



**Scottish Housing  
Regulator**

# **Strategic Asset Management**

**August 2012**

**Recommended Practice**

## About us

We are the independent regulator of social landlords in Scotland. We regulate around 180 registered social landlords (RSLs) and the housing activities of Scotland's 32 local authorities.

Our statutory objective is to safeguard and promote the interests of current and future tenants, homeless people and others who use services provided by social landlords.

We were established by the Housing (Scotland) Act 2010 and are accountable directly to the Scottish Parliament. Our [Regulatory Framework](#) explains how we regulate social landlords. You can download our Regulatory Framework and find out more about us on our website at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk).

## About Recommended Practice

Our Recommended Practice publications aim to provide clear, practical, accessible information for social landlords to help them to drive their own improvement and deliver value for money.



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# 1. Executive summary

In this section we summarise our most important messages about this Recommended Practice and present an overview of the key points within each section.

## 1.1 Strategic asset management – what it means and why it matters

Social landlords' ability to deliver good services for customers and provide a solid platform for improvement depends on their ability to make the most of their property assets. Financial flows in social landlords are dominated by income from assets and the expenditure required to look after them. Poor strategic asset management decisions may result in wasted resources and other, often longer term, inefficiencies. Strategic asset management can be a creative process and the best social landlords will be focussed on exactly the most important asset management issues. Good strategic asset management is core business for governing bodies of Registered Social Landlords (RSLs) and council committees responsible for housing. It should also be developed alongside and compliment the business planning process.

## 1.2 Strategic asset management in ten strands

There is no universally accepted definition of strategic asset management. Social landlords will find it useful to develop their own definition that suits individual contexts. The common theme amongst existing definitions is recognition of the breadth and depth of strategic asset management and a close relationship to organisational objectives. We outline ten strands that we consider cover all of the essential elements to strategic asset management. Each strand also contains some self assessment questions.

## 1.3 A whole organisation approach

Good asset management is core business for all social landlords and requires understanding and ownership right across the organisation. RSLs' governing bodies and council committees should see it as core business and ensure they are well informed and able to set direction.

## 1.4 Understanding customers

A good understanding of who the customers are and what their wants and preferences are is important to effective asset management. These can and do change. Social landlords should, as far as possible, look into the future and use their knowledge of customers to adapt their approach to asset management.

## 1.5 Risk based and proportionate

Strategic asset management starts with an understanding of the full range of potential issues but will rapidly focus in on the most important. These will vary due to context but many risks are common to all social landlords.

## 1.6 Good information

It is important to have an up to date, comprehensive and reliable information base. This should inform a clear analysis on performance, value for money and highlight the value that homes are bringing to the social landlord.

## 1.7 Joined up planning

A strategic asset management approach needs to complement, not duplicate, other strategies and plans. This is especially true of the relationship between the asset

management strategy and corporate planning. The simplest and strongest approach may be to see them as a single strategic plan. Plans also need to reflect on those of other stakeholders and partners.

## **1.8 Looking after core stock**

Social landlords need to have plans in place that ensure core stock and neighbourhoods are well maintained and will stay that way. Efficient responsive repairs, effective planned and cyclical maintenance, carefully planned and fully funded life-cycle replacement and good estate management will also help to support demand.

## **1.9 Compliance with standards**

A rigorous approach to statutory and regulatory obligations such as gas safety, asbestos, and legionella are an essential feature of good asset management.

## **1.10 Dealing with 'cause for concern' stock**

An active, problem-solving approach is required to address challenges from stock that, for a potentially very wide range of reasons, gives at least some cause for concern. Options should be considered and sensible and proportionate measures taken to respond to the problem. This may result in significant changes if required but more often may involve an adjustment to the current approach to service delivery.

## **1.11 New development**

Social landlords planning new development, or possibly other forms of growth such as acquisition, need to ensure that these plans fit with business strategy, build value in the asset base and promote successful neighbourhoods.

## **1.12 Value for money**

Large sums of money flow through social landlords' assets, and landlords should seek to maximise the value of this expenditure. Strong procurement processes are important as is the fostering of a wider performance and value for money culture.

## **1.13 Planning a review**

Every social landlord needs to think carefully about what it needs to do to ensure it has a good strategic approach to asset management. If a review is required, then it should reflect individual context, be led by governing bodies and senior management, involve a range of people from across the landlord and provide a challenge to current thinking. We outline certain practical review principles but it is for social landlords to make an informed judgement on the detail of how reviews will be conducted.

