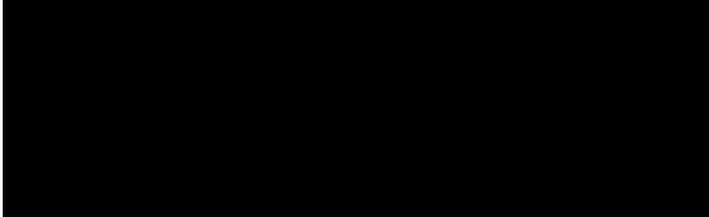


## Board Report



**SUBJECT: ASSET MANAGEMENT STRATEGY**

### **LINK TO MISSION AND AIMS:**

Castle Rock Edinvar's strategic objectives are:

- To create places where people will choose to live.
- To increase affordable housing opportunities.
- To provide highly regarded and effective customer focussed services in our neighbourhoods.

### **RECOMMENDATION:**

The Board is asked to **agree** the strategic priorities and resources required.

### **Executive Summary:**

Our key focus will be to meet new energy standards as set out by Scottish Government, known as EESSH2 as well as addressing new compliance standards following the Grenfell tragedy.

Evidence captured through our customer insight survey has set out customer priorities and recent scrutiny has set aspirations for void conditions that will place demands on our resources. This will lead to competing priorities for asset investment. Effective communication to our customers around our decision making will be required to maintain customer satisfaction and confidence.

Basing our decision making on quality data and long term investment planning modelling is an area for development as well as ensuring we have smarter systems to aid knowledge management. We will be focusing on how we capture and store data relating to our neighbourhoods to ensure our asset base retains its value and meets the aspirations of our customers.

The demand for our assets remains strong and the customer service levels have improved in the last few years. The success of Think Customer together with the repairs overview utilising LEAN has assisted. We aim to build on this seeking efficiency and productivity gains within our internal works team and adopting a more robust approach to demand and repair responsibility.

Our staff team has been restructured with these priorities in mind, forming a single asset team. This brings all aspects of asset investment together with the aim of obtaining value for money within our

procurement and self delivery focus. The team will deliver a service across all of the assets within Scotland with the potential of engaging with other group companies operating in this area.

<b>RISKS associated WITH proceeding</b>				
	<b>Risk Map Element</b>	<b>Brief Description of any material risks. (High impact or probability)</b>	<b>Impact</b>	<b>Probability</b>
	<i>Strategic</i>	Additional borrowing to fund investment	M	M
	<i>Financial</i>	Cash flow requirement of programming impacts on borrowing	L	L
	<i>Development</i>	Higher degree of failure and potential H&S risk with a greater volume of works and more specialised in nature	M	L
	<i>Operational</i>	Increase in project management staff to facilitate the investment and complexity of new and different work streams	L	M
	<i>Reputational</i>	Other customers not benefiting directly from investment feel aggrieved at the increase in rent and the lack of personal benefit	L	M

<b>RISKS associated with NOT proceeding</b>				
	<b>Risk Map Element</b>	<b>Brief Description of any material risks. (High impact or probability)</b>	<b>Impact</b>	<b>Probability</b>
	<i>Strategic</i>	Potential breach regulator consents and reduced demand for our assets	H	L
	<i>Financial</i>	Cash flow impact in later years if investment reduced	M	M
	<i>Development</i>	Property repairs will increase if no planned approach	L	M
	<i>Operational</i>	Staffing levels to be reviewed to reflect investment	L	L
	<i>Reputational</i>	A negative impact from the customer and public	L	L

## Castle Rock Edinvar

### Report to the Board meeting held on 7 November 2017

#### Asset Management Strategy

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#### 1.0 Introduction

1.1 The Asset Management Strategy is a key element of our overall place making approach for existing neighbourhoods and is delivered alongside our housing management services in order to deliver our vision and mission in Scotland. Our key aim is to ensure that the places that we create and manage are successful and sustainable in the long term.

