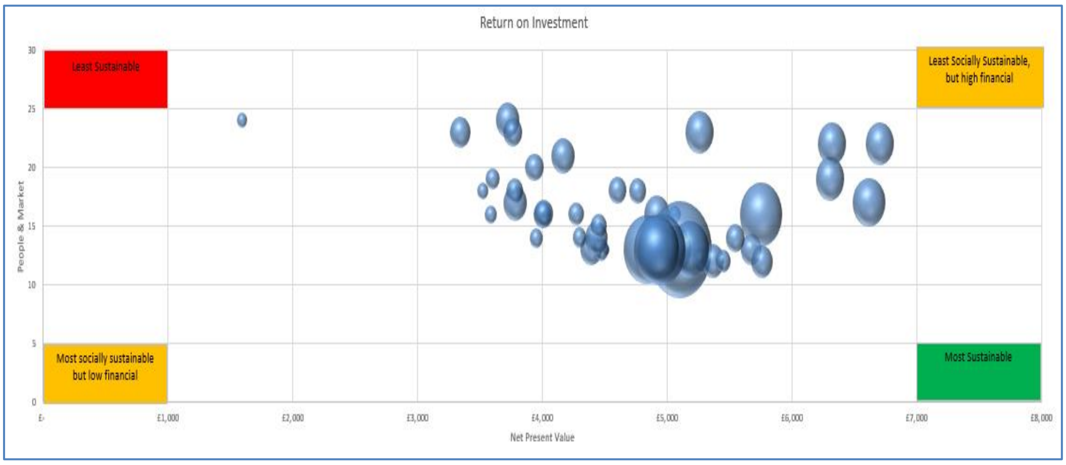
	Fabric First (per property)	Targeted (per property)
EPC ‘C’	£3,505	£934
EPC ‘A’	£19,950	£19,950

*excluding heritage properties

Our Pickering Crescent properties cost in the region of £100,000 per property to refurbish and achieve EPC ‘C’, assuming the remaining heritage properties are similar, an additional £2,300,000 will be required to bring these up to a similar level.

Heat Networks – PFH has eight heat networks. New regulation provides the Energy Ombudsman and Citizens Advice with statutory powers from Apr 2025, Ofgem commencing regulation in Jan 2026 and all networks registered with them by Jan 2027. Whilst currently exempt from several of these requirements due to Almshouse status, we will work with our consultant partners to develop a heat network approach.

Return on Investment (ROI) – During 2024/5 we undertook our 3 yearly return on investment review. This demonstrated that all schemes provided a positive and improved net present value position when compared to 2020/21. It demonstrated to us that some of our schemes had deteriorated within the social sustainability ratings, in particular highlighting Ada Holmes Circle as a scheme where intervention and investment may be required to enhance its social sustainability position. The Mereside outlier is due to scale and proportionality. PFH schemes compare favorably to the £2,720 NPV benchmark when comparing against other organisations.

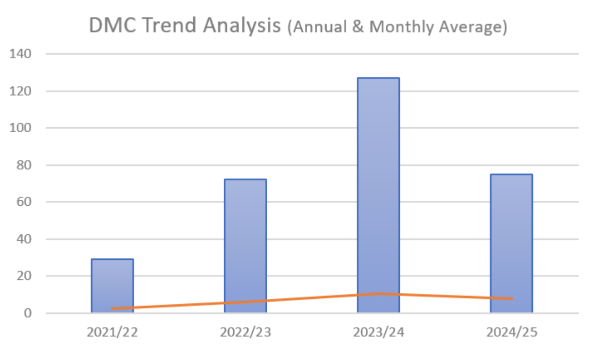


The review highlighted two pop-ins are never used and present PFH with ongoing costs and risk exposure through compliance requirements. Consideration will be given to converting these into domestic properties.

Finance - The total forecast expenditure required to maintain our housing stock, both capital & revenue, is £172,869,300, as per the current financial plan. These figures exclude plans to achieve net zero aside from the Pickering Crescent refurbishment programme (which is included).

Our business plan breaks in year 21 with no grant funding to support net zero. We have stress tested assuming 50% grant funding for net zero and the plan does not break. Following multi-factor stress testing, we will budget to fully fund improvements to achieve EPC ‘C’ and 50% to achieve EPC ‘A’.