## 2. About this Recommended Practice

We have produced this Recommended Practice to assist social landlords to review and develop their approach to strategic asset management. We want to encourage landlords to use this report to challenge what they currently do to ensure they are making the best possible use of their assets.

This document gives landlords a framework of Recommended Practice on strategic asset management. The information will be relevant to all social landlords. The level and type of resources that landlords devote to asset management and the degree of sophistication needed to manage asset management functions will depend on the size and complexity of individual landlords. It is for each landlord to consider how to use this Recommended Practice in the context of their own circumstances.

This Recommended Practice is intended primarily for decision makers within RSLs and in local authority housing services. We recognise that asset management can often be considered to be a technical area and usually the preserve of property professionals. However, one of the key messages of this recommended practice is that asset management is important to everyone in the organisation. For this reason we have produced this publication without assuming any significant level of technical expertise or knowledge of asset management.

This Recommended Practice was prepared for us by IS4 Housing and Regeneration Ltd. We selected a group of RSLs and local authorities and asked them to contribute to two workshops which were held to review current asset management practice.

This Recommended Practice should be read together with our business planning Recommended Practice publication. Effective asset management should be seen as an integral part of effective business planning.

## 3. Strategic asset management – what it means and why it matters

### 3.1 A strategic approach

Social landlords' ability to deliver good services for current and future customers is dependent on their ability to make the most of the homes they own, not only as good places to live, but as the assets on which the whole organisation is built.

To understand why this is important, organisations only have to think about the finance that flows through a social housing landlord and the way that is connected to its homes. Most of that financial flow comes directly, in the form of rent, from homes as assets. Most costs flow out, in the form of management, maintenance and investment, in looking after those homes as assets for the benefit of existing and future residents.

This involves a complex range of interconnections, spread over time. Poor investment decisions in the past may be responsible for lost rental income and higher maintenance costs today. Efficiencies in management and maintenance today may create the headroom to fund new homes tomorrow – or maybe it will be more important to renew kitchens more often to meet rising expectations – or maybe it would be best to spend more on money advice, to reduce tenancy failure and future rent loss and void costs – or maybe all of these things and more.

A strategic approach to asset management involves an understanding of this situation, and the ability to manage the different parts and their inter-connections well; ultimately to 'get more out of what you've got' for residents, neighbourhoods and future customers.

However, there is no simple blueprint to be applied, nor is a strategic approach to asset management a completely new and different thing to what most landlords are already doing. Good asset management is a creative process. It involves good understanding, good thinking and effective action, all practically based around the distinctive situation of the landlord doing the thinking. It is as much an art as a science. There are some basic principles for strategic asset management that apply to all social landlords but the practical way that they should be applied will vary widely across the range of social landlords in Scotland. The best organisations will be concentrating on exactly the things that really matter for them and putting their energies into those issues.

In this Recommended Practice we consider (in section 4) the components likely to be found in a strategic approach to asset management. We have identified ten strands that we would suggest cover the essential ground. The ten strands are explored in detail in sections 5-14.

Then, in section 15, we suggest ways of reviewing your own approach, how to structure a review, who to involve, how to fit it to other planning and review processes you have, and what kind of outcomes might be produced by the review.

### 3.2 Responsibility, leadership and governance

A strong approach to strategic asset management lies at the heart of a successful social landlord. This has implications for where it sits and how it is seen within each organisation. Key aspects of this include:

#### **Corporate direction**

A strategic approach to asset management is core business for the governing bodies of RSLs and for council committees responsible for housing. Awareness of the subject,

understanding of the issues involved, and a willingness to make decisions that build long-term value in the asset base are an essential combination.

Senior managers should be making sure that governing bodies understand their responsibilities and have the necessary information to enable them to perform their role. Governing bodies must satisfy themselves that they do have the necessary understanding and information and take action if they feel that is not the case.

### **A whole-organisation approach**

Good asset management requires understanding and ownership right across the organisation – not just the ‘property professionals’, as has often been the case in the past. This is explored further in section 5.

### **Relationship with business and service planning**

A major theme throughout this recommended practice is the importance of the substantial overlap between strategic asset management and business and service planning. Organisations that understand this will increasingly tend to see strategic asset management and business and service planning as one integrated subject – the ‘where we are heading and how we plan to get there’ of the organisation. Annual planning cycles and more intermittent fundamental reviews will tend to cover these together, without duplicating review processes. Corporate documents, plans and programmes will be kept as simple as possible and fit together without too much overlap or duplication.

