

ALS Report

Asset Investment Strategy

2025/26 – 2029/30

midland
heart





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Sayeed Haris

Executive Director of Property Services

Foreword

Improving the quality, energy efficiency and safety of our existing homes is our tenants' number one priority. That is why our Asset Investment Strategy is the cornerstone of our plans between now and 2030.

This year we celebrate a century of providing safe and affordable homes. While we are rightly proud of this record, it highlights the biggest challenge we face today; making 100-year-old homes fit for the next century.

We have the highest proportion of pre-war homes than any other Housing Association. Around a third of our homes are pre-war and due to their size, high ceilings and inner-city locations, they are hugely popular with our tenants. These features can however, make them more challenging to live in, as they are more expensive to heat and decorate.

Tenants have also told us that starting their tenancy is a really exciting but very stressful time for them. Increasingly, tenants have also expressed the need to improve the energy efficiency of their homes, making it easier to heat, whilst reducing fuel bills, as prices in recent years have soared. Tenants are at the heart of what we do, and their priorities have shaped the next phase of our Asset Investment Strategy to 2030.

Fundamentally, we want to improve the quality of homes across our portfolio. To do this we will:

- Make record investment in our existing homes;
- Provide a clear focus on providing warm, safe and affordable homes;
- Prioritise homes that are the least energy efficient and some of our oldest properties;
- Focus on those in fuel poverty to improve thermal comfort;
- Deliver 100% Building Safety compliance; and
- Install more components and upgrades than ever before.

Receiving the same great experience, convenience and responsiveness regardless of whether it is one of our in-house team visiting their home or a contractor is really important to our tenants too. We will be working with contractors throughout this plan to ensure that we make our tenants expectations clear to them and manage their contract accordingly.

This strategy has been co-created with tenants and sets out a framework for how we will make sure our investment makes a positive impact for our tenants lives and their homes.

Introduction

Improving the quality of our existing homes.

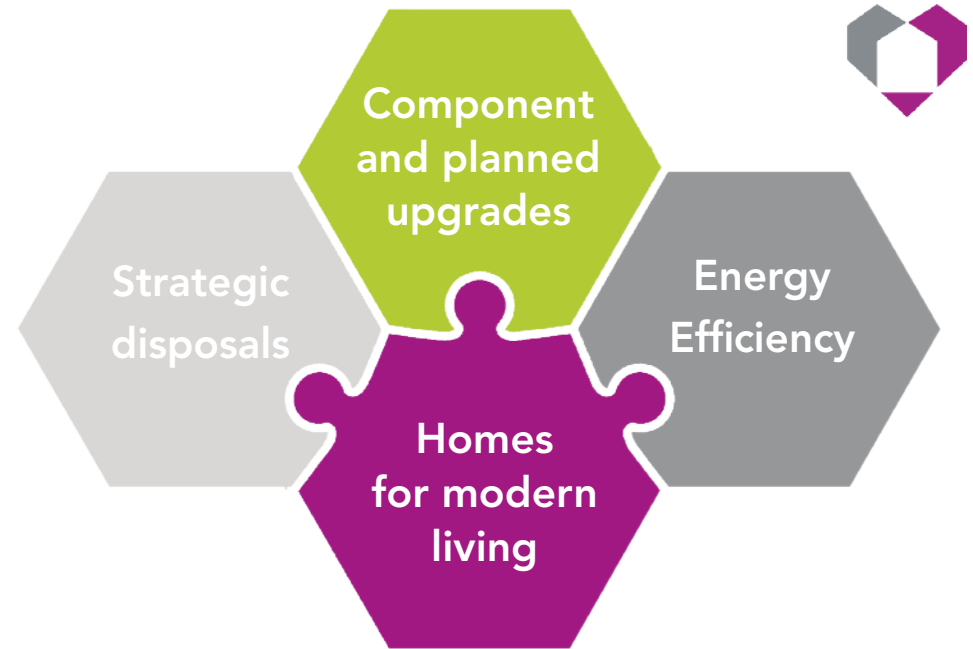
This investment will be delivered through an understanding of homes, our tenants views and the lives they lead.

This strategy sets out an overarching framework of how investment and strategic disposals, energy efficiency and the maintenance of our homes will be at the centre of achieving our overall objectives.

Our aim is to deliver a sustainable level of investment into our homes, achieving value for money, financial and social performance, but most importantly, have the greatest impact on our tenants.

We will deliver this through a combination of major component upgrades to ensure all of our homes are decent, and upgrading the energy efficiency of our homes. This also includes additional investment beyond our core responsibilities, to create homes fit for modern living in our oldest homes.

We will invest over £300m over the next five years, doubling our current level of investment in our homes.





Strategic context

The condition of our homes is a key tenant priority. We recognise there is a real need for us to enhance the quality of homes for our tenants.

Listening to our tenants on how important the continued investment and maintenance of their homes has shaped this strategy. Expectations in this area have grown significantly in recent years.

This is underpinned by a significant degree of changes that have occurred within the Housing Sector, predominantly influenced by the external environment. Consumer Standards and Tenant Satisfaction Measures, Minimum Energy Efficiency Standards, and the review of the Decent Homes standard, all require an enhanced emphasis on homes being safe, secure, and well maintained.