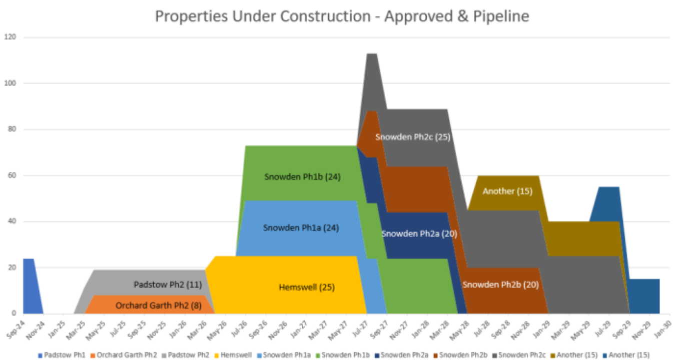
Damp, Mould and Condensation – PFH has experienced an increase in DMC reports largely through our approaches of better promotion and information about DMC. We also significantly increased our SCS schedules, accessing more properties in 2023/4 and 2024/5, enabling us to proactively identify cases. We have strengthened our approach to case management, including several ‘aftercare’ checks. Our DMC Policy aligns with the proposed timescales under consultation for



'Awaab's Law' and have updated our procedures to ensure we can comply. We will continue to robustly and empathetically address DMC, whilst also undertaking continued and detailed analysis of causes, repeat cases and identify trends as appropriate.

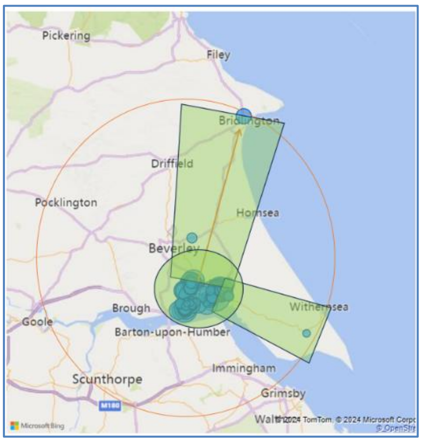
New Build Pipeline – The Older People's Housing Taskforce has recently reported that the UK needs between 30,000 to 50,000 new later-living homes a year to meet the demand of the ageing population. However, currently just 7,000 a year are built. Both East Riding and Hull City Councils have identified a growing gap and need for housing older people. East Riding predicts a 34% increase in over 75s with Hull projecting a 14.2% increase in over 65s.

PFH is well placed to contribute locally to this challenge and currently has an approved development programme of 44 homes to be completed by mid-2026, and a further 113 within the appraisal pipeline and capacity for a further 15 up to mid-2028 as per the graph.



Stress testing of the Business plan has determined that there is capacity for an additional 307 units within a 13 year period. This is subject to grant availability and ensuring that new borrowing facilities are in place and no rent restrictions and flood events. It is assumed that under this stress scenario, to enable this level of development pipeline, over the next 10 years new funding will be required in 3 tranches over 7 years amounting to £24m.

Future Homes - Our strategy is to predominantly develop within these corridors in order to ensure we can continue to service and manage homes without incurring significant additional or disproportionate management costs. We will be open to considering other opportunities outside of these areas, should they arise.



Our Board has been keen to continue with our traditional archetype, but open to explore the style and size of homes for our future residents and the demographic changes that this might bring. This includes potentially slightly larger properties to accommodate intergenerational living and ensuring our community focus continues to design community spaces for socialisation. They will be 'A' rated wherever possible.

We will be open to considering opportunities for modern city living and widening our offer around PFH+ and potentially extra care, but not actively seeking this out without the foundation of a robust review.

Development Assumptions

These have been benchmarked with both local and national housing associations for comparison purposes. The assumptions suit our operating model, financial business plan and costs associated locally.

	Financial plan (Brixx) Assumptions
	2025 -->
Long-term interest rate	5.75%
Cost of Capital	5.75%
Internal Rate of Return	n/a
CPI	2.5% (2025-26) followed by 2.0% (2026-27 onwards)
Future WMC (rent) increase	CPI + 1% (2025-26 & 2026-27), then CPI + 0.5% (2027-28 to 2029-2030), followed by CPI + 0.25% from 2030-31 onwards
Assumed WMC (rent)	£123 p/w (inflated as required for future rent increases)
Management Costs	679 p/a + Long-term CPI + 0.5%
Responsive Repairs	428 p/a + Long-term CPI + 0.5%
planned Maintenance	415 p/a + Long-term CPI + 0.5%
Major Repairs	Major Repairs (ongoing after 5 year)+ Long-term CPI + 1.5%
Long-term voids and bad debts	1.50% (voids) / 0.15% (bad debts)
Acceptable period	40 years
Subsidy	Assumed grant funding at 36% total cost

The above cost of capital (or discount rate) should equal the average cost of borrowing for PFH. For new finance, it should equal the average rate of new borrowing that is required to support the investment.