### **Proportionality**

Another major theme within this guidance is the principle of proportionality. Social landlords should be concentrating on the things that matter for them, based on a thorough appraisal of their own situation. Good understanding and ownership of the importance of strategic asset management by the governing body, housing committee and senior management should lead to time and effort well-spent and focussed on the right issues.

## 4. Strategic asset management in ten strands

### 4.1 Potential definitions

There is no universally accepted definition for strategic asset management and we do not intend to use this Recommended Practice to propose one. However, an organisation reviewing its approach will probably find it is helpful to have its own overall aim or definition that suits its particular context.

Some examples from actual strategies include:

*“Building, managing, maintaining and investing in homes so as to get the most out of them, as homes that people want to live in, at a cost both they and the business can afford.”*

Or, for a five point version linked in this case to the organisation’s corporate objectives:

- Use our assets to enhance financial viability.
- Invest in our assets to meet current and future customer needs.
- Ensure our people are equipped to deliver the strategy.
- Have homes and neighbourhoods that are well-maintained and cared for.
- Use assets to support growth and diversity.

Or a third example:

*“We take a strategic view of asset management to ensure we maintain sustainable neighbourhoods whilst providing value for money. We want to ensure the properties we own and manage are in good condition, in the right location, and of a design that is fit for purpose.”*

Or a fourth:

*“Investing wisely, making best use of assets.”*

All of these are good as starting points for an exploration of the subject, and many numbers of variants can be developed. The common theme throughout these different examples is recognition of the depth and breadth of a strategic asset management approach and a close relationship with overall corporate objectives.

### 4.2 Ten strands of strategic asset management

In this Recommended Practice, we have set the subject out in ten strands, as a convenient, although not the only way, of breaking it up for more detailed review.

We have not attempted to outline a prescriptive blueprint for strategic asset management; this will not work for the very wide range of organisations and operating contexts that exist. Rather, under each strand, we have explored some common issues and then we have suggested some useful self assessment questions.

This is not a simple tick-list and is instead intended to help organisations structure the way in which they identify the issues to concentrate on. Some organisations will be able to answer many of the questions with responses like:

- “That doesn’t apply to us in practice.”
- “We are confident we are well on top of that.”
- “We have not focussed on this aspect but are confident that it is not something that has significant implications for us.”

Such judgements are fine, provided individual judgements are properly considered, as they

allow time and effort to be concentrated on the things that matter most.

Of course, for some organisations, many of the key questions will raise a wide range of relevant issues. Even in such cases, the answer is unlikely to lie in an action plan that tackles everything as though it is all equally important. Some of the issues uncovered will simply be far more significant than others and consequent action should be prioritised to reflect that. What is important, however, is to be honest, consider the actual evidence available, and self challenge before reaching conclusions.

## 5. A whole organisation approach

### 5.1 Involving the right people

Almost everyone in the organisation has some part to play in getting the most out of homes as assets. The history of the development of asset management thinking suggests that challenges in working across the organisation is often an obstacle to progress.

A whole organisation approach can get you much further. For example, good housing management and good caretaking and cleaning may achieve far more to improve an unpopular building than capital investment.

For another, take voids. Homes are usually bringing value to the social landlord when they are let and usually draining value in several ways when they are void. Rapid, low-cost reletting of voids is an excellent asset management approach. It saves on repair costs, management costs, improves rent income, keeps estates looking their best and allows someone to get their new home as early as possible. But it involves a range of people within an organisation working across operational boundaries, many of whom would not in the past have realised how important their part of the action actually is.

Other examples may lie in front line housing staff's unrivalled knowledge of where improvements can be made to service delivery. Adopting 'just in time' measures and reviewing processes to address customer demand can avoid much greater expense at a later date.

For these reasons it is worth thinking about how people across the organisation are encouraged to think in terms of 'making the most of the assets'. A major review of strategic asset management is an ideal time to involve people across the organisation to get them thinking about how their role enables them to contribute to the bigger picture. It can pay to structure the process so that as many people as possible are involved using interactive techniques so that they can make a contribution. Tapping the knowledge that front line staff have about what works is an important part of this review process.

Involving a range of staff in option appraisal for problematic stock spreads knowledge. This can encourage new thinking about how adjustments to management and maintenance approaches could generate innovative solutions with or without major investment.

### 5.2 The role of performance management

Making sure that asset performance and social housing value (see section 8) form a prominent part of the reporting cycle and the annual service planning cycle, sends a strong message that these things are important. Measuring performance, using intelligent targets and tracking progress should form part of this approach.