There are also geopolitical challenges that have been considered within our strategy, particularly related to the increasing financial costs, volatile supply chain of materials, and availability of skilled resource, all within a competing market. New and emerging technologies relating to energy efficiency and the scalability of this makes the planning process more uncertain.

From our perspective there are several internal considerations that we need to overlay, for example: an ageing portfolio (pre-1920) that requires additional demands on delivering energy efficiency whilst at the same time layering on a higher propensity of ageing components that carry additional costs.

Coordination of works between planned components, and also energy efficiency measures go hand in hand with other home improvements to create Homes for Modern Living. A concept of more energy efficient homes, with modern components, as well as adjustments to improve the overall condition of our homes.

Having accurate information about stock condition has been a considerable challenge for the sector. We are in a fortunate position that our ability to gather appropriate property intelligence has been a key focus for us in recent years which has got us into a strong position to deliver a meaningful asset investment strategy.

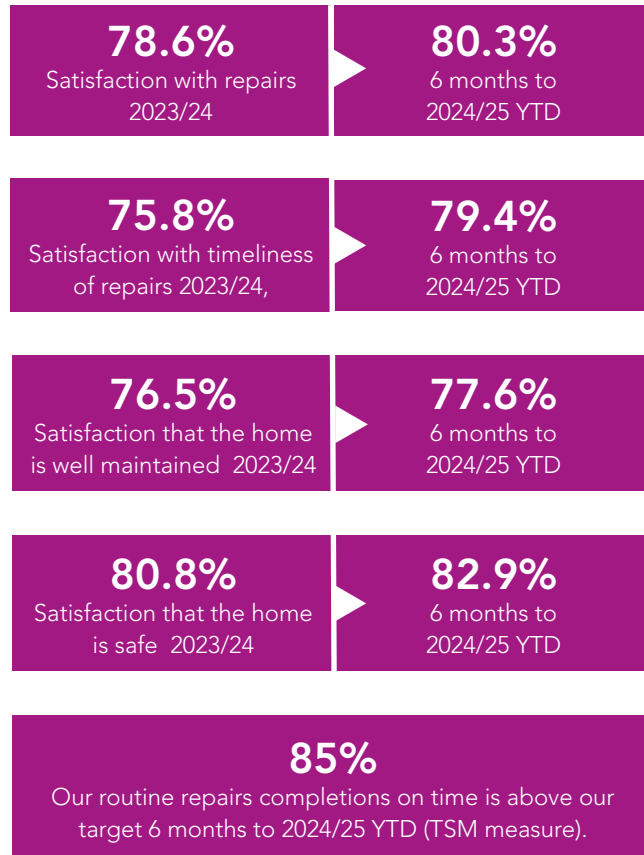
We also recognise the other challenges in the sector, Damp and Mould, and Disrepair. With the imminent introduction of Awaab's Law, our Asset Investment Strategy aims to underpin our future investment with a view to reduce the occurrences of Damp and Mould, and Disrepair in our homes.

Boards must understand how the condition of stock relates to current and evolving requirements, in particular net zero, and know how their stock may be affected by any changes which may arise from the government's review of the Decent Homes Standard and its consultation on minimum energy efficiency standards (MEES).

An example of this is our accelerated roofing programme, where the total number of roof replacements included within the financial plan has increased significantly since a review in 2023. The review highlighted an opportunity to proactively replace roofs, rather than undertaking multiple repairs to maintain an aging roof. We know a high proportion of our Damp and Mould cases often originate from roofing issues, due to water penetration.



CORE TSM metrics



Shaping our approach

The tenant is at the heart of everything we do. When we invest in our tenants homes we invest in what matters most to them and make sure our work has a positive impact on their lives.

We will focus on increasing prevention rather than reaction, and this will allow us to deliver better services in a more efficient way for our tenants. We will deliver our investment programme by treating our tenants fairly and with respect, listening, tailoring and communicating well and we will be honest, set realistic expectations and do what we promise.

We use multiple sources of tenant feedback to shape our services, and for this strategy the following has been considered:

- Surveys
- Complaints
- Property Focus groups with tenants
- MyVoice framework

We understand from this feedback that our tenants want to live in a home which is well maintained and where they feel safe & secure.

The other key priority to tenants is minimising disruption, and coordinating the delivery of work.

Aligning investment activity has a bigger positive impact on tenant perception of the home they live in. This was demonstrated through our intervention scheme and retirement living investment programmes. A more co-ordinated delivery of component replacement programmes can drive greater efficiency and provide greater value.



Tenant perception of a modern home:

Modernising our homes

A key example of how tenants have driven our priorities is showcased through our 'Modernisation Pilot'. We surveyed our tenants, as well as taking other tenant feedback to drive a pilot to understand how we can go above and beyond our obligations improving our tenants homes.

The outcome was below:

Survey feedback from 73 respondents

44% told us their homes do not meet tenant expectations, i.e. when decorating or preparation for decoration.

Alleyway

56% have an alleyway attached to their house - 75% do not use it and 37% told us that ASB originates from it.

