

<b>Date Issued</b>	May 2007
<b>Last Revised</b>	May 2020
<b>Department</b>	Asset Management
<b>Title</b>	<b>Asset Management Strategy</b>
<b>Objective</b>	To outline the Association's strategy for managing its property assets
<b>Responsible</b>	Director of Asset Management
<b>Next Review Date</b>	May 2025

## 1.0 Introduction

### 1.1 Asset Management

Asset management is the process by which we ensure that the assets that we need to operate our business are managed effectively and provide value for money. It covers a range of activities that are in place to protect these assets.

We are developing a wider Strategic Asset Management approach to our overall business assets. This Asset Management Strategy is primarily concerned with our housing stock.

Through our asset management strategy, we are committed to ensuring the following:

- Quality – continued standards now and in the future
- Purpose – that property stock is available for letting and appropriate to meet current housing needs
- Sustainability – that quality and demand are sustained in the long term and that we meet our environmental sustainability objectives
- Economic viability – that we can afford to manage and maintain our stock in the long term

### 1.2 Context

East Lothian is an area of exceptional housing pressure. Situated to the East of Edinburgh, the area is predominately rural with a coastline characterised by beaches, seaside towns and golf courses.

As well as being a significant destination for tourists and day trippers, East Lothian has good road and rail links to Edinburgh, and therefore attracts large numbers of (predominantly higher income) commuters and is also an area to which many people will choose to move to when they retire.

Locally, the economy is dependent on service industries, tourism and farming, and wages are low. This means that many low and middle-income households in the area are priced out of the local housing market. The area has a significant homelessness problem.

Land supply is severely constrained, both by the local environment, but also as there is usually significant opposition to new developments in most towns and villages, even where that development is affordable rented housing. Land prices are therefore exceptionally high.

Our problems are therefore quite different to many other areas. It is unlikely that on any scale East Lothian will suffer from low demand issues in the foreseeable future, any such issues are likely only to relate to specific properties and in exceptional circumstances.

At 1 April 2020, we owned 1308 homes as follows:

Type of accommodation	% of stock
1 bedroom	25%
2 bedrooms	46%
3 bedrooms	26%
4 or more bedrooms	3%

In addition, at 1 April 2020, we owned 44 shared ownership properties, 32 garages, 28 garage sites, and 5 other non-residential properties.

Our area of operation is from Musselburgh to Innerwick across the local authority district of East Lothian. Since we were founded in 1988, we have built Around 66% of our homes, and we acquired the remaining 34% from Scottish Homes in 1996 as a large-scale voluntary stock transfer. This means that the age profile of our stock varies significantly.

## 2.0 Asset Management and Strategic Objectives

Our Vision is to provide “Healthy, Happy Homes”.

In helping to deliver this Vision, our Asset Management Strategy:

- Recognises that asset life should be maximised to obtain best value
- Links between strategies for management and maintenance of existing assets and the procurement of new stock

- Ensures that we can adequately fund the strategy through our Budget and Business Planning process
- Recognises that although our main aim is to retain stock, understanding that in some exceptional circumstances it may be good business sense to sell assets where those assets are no longer fit for purpose or value for money to retain
- Integrates the Asset Management Strategy into the Risk Management Strategy

### **3.0 Quality Standards**

#### **3.1 Scottish Housing Quality Standards (SHQS)**

Almost all our properties meet the SHQS, the only exceptions are properties where we only own a minority share of a block and we cannot get the agreement of the other owners to bring these properties up to the standard.

#### **3.2 Energy Efficiency Standard for Social Housing (ESSH)**

All but two of our homes meet the ESSH standard. In both cases, the tenants refuse to allow access to have their heating system upgraded. Whilst these systems remain functional we will leave them in place and upgrade the system once we are able to gain access.

#### **3.3 Our Standards – Our Star Rating System**

Our Star Grading System is a grading system for our stock that takes account of house type, geographic location, age, SHQS and ESSH compliance, and the following quality criteria:

- 5\* Excellent property in high demand
- 4\* Good quality property that could be improved and/or in medium / high demand
- 3\* Acceptable standard of property that could be improved and/or in medium / lower demand
- 2\* Property or land that no longer meets the association's objectives
- 1\* Below Tolerable Standard and not available for rent

This grading system may inform future rent setting and allocations policies, as well as future investment strategies. Current criteria are set out at [elha.com](http://elha.com).