### 5.3 Key questions

- Do people across the organisation see the importance of asset management and understand they all have a part to play?
- Does the governing body / housing committee also understand it, see it as part of core business strategy and take responsibility for its quality?

## **6. Understanding customers**

### **6.1 Customer intelligence**

Good customer intelligence is important to strategic asset management. Having an understanding of who customers are and what needs and aspirations they have, now and in the future, is likely to be a factor for serious consideration by all landlords.

### **6.2 Current tenants and other service users**

Landlords will generally be routinely gathering and maintaining basic information on current tenants. They will also often have a good flow of different consultation and customer feedback methods which are used to pick up issues that should inform asset management practice. Most will also be well aware that the greater willingness of established older tenants to get involved can easily mean that thinking is dominated by the perspective of that older group, with the consequent risk that the voice of younger people and other under-represented groups is not easily heard.

### **6.3 New customers**

From a strategic asset management perspective, the major risk here is that important trends in customer profile and expectations – including trends that do need a definite response - are overlooked. Simple examples include the way that expectations, amongst younger people especially, of how modern and well-equipped a kitchen should be have changed a lot in recent years – with very practical implications for life-cycle assumptions. And another example, car parking is far more likely to be a point of neighbourhood contention than was the case in the past – increasing pressure for potentially expensive solutions. Elderly people will also have specific needs for accommodation. This can include a home that is easily accessible and that can be adapted to suit changing needs.

### **6.4 Housing markets**

Landlords should also have a broad understanding of the housing markets in which they operate and how they are changing. For most landlords this is not about anything that could be described as time-consuming and costly research and analysis. It is more about being aware of the way markets work, the big factors that tend to cause them to change, and being alert to evidence of change. Factors that will affect demand include demographic change in the wider areas, employment, area reputation, changing attitudes to social and private renting and owner occupation, changes to the benefits system, and many other external aspects.

To emphasise the complexity of this, the popularity of any one group of homes can be affected by all these factors and more, all at a very local level. Area reputation, for example, can be very different in two adjoining streets. Evidence can include your own demand and supply experience, experience of other social landlords, visible trends in the private rented market, house prices and other sources of information. Once again, proportionality is important. For much of the stock of many landlords, there are no realistic scenarios in which the stock becomes hard-to-let and which therefore trigger fundamental asset management questions. However, that is certainly not the case everywhere and, in any event, all social landlords form part of the housing market and sometimes need to think in those terms.

## 6.5 Key questions

- Are you actively involved with the housing markets in which you operate, and well-informed about related aspects such as socio-economic and demographic change?
- Do you have information on the changing profile of your existing customers, and their needs and aspirations? Does this take account of the full range of customers, including, for example, people with particular needs, and factored owners?
- Are consultation and customer feedback methods used to ensure a good flow of information from existing customers, including hard-to-reach groups?

## 7. Risk based and proportionate

### 7.1 Risk management

One thing that all organisations can be sure of is that the future will not turn out to be exactly as set out in their plans. That is why it is essential that plans can be shown to be sustainable in the face of a range of different potential risks. The most likely source of many of the biggest pressures is from changes to do with the asset management position. So managing risk within asset management necessarily involves a very close relationship with business planning, particularly in financial management.

The basic principles of a good approach to risk involve:

- The risk map or register being created and debated at a senior level so that a shared awareness of the key risks is developed.
- A limited number of key risks.
- An assessment of their likelihood and severity.
- Where possible, actions in place to mitigate the risks.
- Review of the risk register given serious attention at regular, but not unnecessarily frequent intervals.

### 7.2 Proportionate approach

Organisations that effectively manage strategic asset management risks do not allow these risks to deter decision-making. They do not create time consuming administrative processes for their review and management and are very good at focusing on the risks that really matter.

All social landlords face risks, of course, but the nature will vary very widely between different landlords. For example, a landlord with all modern, traditionally constructed stock all in thriving areas with high demand, with no evidence coming out of operational activity to raise any concerns, can immediately discount many risks off the long list of risks that face some other landlords with very different stock and context.

However, there will still be risks to be alert to, even in a benign environment. For example, a tight business plan can easily be put under pressure by an upward trend in building cost inflation. A noticeable number of premature replacements of kitchens or central heating boilers may be a blip to be managed or it may be the first signs of a trend that will build up to have a significant impact on the plan. And nearly every landlord has the risk of a gas or asbestos safety failure to manage all the time.