Bins

Bins are stored in the gardens and at the front of their homes, access was mentioned as an issue for some properties.



Cooking and bathing

Nearly half stated that they would like cooking and bathing areas to be larger, especially for families.

Heating

81% have an effective central heating system, whilst 56% stated that they rely on drying solutions indoors.

Gardens

36% want improvements to their garden to allow them to do all of the activities they would like to.



Knowing our homes

We are committed to providing homes fit for modern living and our investment strategy is underpinned by tenant and property data. Our cyclical Stock Condition Surveys will help us keep our data relevant, timely and accurate.

34,000
 properties in
 c50 local
 authorities

39% of
 rented stock
 pre first world
 war

2/3
 of properties
 in 5 local
 authorities

We operate in
7 of the most
 deprived wards
 in England



General Needs	25,173	74%
Housing for Older People	1,415	4%
Supported Housing	971	3%
Market Rent	267	1%
Shared Ownership	2,418	7%
Other	3,934	12%
Total	34,178	



Bedsit/Bedspace	1,279	45%
1 bed	8,707	25%
2 bed	13,808	40%
3 bed	8,721	26%
4+ bed	1,663	5%
Total	34,178	



We have a concentrated geography in the Midlands

Top 5 Local Authorities	Total
Birmingham	37%
Coventry	12%
Wolverhampton	7%
Sandwell	5%
Dudley	4%



Age	No of homes
Pre 1900	581
1900-1939	9,215
1940-1979	1,794
1980-2019	14,160
Post 2020	1,866



	Total	%
92+ A	217	0.8%
81-91 B	5,284	19.1%
69-80 C	16,143	58.5%
56-68 D	5,950	21.5%
39-54 E	18	0.1%
21-38 F	0	0.0%
1-20 G	0	0.0%
Not registered	4	0.0%

It is more important than ever to ensure we hold complete and accurate data about the condition of our properties. The universe of data underpinning our asset investment plans comes from a number of sources.



Investment into our existing homes is under greater scrutiny than ever before. Our data drives investment decisions on:

- Component renewals when they reach the end of their useful life.
- Meeting the decent home standards.
- Meeting energy efficiency targets to EPC C.
- Ensuring our homes and buildings are safe and key installations are serviced and checked in line with legal and regulatory requirements.

Understanding the financial impact of our property investment requirements to keep homes safe, secure and well maintained enables us plan expenditure in our business plan and develop a portfolio management approach so that we consider options for properties that will require unsustainable levels of investment in the coming years.

We are in a strong position as we develop this strategy. The external 2024 stock condition data validation audit concluded that we held the right coverage of stock condition data for our properties, and this was accurate.

98% of our properties have a stock conditions survey (remaining 2% on the programme for this year and properties built between 2022 and 2024). The audit also showed that our stock condition data is updated in line with investments made.

In addition to this, an internal audit provided substantial assurance that our stock condition data is being used correctly to drive business planning and investment decisions. Driving this strategy is good quality data which is underpinned by external assurance.

The main focus over the course of the strategy for data is to ensure that we maintain the coverage and accuracy of our stock condition data, so it is enabling us to make the right decisions to ensure our homes are safe, secure and well maintained. We will transition to a 5-year stock condition cycle over the course of this strategy.

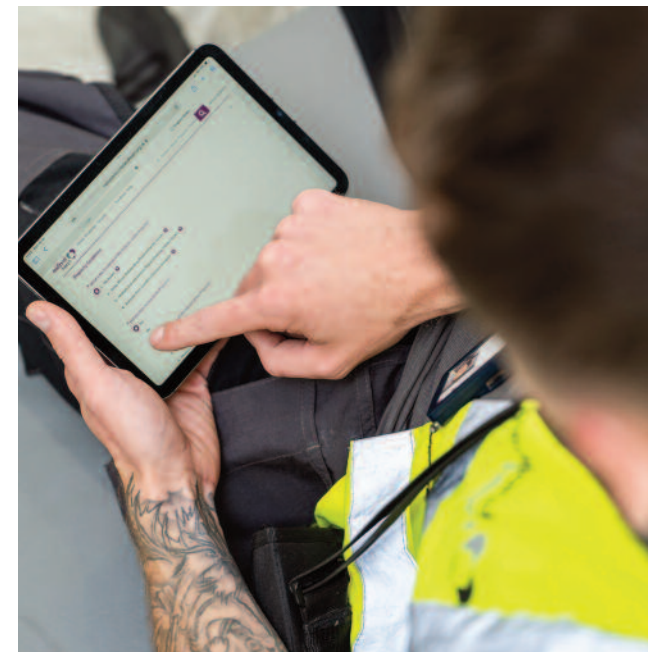
This is also triangulated with other information such as EPC data, which is held for 99.9% of our homes, compliance records which are 100% , and tenancy and repair data.

HomeChecker was launched in the autumn of 2022 and is a frontline tool which enables us to risk assess the properties and tenancies we visit to identify any property or safeguarding concerns.