For assets that fall into the 1\* and 2\* categories above, we will either upgrade the properties as soon as is practical, or we may consider disposal. 3\* properties will generally be included in forthcoming planned improvement programmes. 4\* properties meet the SHQS and ESSH.

## **4.0 Management of our Homes**

### **4.1 Stock Condition Survey / Database**

We have 100% stock condition database following a five-year rolling programme to survey 20% of the stock each year. This will now be maintained through a regular cycle of inspection, reporting and updating, to refine the data and projections and facilitate more accurate reporting and forecasting abilities. The database includes:

- Basic description and information on age and construction
- SAP ratings
- Component life cycle
- Expenditure needs
- Location
- Star grading
- Adaptations

We will ensure that:

- The survey information will inform our future maintenance planning and determine our ability to meet the standards we aim to achieve
- Stock condition information will be updated as improvements or repairs are carried out
- Life cycle information on newly built properties will be incorporated into the database

### **4.2 Asset Management Information**

In addition to the stock condition database, we hold a range of information in our filing systems and SDM (our Housing and Property Management software) and the Housing Data Register which includes:

- Building and site location plans
- Contract documentation for historic planned and cyclical maintenance contracts
- Details of funding and loan arrangements
- Medical adaptations

- Property types

#### 4.3 Option appraisals

As stated above, we categorise our stock into five different Star Ratings. In order to assist with this categorisation, we will set up early warning systems to identify assets at risk. This will include regular monitoring of Key Performance Indicators such as:

- Schemes where on average there are less than 10 applications per property
- Schemes where vacant properties are refused on more than 3 occasions
- A significant increase in turnover

There are a number of factors why a property may be categorised into the 1\* or 2\* ratings. These are outlined below:

Reason	Monitoring factor
There may be no prospect of the property meeting the SHQS or ESSH and/or the costs to do this are prohibitive.	Stock Condition Survey
The property may not meet the needs for which it was constructed e.g. community care project.	Void turnover and re-let time Loss of funding Change in legislation
Falling demand	Early warning system – increase in voids turnover, refusal and fall in applicants
Financial viability and other circumstances	Income does not cover costs or other economic grounds e.g. retaining one property in a group of communal properties where significant future expenditure appears likely

In such situations, we will carry out an option appraisal that considers possible outcomes, including:

- Continuing to monitor the situation
- Carry out improvements / repairs
- Consider changing the client group
- Reconfigure / remodel the property
- Dispose of the asset

- Demolish and rebuild
- Apply for grant assistance
- Transfer the management to another organisation

#### **4.4 Financial models**

In managing our assets, we will prepare medium and long term financial projections. We will also use these projections to assist in decision-making on option appraisals.

#### **4.5 Planned Maintenance**

Continued compliance with the SHQS and EESSH standards will remain a key priority for our planned maintenance programmes. The programme will be delivered in the main by R3 with any works not yet carried out by R3 being let in accordance with our procurement policy. In drawing up specifications, we will take account of how the choice of replacement component may impact on the responsive repairs budget in the future and maintain a database of component suppliers, technical and legislative requirements.

#### **4.6 Cyclical repairs**

The Cyclical maintenance programme will include contracts such as:

- Gas servicing
- External Renewal
- Painter work
- Landscaping

Where appropriate, these works will be carried out by R3. Where this is not the case, the works will be procured through a selection process based on our procurement policy.

In addition, we will move towards meeting the revised SHQS, published by the Scottish Government in May 2020, in respect of the requirements for fire, smoke and carbon monoxide detectors and electrical inspections.

#### **4.7 Responsive repairs**

Responsive repairs will be delivered by R3 in accordance with our repairs and maintenance policy.

We will use information collected about responsive repairs trends to help inform the planned maintenance programme and adjust likely replacement periods of building components in the light of this information.

#### **4.8 Voids**

Repairs to void properties will be carried out in accordance with our Void Maintenance procedures.

#### **4.9 Asbestos**

We have policies and procedures in place to manage asbestos. The age of our own build stock suggests that it is highly unlikely that asbestos is present in these homes. Asbestos has been identified in some of our stock transfer properties purchased from Scottish Homes, and this is being managed in accordance with our policies and procedures.

#### **4.10 Legionella**

We comply with Health & Safety requirements and best practice in our procedures on Legionella.