### 7.3 Corporate fit

Risk is another asset management strand for which some care is required to ensure a neat fit with other corporate matters, and no duplication. The asset management approach should concern itself with risks arising from problems with the assets, or where asset based solutions are required to manage other risks. These are only part, although an important part, of a corporate risk register. Asset management risks may simply form part of the corporate risk register, or you may have a separate asset management risk register, perhaps with the top three asset management risks added to the corporate list, or numerous variations tailored to the individual social housing business.

## 7.4 Key questions

- Is the effort being put into strategic review proportionate to the issues being addressed and focussed on the aspects that really matter to the business?
- Is there a corporate risk register with a limited number of key risks identified, produced and reviewed in a way that involves all those responsible for the direction of the organisation?
- Within the strategic asset management thinking, is there an awareness of the asset-related risks and the role of asset-based solutions to managing risks in the business?

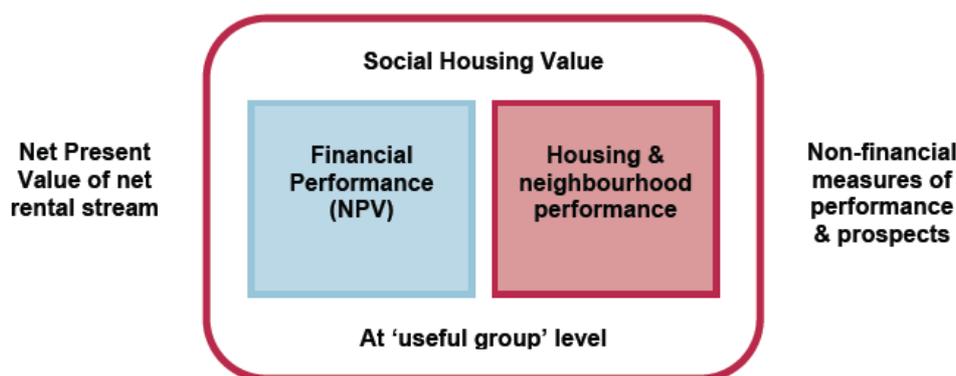
## 8. Good information

### 8.1 Analysing information

Most landlords have good housing systems that support operations and contain a great deal of useful detailed information. What is not always so well developed is the way that raw information is analysed to give a clear picture of service quality and service cost. It is vital that managers, councillors and governing bodies receive clear and well presented asset management information on a regular basis. This should be comprehensive, in the sense of presenting a clear picture of performance overall, but should also be highlighting any areas that need closer attention. It pays to ensure that, not only is information analytically robust, but it is presented in a way that is easy-to-understand, for example, using well-designed charts or traffic lighting.

### 8.2 Using value

For asset management, an effective approach may be one that highlights the long-term value that different groups and types of stock are bringing to the business plan. A good way for a social landlord to do this is to look at value in a way that brings together both financial and non-financial factors. This can provide a rounded assessment of the value homes are generating. One way to do this is set out in the diagram below.



### 8.3 Financial performance

The estimated 30-year net present value (NPV) of the net rental stream. Put simply, this is a financial measure of income and expenditure related to the specific asset over time. Assets with a positive NPV indicate that they can add financial value to the business plan. This is a very good proxy for the long-term financial value being brought to the social landlord and can be calculated from mainstream information on rents, voids, management and maintenance costs, and planned investment.

### 8.4 Housing and neighbourhood performance

Other measures of housing and neighbourhood performance are also good indicators of housing success. The best ones to use will depend on the individual landlord and its context, but good examples include turnover, demand, resident satisfaction, energy performance, incidences of anti-social behaviour and neighbourhood deprivation. Assets that display positive results on the chosen measures are likely to indicate value to the organisation.

## 8.5 Value groups

Value can often be best understood by grouping together assets. Individual context and organisational priorities will influence the best way to do this but a common approach is to group assets by high, medium and low value.

## 8.6 Stock condition

Stock condition information is usually based on a stock condition survey, estimating the cost and timing of life-cycle replacement of building elements over 30 years. This is normally stored on a database which is then kept up-to-date by recording work carried out and information gathered from routine inspections. That information in turn becomes the basis from which a 30-year investment profile will normally be developed and included within the business plan. Information must be held in a way that enables current compliance with the Scottish Housing Quality Standard (SHQS) to be measured and to track how the investment programme will bring all stock up to the standard by 2015.