This is a key source of information for our properties, with over 90,000 forms completed everytime an officer attends any one of our homes. This data is crucial for highlighting risks and issues proactively during visits, and recording these for action. This information feeds directly into our business plan.

We will use the data to drive decisions about the shape our property portfolio and to understand which homes may no longer be fit for purpose or economically unviable.

We are moving to a 5 year stock condition survey cycle (currently at 89%) with a view to achieve 100% in 2025/26.



We believe that the data held is accurate, robust and can be relied upon for whole stock level works, business planning and to support Midland Hearts approach to complying with Decent Homes Standards.

Rapleys LLP, August 2024

Homes for Modern Living

With over 10,000 properties more than a century old, many of our tenants have expressed the need for modern improvements to meet today's expectations.

In response, we've launched an ambitious program to enhance both the quality and energy efficiency of these homes. A pilot involving 45 properties in the West Midlands has demonstrated the success of our approach—achieving Energy Performance Certificate (EPC) ratings of C or higher, while also elevating the overall standard of living for our tenants.

Key principles include a whole-house approach, achieving at least EPC Band C energy ratings, and reducing maintenance needs:

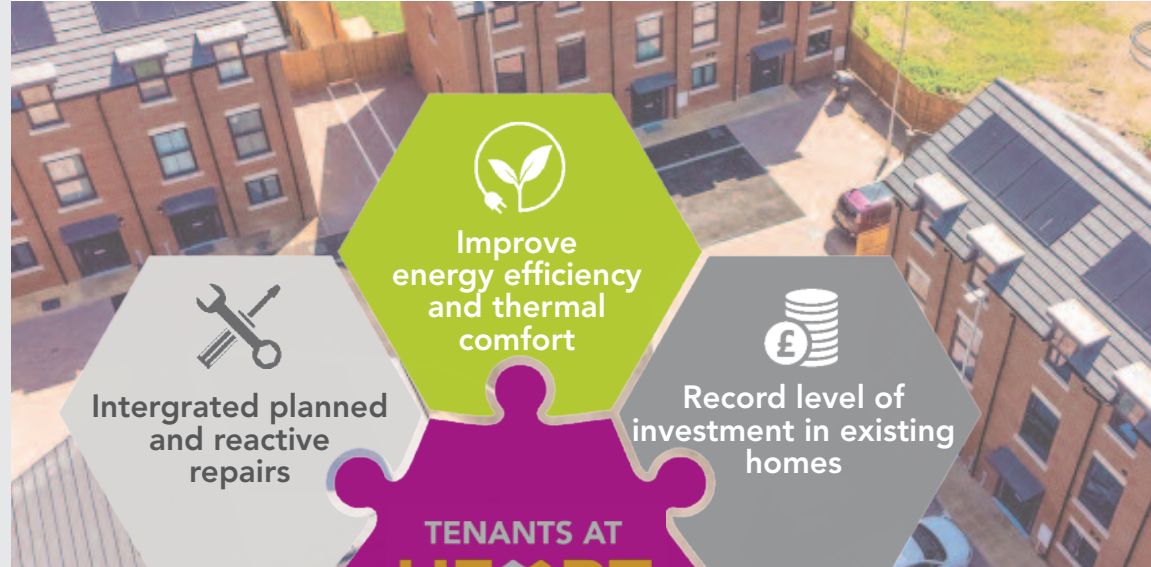
Full consideration – A survey will be conducted with details of the asset's component replacement program, improvements will be identified to ensure they last the scheduled lifespan and how other additional works will compliment these items.

Every property as a minimum will meet SAP Band C – Homes will achieve this target but also be targeted with interventions with the greatest tenant impact.

There will be a no regrets policy – we will focus our interventions on tried and tested, high quality components.

Tenants' expectations are understood and met – The goal is to improve tenants living standards. These include areas such as safety and useable space.

Reduction in maintenance – There is a view that any works that are undertaken improve the quality of the home, and reduces future maintenance and prevent damp and mould or any other adverse challenges for the foreseeable future.



We will aim for our tenants to have:



A more energy efficient home that minimises the cost to heat



A home that feels modern, safe and fit for purpose



The ability to easily decorate their home



The root cause(s) of any damp and mould, identified and resolved

Functional, usable and easy to maintain outdoor spaces





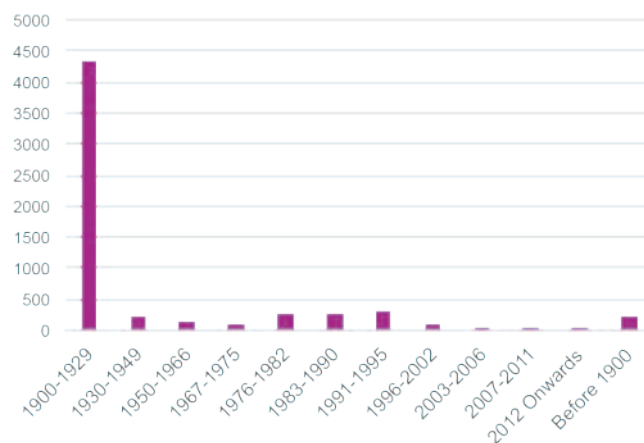
Our Journey to C

At the beginning of the last corporate plan, retrofit programmes were largely unknown in the sector, with minor works undertaken across Social Housing. Since then, the use of EPCs, retrofit assessments and delivery programmes has almost become business as usual, and going forward, this will be ingrained into our delivery.