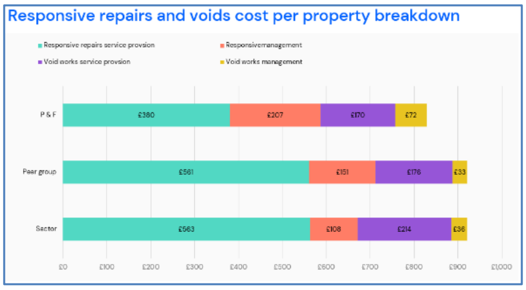
Development Scheme Costs Appraised will be comprehensive and include all likely costs, including framework and professional costs. New schemes will need to demonstrate value for money while assuring affordable charges for the target groups. We will aim for the most advantageous loan terms prudently available but will also, if necessary, keep weekly maintenance contributions within the range of affordability for residents, consider providing a subsidy to capital costs from reserves.

Flood Protection – Due to Hull flood events in 2007 and 2013, PFH has been exposed to significant increases in insurance premiums. GIS mapping analysis has demonstrated that 1,427 of our properties are in areas designated as at risk of flooding from seas and rivers, and 275 fall within surface water risk areas. However, when exploring the likelihood, utilising December 2023 data, the risk exposure is much lower.

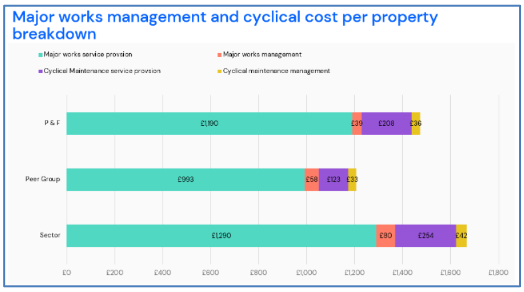
We have undertaken some initial research into feasible flood protection measures for our properties and will continue to further develop our understanding and approach to this, mapping out the costs of implementation, continued maintenance and logistical deployment against insurance premiums, payout thresholds and excess costs.

Procurement – We will ensure that all procurement associated with implementing the Homes Strategy, aligns with the objectives of our Procurement Strategy and adheres to our own policies and procedures.

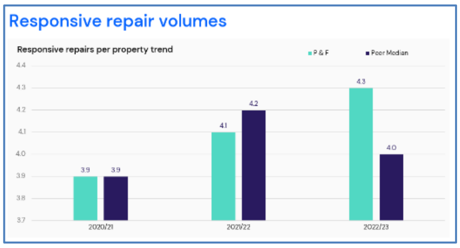
Benchmarking – We undertake benchmarking through Housemark, against our peer group and the overall sector. The charts below demonstrate how we compare in terms of responsive, voids, cyclical and major works costs.

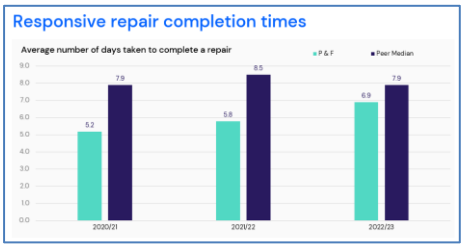


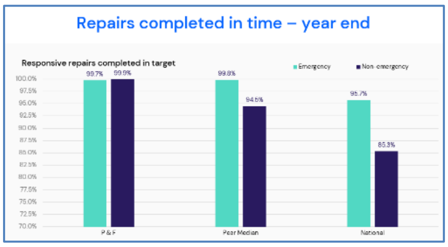
Our cost of major and cyclical works is higher than our peers due to our strategy of deriving value through planned maintenance and significant focus on compliance and safety.



The charts below demonstrate how we compare in terms of volumes of repairs and timescales.







Overall, these demonstrate that PFH have continually undertaken repairs quicker than our peers, and much quicker than target timescales, which is reflected in our TSM outturns.

SMART Homes – During 2024 we have installed touchscreen devices in the majority of our stock, primarily as an enhancement on how we and our residents can connect with one another. The technology has the potential to integrate further into the management of a home for residents, such as temperature controls and automating aids and adaptations, but also providing data about the home to PFH in order to proactively manage.

Homes Strategy Objectives

1. Asset Management - Ensure our stock continues to provide a positive return on investment, remaining economically and socially sustainable.