Each organisation should consider carefully how to ensure it has a sufficiently robust picture of stock condition that has been turned into a sensible set of 30-year investment assumptions. The approach to the survey, the sampling approach required, and the frequency with which it is repeated will depend on the nature of the stock. From a strategic asset management and business planning point of view, the key aim is to ensure that broadly realistic costs are assumed in the business plan over time, so that future maintenance of the stock can be said to be fully funded. More detailed survey information will be required to demonstrate achievement of the SHQS.

At the centre of your plans will be realistic life-cycle replacement timings and costs for all the main building elements, and in many cases that will be the bulk, or even all, of the investment plan. However, it is important to make allowance for other, perhaps less predictable, investment requirements that may arise in the future.

For example, some landlords have estates from eras when large areas of hard and soft landscaping were common, and often these present considerable maintenance challenges today. At some point, perhaps soon, perhaps some way into the future, some significant upgrading may well be required. Realistically, it is difficult to estimate costs until a detailed scheme is produced. But it is not difficult to take a view on some level of provision and probable timeframe, and incorporate that into the investment plan, so that the issue is at least recognised.

This subject is explored further in section 10 – looking after core stock.

## 8.7 Key questions

- Do you have good quality management information on service performance and cost, and the social housing value being generated for the business plan by different groups of stock?
- Do you have a reasonably up-to-date and reliable picture of the condition of the stock and are you keeping that up-to-date?
- Has that been turned into a long-term investment programme that takes account of all probable types of investment requirement, including the SHQS?
- Do you have the information needed to understand future demand?

## 9. Joined up planning

### 9.1 Planning alignment

A strategic asset management approach should include a clear sense of how the social landlord is planning to make the most of its homes as assets, and build value in the asset base. It will also have definite plans for spending in the current and the next year, well-defined plans for spending in the medium 3-5 year term, and a longer 30-year perspective.

These are major elements of a strategic approach to business and corporate planning as well. Different organisations will have different ways of approaching business planning and asset management, and different ways of writing them up into documents, but it is very important to ensure that the words and the numbers are consistent.

### 9.2 Planning cycles

One way to look at this is to consider the question of how business and corporate planning and asset management fit into the annual service and business planning cycle. Every organisation will have an annual cycle that will lead to the setting of budgets and targets for the next year and at least up-date and refresh longer term plans. Many organisations will conduct a major review of business strategy at intervals – sometimes annually but every three years would be a more typical frequency. The natural approach, given the huge overlap between business and corporate planning and asset management strategy, is to review them as a whole, in one single exercise.

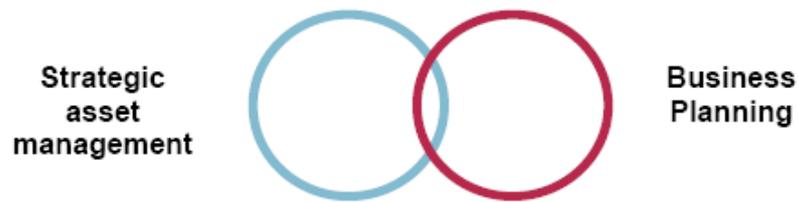
The results can be captured in one ‘corporate strategy’ document with a reasonable level of detail in the approaches and programmes that result. Updating that document could be the task that the annual planning cycle focuses on each year until the time comes for another full review.

Alternatively, some organisations may prefer to produce a high level strategy that sets out direction, and remains in place, untouched, for several years. That might be supported by a somewhat more detailed asset management strategy that is updated each year.

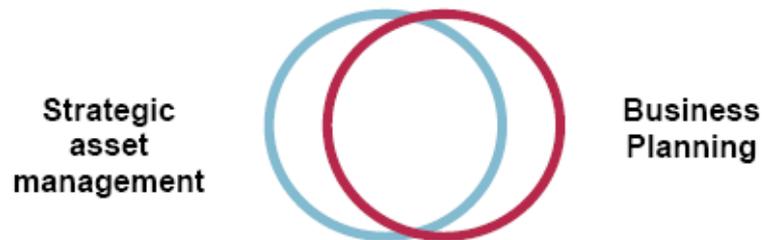
There is no right and wrong here, but the important principles are:

- having one approach that avoids duplication and inconsistency;
- sensibly balancing annual and long-term review cycles so that the approach is neither stale nor over-reviewed;
- focussing on the value of the review process itself, not the value of writing documents; and
- capturing the results of the review in a small family of documents that are clear concise, and can be easily updated.

### A common situation



### A better approach



## 9.3 Key questions

- Do you have a robust 30-year business plan that takes full account of the strategic asset management approach?
- Do your plans consider the external environment, such as Scottish Government strategies and the impact of welfare reform?