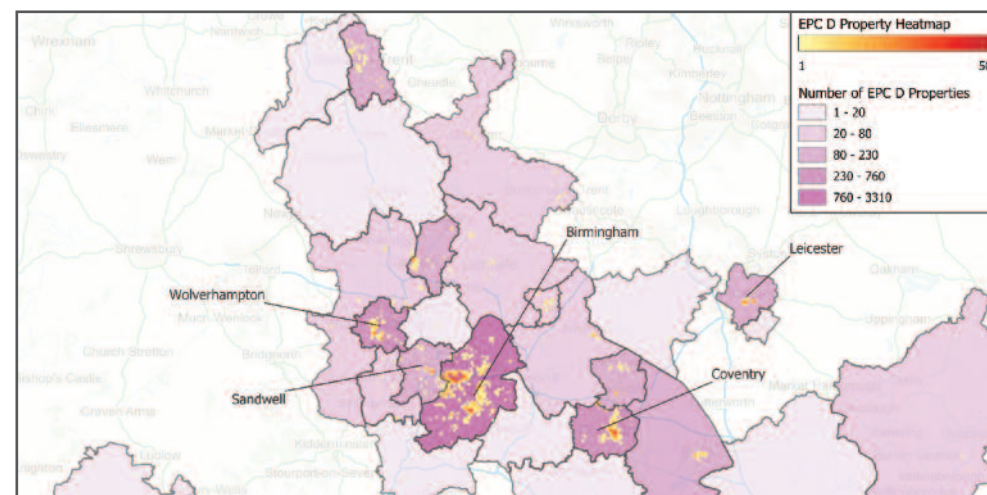
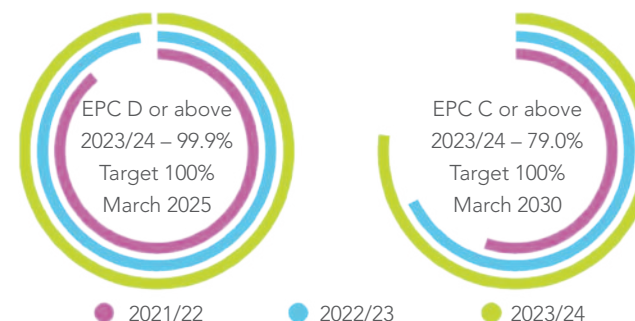
We aim to deliver 100% of our homes at EPC C by 2030. Currently, this is c6,000 of our homes across the portfolio. Alongside national targets for EPC ratings, our tenants have expressed the need to increase the energy efficiency of their homes, and this part of the strategy underpins our response to that.

However, to deliver this programme effectively alongside our other replacement programmes, it is imperative we understand this part of the portfolio, and plan accordingly.

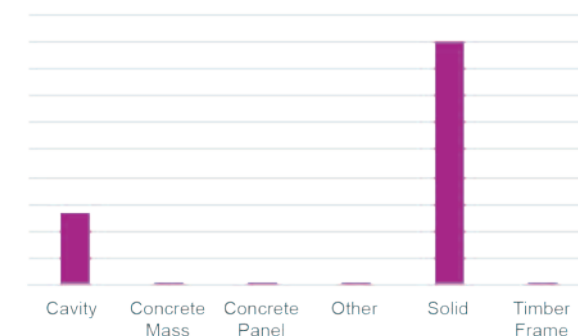
So what do we know:



Most of these homes are circa 100 years old



Most of these homes are concentrated in north west Birmingham, and Coventry.

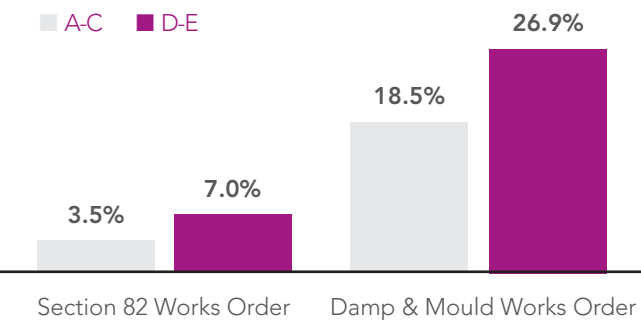


The vast majority of these homes are Solid Wall



Our Journey to C

Homes with at least one repair

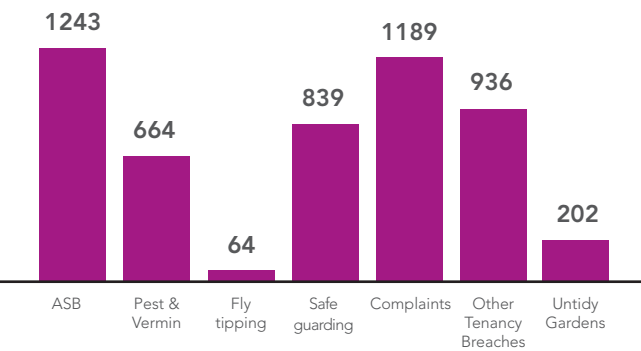


There has been a higher proportion of Damp and Mould, and disrepair cases in these homes