What are we going to do?	By when?	How will we measure it?
Deliver and evaluate the Return on Investment review recommendations relating to Ada Holmes Circle and the Larne & Weaver pop-ins.	2028	Increases in NPV & Social Sustainability scores through ROI
Investigate the feasibility of flood protection systems for our higher risk properties and implement if deemed cost effective, ensuring the mitigations are passed on to our insurers in order to minimise premium increases.	2028	Reduced insurance costs / claim costs in the event of a flood
Maintain accurate information about our homes through at least 5 yearly physical surveys, utilising day to day visits by colleagues and contractors to provide early warning of any hazards, and address accordingly withing agreed timescales.	2028	SCS surveys @ 100%, Decent Homes @ 100% and HHSRS hazard addressed within policy timescales
Continue to meet the Decent Homes Standard and all aspects of Health & Safety Compliance, incorporating the requirements of the ‘Decent Homes 2’ standard when known, prioritising and adjusting the maintenance programme as appropriate.	2028	100% Decent Homes & all regulatory compliance areas
Align our planned maintenance programme with our decrabonisation programme and ensure we offset the costs of replacing carbon ‘hungry’ items with decarbonised components where possible to maximise value for money.	2026	TSM 05 Planned Maintenance budget & delivery
Through consultation and trials, explore the future SMART home with our residents, considering SMART asset components that will enable residents to age in place for as long as possible.	2027	Pilots and Resident Feedback

Develop and implement a resident led programme of environmental improvements to support clean, fresh and safe neighbourhoods and communal areas.	2026	Resident Feedback TSM 10 & TSM 11
Utilise Resident engagement mechanisms to enhance choice, prioritisation, decision making and communication with regards to the immediate planned maintenance programme.	2026	Resident Feedback TSM 06 & TSM 07
Assess the financial and experience implications of extending the life cycle of components in order to drive cost savings and/or the funding of enhanced components/services without detrimentally impacting upon the safety or quality of residents' homes and experience.	2026	Planned maintenance budget & delivery

2. Net Zero – Ensure all eligible homes meet an EPC level of 'C' or equivalent by 2030, building a foundation to achieve EPCs of 'A' by 2050.

What are we going to do?	By when?	How will we measure it?
Calibrate and analyse the Sava intelligent energy system to fully reflect the ongoing stock performance regarding energy efficiency, including an understanding of the impact of the proposed new SAP regime and how this can be leveraged to benefit PFH residents.	2025	Data Quality Score in SAVA
Undertake feasibility studies into the upgrades of our heritage properties to understand maximum potential performance levels and cost implications to support net zero decision making.	2025	Business Case & Capital Budget
Complete the Eco-Champion pilots including evaluation on the basis of SAP, thermal comfort, ease of use, energy use/cost to residents and cost to PFH. Utilise this evaluation to inform future programme.	2025	Business Case and Resident Feedback TSM 06 & TSM 07 Grant funding success

Maximise access to grant and other funding to support our financial journey to decarbonisation.	2025	Feasibility study and Business Case
Make an informed decision, following feasibility studies, regarding the future of our heat networks, ensuring they meet or surpass the regulatory requirements for the Almshouse sector.	2026	EPC & SAP performance Resident Feedback
Create and deliver a clear and detailed roadmap targeting how and when each of our eligible properties / schemes will achieve an EPC of ‘C’ or equivalent by 2030. Where possible this will include approaches to also reduce overheating.	2025	
Deliver a training / information programme to residents to promote ‘greener’ behaviours in their day to day activities, and how PFH can support this.	2026	Resident Feedback, household energy reduction
Map out a broad decade-based roadmap to achieving decarbonisation of our stock (EPC ‘A’) by 2050, including the codependences and decisions that will be required to achieve . This will include approaches to reduce overheating where possible.	2028	Fully costed programme
Promote green behaviours amongst the PFH workforce through campaigns, policies and decision making. Incorporate this into an Environmental, Social & Governance (ESG) approach.	2027	Colleague feedback, improved loan/financial borrowing ability
Ensure leverage is gained on our decarbonisation ambitions through procurement channels.	2025	Quality questions & ongoing delivery, ESG achievements

3. Development – Deliver our pipeline programme of development, incorporating resident feedback, future homes standard and sound asset management decision making into the future design.

What are we going to do?	By when?	*How will we measure it?*

Utilise continuous learning and feedback from residents to continually enhance the design of our new homes to better meet the needs of residents to age in place for as long as possible.	2028	Resident Feedback TSM 05, TSM 06 & TSM 07
Ensure the design of future homes take into account the features PFH Residents love and value the most, such as a sense of community, feeling safe, warm and connected.	2028	Resident Feedback, TSM 01 & TSM 05
Explore opportunities for at least one modern, town centre living type scheme within the 3-year pipeline programme.	2028	Feasibility study
Ensure all our new homes are built to the Future Homes Standard, achieving the best possible SAP ratings to ensure future resident energy usage is minimised and replacement costs within the forthcoming 30 years are minimised for PFH. Design measures to combat over-heating into the new standard.	2026	EPC & SAP ratings Capital Plan
Deliver the current pipeline of approved and proposed schemes of between 15 to 30 units per year.	2028	Delivery of pipeline within target timescales
Spread risk and drive VFM by embracing partnerships with additional developers, agents and development support providers.	2028	Innovation in design, increased grant rates and reduced development costs