# 10. Looking after core stock

## 10.1 Successful stock

For most social landlords, a high proportion of their homes could reasonably be described as core stock; of good quality design and construction, with good demand and likely to remain that way and with no other known factors that are likely to blow its future off course. These are the successful homes and neighbourhoods desired by tenants and landlords alike. And as assets they dominate the financial flows in the business plan that was highlighted at the very start of this recommended practice.

These properties need to be looked after as both value bringing assets and as tenants' homes; they need to be bringing as much value as possible to the social landlord through running them as efficiently and effectively as possible while accommodating tenant needs. Because of their sheer numbers, and the scope for value gains through efficiency, these are often the homes with the greatest scope for 'getting more out of what you've got' - for the benefit of residents, neighbourhoods and future customers.

## 10.2 Investment

A basic starting point is providing for life-cycle replacement of building elements as they wear out, normally over the life of a 30-year business plan. The basics for this were explored earlier in the good information strand and include:

- a good understanding of current stock condition, including the age of building elements;
- an understanding of anticipated life-cycles; and
- an understanding of replacement costs.

From these three elements, a 30-year investment profile can be developed. The aim is not to predict exactly what will happen and to try to provide exactly for it. Rather, it is to ensure that the business plan provides for sufficient total investment to allow an actively managed investment programme, over time, to (just) do all that is needed to look after the homes.

Experience shows that some important areas of maintenance are not always fully included within social landlord's plans.

Firstly, there can be a temptation to overlook hard-to-quantify expenditure. For example, some non-traditionally constructed homes have underlying structural concerns that have been underlying for decades without ever coming to the point at which intervention is actually required. It may be that it will be many years before intervention is essential, and the nature and cost of that intervention may be hard to predict. But, in general, making no provision at all in a 30-year plan is too incautious, and it is sensible to include a provision of some kind at some point in that 30 year period.

Secondly, certain external and infrastructure costs are not always included. An earlier example was given of how certain types of open-plan estate are likely to require extensive upgrading work at some point in their life, covering hard and soft landscaping, car parking, footpaths, fences and walls. Standard allowances that might be normally applied to a traditional housing estate are probably not going to be adequate here.

Finally, it also makes sense to consider changing standards and expectations in investment assumptions. These vary but an example is the way that customer expectations of a modern kitchen have been rising, suggesting that life-cycle replacement assumptions may have to be reviewed. Another, very significant, example is around energy performance,

discussed in the next section.

### **10.3 Energy performance**

The Climate Change (Scotland) Act (2009) set a long-term target to reduce emissions of greenhouse gases by 80% in 2050 relative to 1990, with an interim target to reduce emissions by 42% in 2020.

These targets have challenging implications for landlords, not only for the standards of new development, but also (in a strategic asset management context, and given that at least 80% of homes today are expected to still exist in 2050) for their existing stock.

In addition, rising energy costs will continue to increase the risk of fuel poverty, with tenants under financial pressure or going without adequate heating. National policies, funding streams, and technologies and their costs are steadily evolving to respond to this challenge, and giving detail in this recommended practice would rapidly become out of date. Rather, all social landlords should keep abreast of developments and make sure that they have a sufficient expertise either in-house or from external advice to make the most of programmes, funding streams and technical advances as they evolve.

Landlords' strategic approach to asset management should be increasingly trying to develop an energy improvement plan for the whole stock. Inevitably current activity does tend to involve pilot exercises and testing of emergent technology, as well as programmes focused on situations for which funding and established techniques are currently available. It therefore has an innovative and opportunistic feel. As thinking matures, however, it should be possible to develop an approach that considers the whole stock and reflects this in long-term plans. This is not to say that any social landlord today can realistically plan today how it will hit its part of the 2050 target. But it should be possible to consider and plan for what stock is capable of being upgraded at reasonable cost, using techniques available now or likely to become realistic in the next few years.

### **10.4 Responsive repairs**

Responsive repairs are ad-hoc repairs initiated by reports from tenants, or factored owners or picked up by staff. For many tenants, their experience of getting such repairs done is their principal experience of direct service from their landlord, and the overall quality of that service is a big, if not the biggest, factor in their satisfaction with their landlord. Providing tenants with a good quality, cost effective, responsive repairs service is therefore a well-established priority for all landlords.