To deliver the strategy we need to;

- Provide an appropriate level of investment in our stock to comply with regulation and maintain the required financial return
- Meet the requirements of our tenancy and management agreements
- Deliver the agreed standards of service delivery to ensure value for money for our customers

1.2 The strategy covers a broad range of different housing types and tenures across 9 local authority areas including general needs rented housing, sheltered housing, supported housing, mid and market rent and factoring. It also covers the non-residential assets including commercial premises, car parking and garages. Our current asset base is in table 1 below;

<b>ASSET TABLE</b>	
<i>SOCIAL RENTED</i>	
General needs	6145
Shared ownership (leaseholder owns <100% of equity)	248
	<b>6392</b>
<i>NON SOCIAL HOUSING</i>	
Factoring	1756
Other market rent and other non-social rented	1375
National Housing Trust	358
Student Housing	24
<b>Total</b>	<b>3513</b>
<i>NON-RESIDENTIAL UNITS</i>	
Commercial premises, Office Accommodation, Storage Facilities, Garages & car parking spaces etc.	230

Table 1

1.3 Over the last year we have completed a review of repairs and began the implementation of recommendations from the LEAN review to improve efficiency as well as embedding the Think Customer approach to drive up satisfaction levels. This has included restructuring to one asset team and a refreshed and more automated model to call handling and scheduling of appointments, as well as the appointment of a development co-ordinator to oversee the operational relationship with Placebuilders. [REDACTED]

## **2.0 Policy and Strategic Drivers**

2.1 The strategy is shaped by external policy drivers and internally agreed priorities focussing on safety compliance, legislation, standards and regulation.

2.2 The Scottish Government, following consultation, will publish the final version of their Energy Strategy before the end of 2017. Our decision making will need to take cognisance of this strategy particularly with regard to the provision of energy to our homes (off gas), our choice of fleet (no diesel) and increasingly stringent energy efficiency standards (ESSH 2).

2.3 The resulting UK Government commissioned Independent Review of Building Regulations and Fire Safety following the Grenfell Fire tragedy and the Scottish Government Ministerial Working Group on building and fire safety is likely to result in increased regulation and standards which will require resourcing and potentially remodelling of our service delivery. The tragedy also highlighted the challenges around knowledge and data management.

2.4 The Housing (Amendment) (Scotland) Bill outcome will be known in mid 2018 and implemented in 2019. This bill is likely to remove completely the powers of the Scottish Housing Regulator to exercise consents over the disposal of land and housing assets by an RSL. This may provide an opportunity for improved control over stock rationalisation decisions following data led options appraisals.

2.5 Major changes in public procurement that affect housing associations came into effect in April 2016. These changes include the Public Contracts Scotland Regulations 2015, the Procurement Reform (Scotland) Act 2014 and the Social Value Act. These brought a raft of duties, requirements and opportunities, including community benefit requirements and the need to publish a procurement strategy. Brexit may amend these requirements further and there is a risk that contract prices could increase and challenges emerge in our supply chain.

## **3.0 Our priorities for 2018/19**

Our priorities will build on our existing programmes with particular areas of change and focus for 2018/19.

### **3.1 Investing in Safety**

There are various group wide working groups which are currently undertaking internal reviews and engaging more widely around fire safety to understand lessons learned and be clear on any changes around regulation and compliance, which additionally may vary between England and Scotland. Our priority for 2018/19 will be to implement any emerging investment requirements and changes to service delivery to undertake increased inspections and assessments, particularly around taller blocks and common areas. Blocks above 6 storeys will be considered for fire sprinkler systems.



### 3.3 Long term investment planning

Develop our approach to option appraisals for our stock which is evidence based and enables longer term planning. In 2018/19 we will undertake an assessment of our portfolio and produce a long term investment plan. The use of the neighbourhood hub will be developed.

### 3.4 Energy Efficiency

To comply with EESSH standards our focus will increasingly be on finding solutions for our harder to treat stock and ensuring a programme is in place to 2020. Typical works will include electrical storage heating upgrades, fuel switches from gas to electric, boiler and heating upgrades, and insulation. This provides an opportunity to implement emerging technologies and innovations but each opportunity will need to be carefully considered to manage risk. There may also be opportunities for stock disposal or re-provisioning.

### 3.5 Increased internal works delivery

We will continue to increase the works delivered by our internal maintenance. This will include an increased service for Touchstone and RMG as a result of the transfer of the PfPS residential lettings management and factoring service and this will require careful monitoring. We will also be looking to deliver more of the planned programmes works in-house. Delivering internally provides us with increased customer insight and the ability to drive up customer satisfaction alongside VAT savings. This may be an opportunity for a wider service to be provided for Touchstone.