Rating	% Homes with at least one 3 or 4 HomeChecker rating	
	A-C	D-E
External condition	1.4%	2.0%
Internal condition	2.6%	3.7%
Cleanliness	3.2%	4.8%

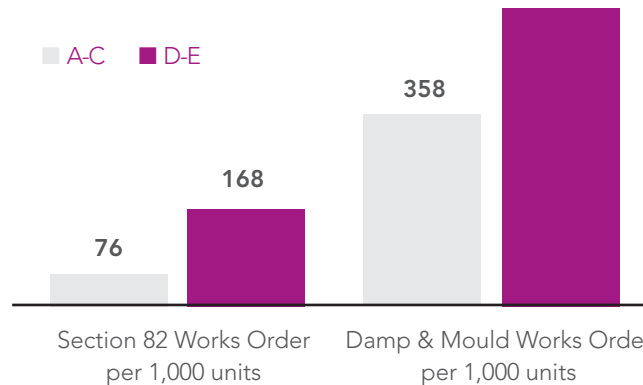
Our HomeChecker data has identified a 3 or a 4 in a higher proportion of EPC band D&E rated homes

Volume of selected tenancy issues at EPC band D&E homes, created since 2021



These properties have a higher proportion of tenancy related issues such as ASB, complaints.

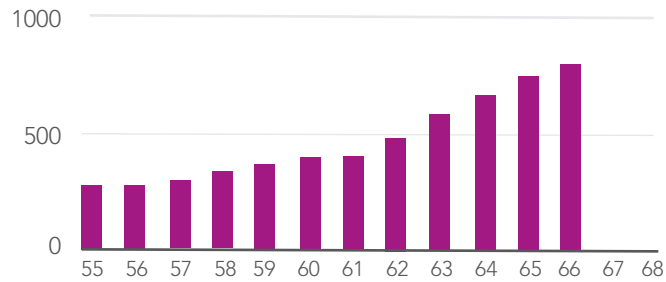
Repairs per 1,000 homes



EPC D&E rated homes saw a higher volume of repairs per 1,000 properties compared to A-C over the period.

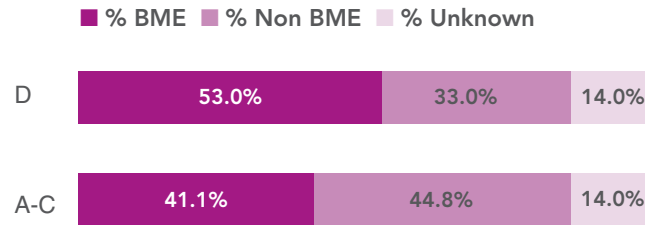


EPC Score



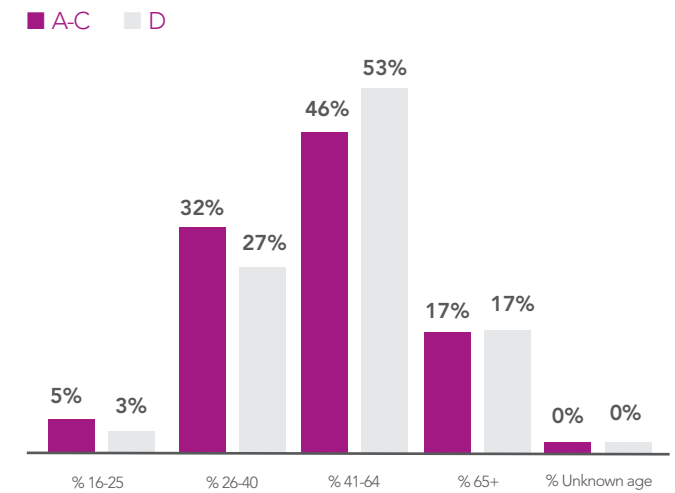
We know that a high proportion of the properties are at the higher end of EPC band D

Ethnic Group

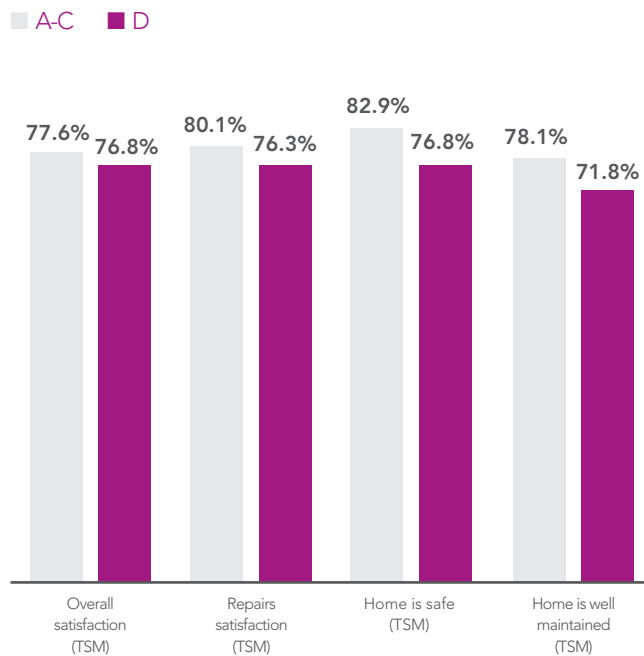


- Our D-rated homes tend to be located in more ethnically diverse communities, such as inner-city Birmingham, compared against A-C homes.
- It was the case that the sex of the lead tenant was no different between the two groups of homes.

