Hyde

Demand led replacement; *Using demand to drive investment*

Brent O'Halloran
Director of Asset Management

The Florida Keys

Public information – American style

CONCH
country
98.7

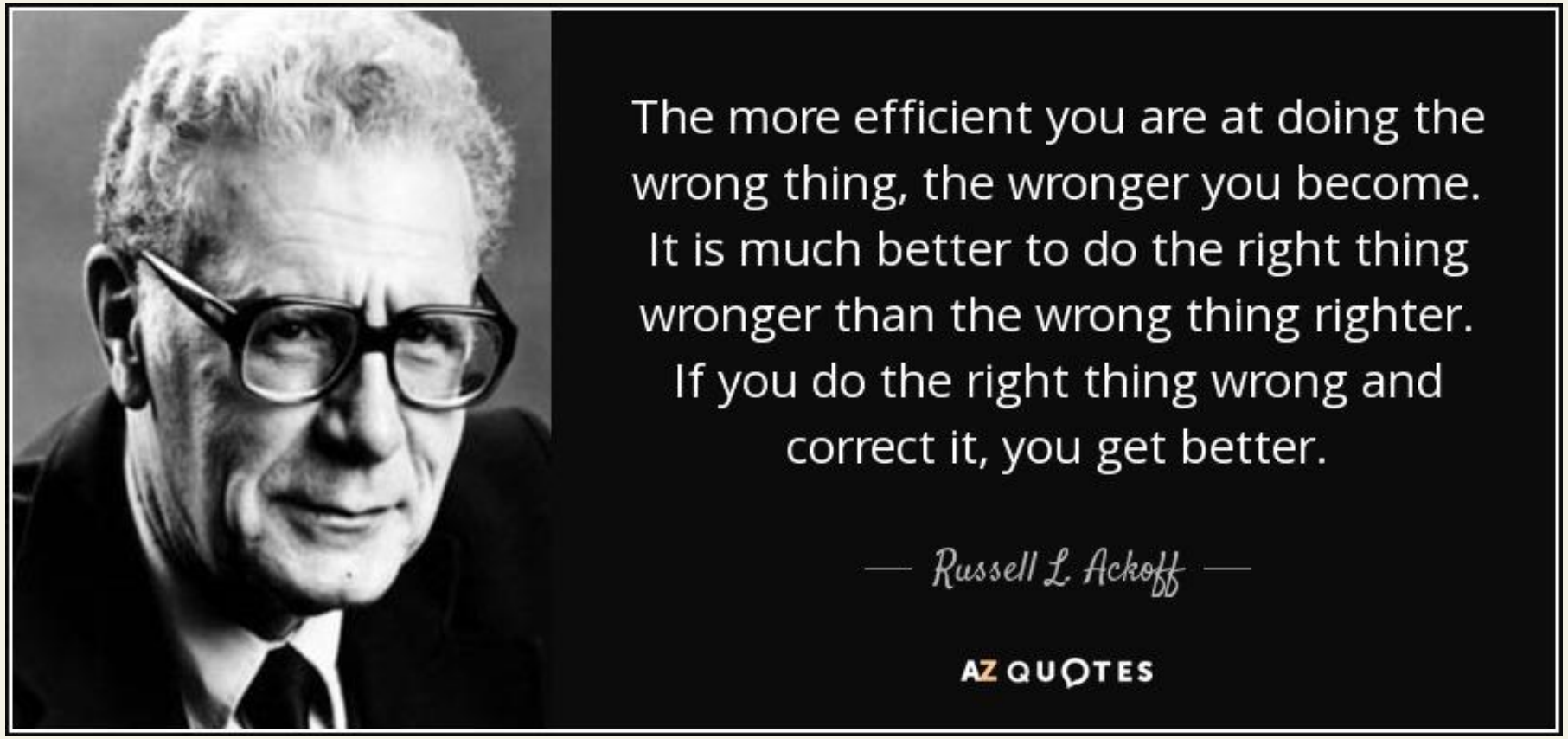
How do the locals dry their clothes in the Florida Keys?

How do the locals dry their clothes in the Florida Keys?

How the British dry their clothes in the Florida Keys?

Context; It’s all about breaking the mind-set

Stop doing the wrong thing righter



Making decisions at home compared to making decisions when you come to work

What drives your decision to replace something in your home?

For example; your central heating…

Reasons for replacement;

- It’s unsafe
- It’s broken and can’t be fixed
- Its beyond economic repair
- It’s unreliable
- It’s no longer fully functioning
- It’s inefficient
- There’s a newer model with wizzy controls
- It’s old (at the end of its lifecycle)

What drives your decision to replace something at work?

The Decent Homes Legacy;

Lifecycle replacement

- Kitchen 20 years
- Bathroom 30 years
- Windows 25 years
- Doors 40 years
- Rewire 25 years
- Heating system 15/30 years
- Roof 60 years

Why do we use different criteria in our home life, compared to our working life, for replacement decisions?

The planning fallacy

The perceived ‘merits’ of planned preventative maintenance (PPM);

- Planned works are cheaper - economies of scale?
- Planned works reduce responsive repairs?
- Standardisation and consistency of service?
- A smoother programme of works with lower prelims?
- It’s fairer?
- Better to replace before it breaks down?

Assumes that identical components deteriorate at the same rate

The hidden cost of lifecycle replacement

When considering VFM we tend to focus the replacement cost, not whether or not we should replace it at all.

- New Heating system £5,000, lifecycle 10 years
- Depreciation £5,000/10 = £500 per annum

If we replace under a PPM regime when the heating still has residual life, it costs the business **£500 per annum** in lost utility.

The wrong thing righter?

- We focus on marginal savings – Doing things right
- When we should focus on unit savings – Doing the right thing

Conventional VFM approach;

- Heating £5,000 – Heating value engineered; £4,500 - saving; **£500**

DLR approach;

- Heating £5,000 – Kitchen DLR engineered saving; **£500 per annum x its residual life**

Introducing; Demand led replacement

- When am I due a new kitchen?

- JIT JOT JOOT
- Refocus your supply chain on agile working
- Agree volumes with contractor but not addresses

How we adopted a DLR approach…

- Conducted a stock condition survey
- Set the baseline as if we were applying lifecycles
- Committed to out perform the baseline budget
- Set a minimum standard (Decent Homes)
- Set up a referral system
- Sat back and waited for the phone to ring
- Carried out validation surveys on every component replacement request
- Replaced only those beyond economic repair
- Monitored demand, identified trends and repeated

Savings

- On Capital expenditure we out performed our financial plan by 25%
- £22m savings over three years
- No increase in revenue repairs
- Non-decency remains at 0% after 3 years.

Everything to gain, nothing to lose

- Are we storing up trouble for the future?
- *Collateral replacement and Uber collateral replacement*
- No more over programming

The end of early replacements

- Are tenants less satisfied?

No more 'computer say no!'

- What about tenants who look after their homes?

The Hyde Quality standard – no rent arrears, no ASB

The Hyde Quality Standard

Hyde

Thank you

Brent O'Halloran

Director of Asset Management

www.hyde-housing.co.uk
07918 057352
brent.o'halloran@hyde-housing.co.uk