#### **4.11 Aids and Adaptations**

We are committed to ensuring that the needs of tenants are addressed in terms of any aids and adaptations that may be necessary to enable residents to stay in their homes. On an annual basis, we will apply to the Scottish Government for grant funding to meet these needs and will work closely with Occupational Therapists and East Lothian Council in delivering best value for money in this respect.

Our adaptations service to our tenants is delivered and administered by our Care & Repair service. Our Care & Repair staff are specialists in this field and our approach is recognised as best practice in this field.

#### **4.12 Insurance**

We will ensure that our stock is comprehensively insured and that the valuation of the stock for insurance purposes is regularly updated.

#### **4.13 Sustainability**

We are aware of the importance of protecting our environment, the need to preserve natural resources, and the need to reduce greenhouse gas emissions. We are committed to creating a sustainable organisation by striving to ensure that we make a positive contribution to the protection of the environment and to sustainable development in Scotland.

We have developed a sustainability policy, but specifically in terms of our asset management strategy, this means that we will work to reduce fuel

poverty and make our properties as energy efficient as possible, within the constraints of our available funding.

## **5.0 Housing Demand**

### **5.1 Stock analysis**

We recognise that it is not solely information about the physical characteristics of our stock that informs our asset management strategy. A key risk is whether our stock will remain in high demand in the future. As set out at Section 4.3 above, we will set up an early warning system to identify potential pockets of low demand.

In addition, we will gather information about the local area to assist in our decision-making on asset management. This will include:

- Housing Context Statements
- The Local Housing Strategy and Housing Needs Assessment
- Strategic Housing Investment Plan (SHIP)
- Developments in the housing market and local infrastructure that may affect demand e.g. development of new or larger communities, revised transport arrangements etc.
- Changing demographics in the area
- Information from our register of applicants
- Other housing market information

### **5.2 Development Strategy**

When developing or acquiring new housing, we must demonstrate that there is demand for the proposed housing and there is a link to the Local Housing Strategy for the area. We work closely with our partners at CRE and East Lothian Council to help achieve this.

### **5.3 Community Factors**

We recognise that it may not be solely the physical nature of the property that will affect demand. Often external factors such as the local environment, amenities and affordability / ability to pay can affect demand. In line with our strategic aim to provide Healthy, Happy Homes we will aim to ensure our overall service provision helps to sustain tenancies and support communities.

## 6.0 Financial Implications

We will finance our asset management strategy through:

- Rents and service charges
- Grants where available
- Private finance raised on our asset base

We will review our assumptions on costs on an annual basis, taking account of trends and statistical information about inflation and cost increases.

We will also review our loan portfolio periodically to ascertain if we are achieving best value in terms and conditions of loan finance.

## 7.0 Staffing Resources

We need the right staff resource to manage our homes and deliver quality services to our customers. We aim to be an employer of choice and we will ensure that our Human Resource policies reflect best practice and protect our staff as an organisational asset.

We will ensure that pay and conditions contribute to this, but also ensure that there is a balance between creating a strong and motivated workforce and our organisational priorities.

We undertake succession planning for all staff on an annual basis to ensure that we understand the dynamics of our workforce, and so that we prepare and plan for the future accordingly.

## 8.0 Risk Management

Our Risk Management Strategy sets out our corporate approach to Risk Management. Our Corporate Risk Panel meets quarterly and considers the key risks faced by the organisation, whilst Business Risk Groups can look at individual areas of risk.

## 9.0 Monitoring and Evaluation

Our Audit & Assurance Committee has Delegated Authority from our Management Committee to oversee our approach to asset management.

The Committee receives regular reports relating to various aspects of asset management (such as details of maintenance and improvement programmes and monitoring of specific Asset Management Performance Indicators).

In addition, monitoring and evaluation of our asset management strategy will take place through our existing reporting structures in relation to:

- Business Plan approval and monitoring
- Reporting of Key Performance Indicators
- Budget monitoring
- SHQS and EESSH compliance and review
- Staff appraisals

## **10.0 Strategy Review**

This asset management strategy identifies how we will protect our assets and in particular our housing stock. A wider approach to Strategic Asset Management is under development and identified as a Priority 1 Task within our Business Plan.

This strategy will be reviewed on a five-yearly basis by our Management Committee.