Age Group



Tenant Satisfaction Measures (LSRA)



Capital Spend and Components Volume



Component Replacements (Volume)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Kitchens	1,147	867	1,066	1,511	1,312	5,903
Bathrooms	1,551	1,141	1,031	1,229	1,034	5,986
Boilers	1,271	1,255	1,296	1,352	1,452	6,626
Commerical Boilers	30	1	1	2	3	37
Electric Heating	234	78	18	67	41	438
Doors	1,409	894	1,123	1,426	834	5,686
Roofs	275	275	259	263	273	1,345
Windows	582	614	327	503	397	2,423
Total Volume	6,499	5,125	5,121	6,353	5,346	28,444

Capital spend (£'000)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Bathrooms	8,786	6,642	6,151	7,516	6,481	35,576
Boilers	3,446	3,496	3,700	3,957	4,356	18,955
Commercial Boilers	464	476	488	500	513	2,441
Electric Heaters	1,521	521	123	470	295	2,930
Renewable Heating (ASHP)	633	32	0	0	0	665
Doors	1,742	1,135	1,462	1,903	1,141	7,383
Kitchens	10,633	8,258	10,407	15,121	13,458	57,877
Roofs	5,995	6,236	5,892	8,691	8,799	35,613
Windows	3,165	3,431	1,873	2,953	2,389	13,811
Aids & Adaptions	214	219	225	229	236	1,123
Reactive Voids Components	3,753	3,857	3,952	4,051	0	15,613
Modernisation	9,270	9,525	9,763	10,007	10,257	48,822
Energy Efficiency	11,209	12,708	16,678	15,193	10,778	66,566
Total Capital	60,831	56,536	60,714	70,591	58,703	307,375



Measures (£'000)	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Loft Insulation	1,034	908	1,247	1,174	632	4,995
Cavity Fill	171	98	106	128	56	560
Window Replacement	1,088	333	497	572	463	2,952
Boiler & Heating Solution	411	268	362	409	87	1,537
Solar PV	3,645	4,807	2,180	3,204	1,469	15,307
Glazing	151	333	562	490	144	1,681
Floor Insulation	276	285	697	1,092	629	2,979
External Wall Insulation	834	2,667	3,124	2,202	903	9,730
Bespoke	2,703	1,006	5,200	3,494	4,670	17,072
Other	654	750	1,059	931	664	4,058
Contingency	1,220	1,252	1,643	1,497	1,062	6,674
SHDF Grant	(978)	0	0	0	-0	(978)
Total Capital Spend	11,209	12,708	16,678	15,193	10,778	66,566

Measures	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Loft Insulation	427	429	479	440	231	2,006
Cavity Fill	95	53	56	66	28	298
Window Replacement	426	201	128	250	202	1,207
Boiler & Heating Solution	75	47	63	71	14	270
Solar PV	410	575	212	304	136	1,637
Glazing	21	45	74	63	18	221
Floor Insulation	32	32	64	98	55	281
External Wall Insulation	27	84	80	55	22	268
Bespoke	176	93	466	221	260	1,216
Other	7	9	18	11	9	54
Total Volume	1,696	1,568	1,640	1,579	975	7,458

Retrofit Spend and Volume



External funding and partnership working

We have already been successful in securing funds from the first two waves of the Social Housing Decarbonisation fund and are considering the advantages of the Warm Homes Programme

We will continue to work with existing partners and develop relationships with key stakeholders such as DESNZ, WMCA, other major suppliers, other registered providers (RPs) and contractors to ensure that we are fully informed on current and future funding opportunities and initiatives.

Where practical we will use a blended mix of funding streams and internally financed energy performance measures in order to drive optimum value for money.

Our homes must be safe, decent, and energy-efficient.

Grant funding will be considered on its merits and must prove value for money to our tenants and organisation. Grant funding can be particularly significant for large-scale renovation projects, especially those focused on improving energy efficiency, such as retrofitting homes to meet updated Energy Performance Certificate (EPC) standards.

We may also look to develop opportunities and joint ventures with our suppliers / partners.

By optimising the mix of these funding sources, we will ensure the long-term viability and improvement of our housing stock while meeting legal and regulatory obligations.

What we will do

We will undertake a full appraisal and evaluation of the weakness, opportunities, and threats of the Warm Homes Programme

(Commenced)

Where practical we will use a blended mix of funding streams and internally financed energy performance measures in order to drive optimum value for money.

(Ongoing)



Strategic disposals

Investment in existing and new homes will be supported by strategic asset disposals to ensure our properties remain where people want to live, maximises the financial and social value of our current portfolio and are located in our strategic areas of operation.