### 3.6 Customer Satisfaction

Our customer insight survey evidenced that customer satisfaction both for the home and the neighbourhood is not unsurprisingly directly correlated with our level of investment and how we managed the process of works within their home. The Group are trialling a new online system for repair booking which if successful will be rolled out to CRE in 2018. The impact of this will need to be closely monitored and there may be impacts for our scheduling teams and the volume of repairs.

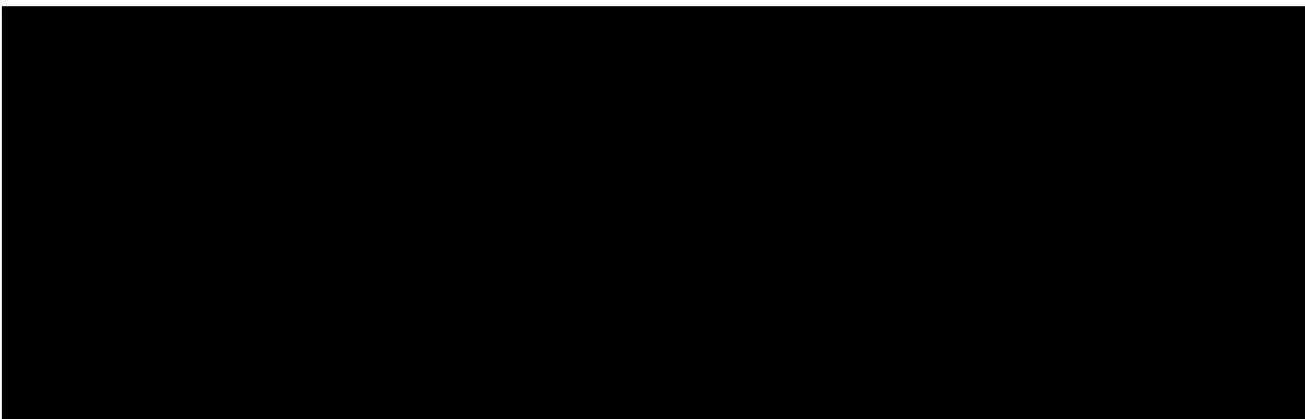
## 4.0 Resources and reporting

4.1 Our approach to asset management is based upon an annual programme alongside a broader 5 year planning cycle supported by a high level 30 year investment profile which supports the internal landlords function to deliver longer term tenancy management approaches as well as facilitating effective customer communications.

Investment is reviewed annually and incorporates an analysis of the volume of responsive, communal and gas repairs undertaken over the previous three years plus void turnover. This enables the budgets to be calculated based upon known volumes.

Just over £3m of Void and Responsive Repairs are undertaken on an annual basis. This will often include the replacement of building components which in turn are capitalised. In

addition, we continue to invest in major capital and revenue. Effective procurement and self-delivery options balance will achieve value for money.



4.3 Changes in Fire Safety could make a significant change to our short to medium investment priorities. Post Brexit could alter contract prices further. These are our key risks.

4.4 Additional investment is available to address challenging stock as well as encouraging the piloting of innovative approaches. These include the 'Hard to Treat' programme which targets poor energy performing stock, a 'Kerbside Appeal' programme to support activities that fall outside of traditional investment programmes and have a significant impact upon neighbourhood sustainability. The cost is incorporated in the revenue programme and will be reviewed each year recognising the shift in working practice and priorities.

4.5 We have an excellent track record of attracting grant and competition funding and this will continue through opportunities as they arise. Suitable diligence and approvals will be sought when employing new "at risk" solutions to ensure that we are managing our risk.

4.6 We are not proposing any new staff for the asset team for 2018/19 although this will need to be kept under review in relation to increasing safety measures and self delivery models. Our staffing consists of 92.6 FTE rising to 97.3 FTE this year as we re-allocate staff from the PFPS business.

## 5.0 Conclusions and recommendations

5.1 The lessons learned from the Grenfell fire tragedy will need to be implemented to ensure compliance and there may be additional interventions which are seen as best practice to be considered. There remains a focus on driving up energy efficiency in our homes and more rigorous standards. Balancing these priorities with customer demands and incoming resources will be challenging. This will lead to competing priorities for asset investment. Basing our decision making on quality data and long term investment planning modelling is an area for development as well as ensuring we have smarter systems to aid knowledge management. Effective communication to our customers around our decision making will be required to maintain customer satisfaction and confidence. Seeking efficiency and productivity gains within our internal works team will be essential to achieve value for money.

5.2 The Board is asked to **agree** the strategic priorities and resources required.