Our strategic disposals were approved by Board in November 2022.

We have spent the last decade simplifying our portfolio, most recently with the sale of our Extra Care Schemes and working through our Support Living portfolio. Our focus over the next 5 years will be to tackle homes in multiple occupation and commercial units.

Our rationale towards property disposals will be ethical and consider.

- **Portfolio Simplification** – are they aligned to strategic tenure type
- **Performance** – do they generate a social, regulatory and financial return
- **Geography** – are they located within our strategic geographical area of operation
- **Community** – can Midland Heart support the community
- **Tenant Satisfaction** – do they meet tenant expectations
- **Modern Living** – can the sustainably reach a standard that is fit for modern living

Any proceeds received from sales will be reinvested in improving our remaining homes or building new homes.

What we will do

Wave 2 of disposals GN - commercial HMOs and SUDS. We will continue with Single Unit Disposals (SUDs), where properties have been identified for sale based upon their financial and / or social performance as modelled through our Strategic Asset Management (SAMs) tool.

This places a financial score to indicate the value of our assets based upon day-to-day income and expenditure. Given the additional costs related to retrofitting to meet the revised homes and energy standards, particularly related to our aged pre-1920 buildings and/ or associated with maintaining listed buildings, the number of SUDs for disposal will increase on previous years.

The future housing needs of our tenants will be a high priority and we recognise over the next 5-10 years there will be types of properties where people may not want to reside, i.e. older buildings sub-divided into flats that have limited space and are poorly designed). We will continue to deliver the simplification of our portfolio.



Operating Principles

Our strategy has five overarching ways of working that will ensure we have everything in place to tackle the challenges we face and deliver our tenants priorities and corporate objectives.

These principles will be underpinned by three key principles:

Financial Sustainability –

Our investment programme must be balanced and affordable for the business.

Operation Delivery –

We will refine how we work with partners to ensure work on our homes is delivered with excellence.

Tenant Outcomes –

Ensure that we meet the reasonable needs and expectations of our tenants.



Ways of working

Meet Tenant Expectations

- We will co-ordinate works to minimise customer disruption
- We will undertake reasonable requests made by the tenants
- Our investments will minimise tenant costs and improve living conditions of our homes

Minimise Future Repairs

- We will standardise our procurement to make future maintenance easier.
- All new components will support our future environmental targets.
- Ensure new components and technologies are tried and tested
- Meet national quality standards where appropriate e.g. PAS2035 and Trustmark

Data-Driven Decision Making

- We'll ensure our data is relevant, timely and accurate.
- Data will be triangulated to make smarter decisions.
- Optimising our data usage will enhance investment efficiency

Sustainable Investment

- We have a fully costed, and sustainable 30-year investment programme
- We will use our data to adjust plans in response to evolving insights, but always within our financial envelope.
- We will leverage ESG investment where it provides significant tangible benefits.

Supply Chain Management

- Our procurement activity will drive Value For Money
- We will be a great Client
- Understand the challenges our partners face and design a sustainable delivery model supporting this

Appendix

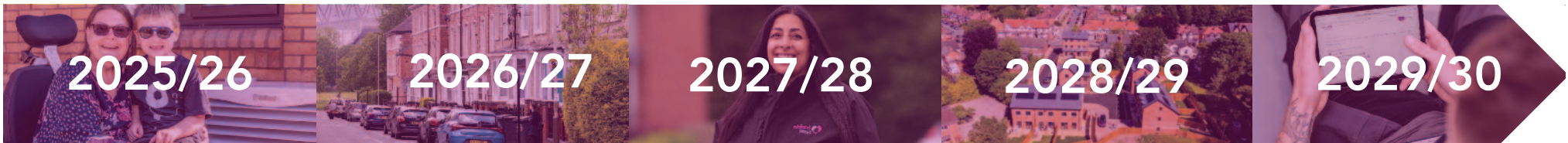
Key Measures

By the end of this strategy we will have achieved:

Measure	Baseline	2030 target
Investment in existing homes	134m (5 years to 2024/25)	£300m
Upgrade homes to enable modern living	–	6,000
% EPC ratings at C or above	78%	100%
% Building safety compliance TSMs	100%	100%
% Homes with stock condition survey in last five years (General Needs)	100% under 3/5/7 approach	100%



Delivery timeline



Review component replacement alongside energy efficiency measures required to undertake a whole house approach

Deliver +£300m of investment and tackle our 6,000 priority homes for investment

Engage with supply chain and contractors to maximise the efficiency of our planned programmes. Build on the tier one supplier provision to ensure longer term and multi-disciplinary delivery is secured.

100% EPC band C and above

Maintain property digital record (PDR) to ensure we recording and holding all information about the construction and safety of our buildings through its lifecycle.

100% Building safety compliance

Implement a new core Asset Management system bringing together all data points on homes within our portfolio.

Continue roll out of stock condition surveys , including annual block and estate surveys. Moving from 3-5-7 year cycle to 5 years, with a risk based approached for older homes

100% stock condition, 5 years

Strategic disposals – next wave



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