Generally, the drivers behind a repairs service are, rightly, customer satisfaction and value-for-money, not its contribution to strategic asset management. But a good repairs service can contribute to asset management in several ways:

- life cycles can be stretched by good maintenance, and tenants are more likely to accept older components if they know that, if it does go wrong, a prompt repair is at the other end of the phone;
- tenants are encouraged to play their own part in looking after their homes if the landlord is playing its part through a good responsive service; and
- feedback and analysis from the service will help to tailor life-cycle replacement plans. For example, helping to identify the point at which it is most cost-effective to replace a building element rather than repair it, and also helping refine replacement specifications to get the right balance between initial cost, cost in use and longevity.

## 10.5 Empty houses

In general, looking at empty houses from a strategic asset management point of view tends to reinforce the message that having homes empty is not a good thing for the organisation, and reletting homes as quickly as possible is a high priority. Empty homes clearly have several negative impacts. They reduce value in the business plan because of the loss of rent, the cost of repairs (there tends inevitably to be a relationship between the extent of repairs and the length of time empty), and can affect the appearance and reputation of neighbourhoods. Demand may also reduce due to the perception that these properties appear 'unwanted' even when that is not the case. And an empty home is an important housing resource not in use.

An important issue, therefore is how to approach the question of void repairs standards. Many landlords have set void standards to which a property must be brought up before it is relet. These ensure that customers know what to expect, and also that the landlord is setting a quality standard from the outset of the tenancy.

There can however, be some tension between rigid adherence to a fixed standard and the prompt reletting of voids. In practice, customers have their own views on what is important to them before accepting and moving in, and this will vary across different local markets and situations. Some recognition of this, and an ability to be flexible to do what is necessary to get a home quickly relet can be an important part of managing voids. For example, agreeing to carry out repairs after the tenant moves in can sometimes suit everyone very well. Or, for a property that is in relatively low demand, perhaps a little bit of extra work, perhaps work identified by the customer, may result in it being let more quickly.

Landlords may also decide to complete investment when a property becomes empty. This is usually to avoid the disturbance to a tenant and to improve the demand for the property. This may be a sensible approach if the works are completed quickly, within landlords' usual void target times and the property is not in high demand. But longer periods of time between the home becoming empty and the arrival of a new tenant will mean lost rent and the risks of perceptions of negative demand.

High void costs, difficulty in letting, and high turnover are very good indicators that a cause for concern flag should be raised, and the issues examined with care, as is explored in Section 12 in this guidance.

## 10.6 External and environmental work

Another important aspect of asset management involves looking after external and common areas of homes and neighbourhoods. Successful neighbourhoods tend to have the appearance of being well looked after by the landlords and by the residents, and these aspects are major factors in driving a positive reputation.

The reason these aspects are often dealt with less well than maintenance and investment in the homes themselves is that they raise more complex issues about standards, costs, and ownership. Social landlords often share responsibility for neighbourhoods with other, sometimes many other, owners. Some of the major issues may be outside their control altogether. For example, problems with highways or with street lighting will be more challenging to address and require effective partnership working. Often such issues will need to become serious enough to create a cause for concern as explored in Section 12. However, there are still basic and important things that a landlord can make sure it does for its core stock.

Some good examples would include:

- regular grass cutting;
- maintenance of planting beds;
- repainting of painted metal railings;
- repainting of communal areas;
- good quality signage;
- upkeep of door security and entryphones;
- rubbish clearing from vulnerable areas; and
- quick removal of graffiti.

The above examples are all focussed on tackling basic aspects of an area that can very quickly result in reputational problems, sometimes as much as the internal condition of homes. Good regular maintenance practice should be coupled to the ability to spot opportunities for relatively minor and quick remedial action. For example, a planting box no longer containing live plants is an invitation to be used as a waste bin. It may be worth trying to replant it, but if not, removing it and grassing over the gap will almost certainly look better than leaving it as it is.

## 10.7 Owners in blocks

There is a distinctive set of asset management issues and complications that are associated with mixed tenure ownership of blocks of flats.

In thinking through their approach to mixed tenure blocks, social landlords need to bear in mind different aspects to their roles and responsibilities:

- as the owner of individual flats within the blocks;
- as one of the owners sharing responsibility for the block as a whole; and
- as the provider of factoring services (normally the case in practice, although not automatically so).

These different roles obviously overlap and can easily be confused. It is generally advisable for social landlords to be clear in which capacity they are operating when communicating with owners. It is quite common for owners to misunderstand their relationship with social landlords leading to confusion about roles and responsibilities.

Issues vary widely in practice according to the nature of the properties and the level of ownership. At one extreme, four-in-a-block cottage flats normally have no communal areas and common responsibility for building elements such as roofs that may require little attention for many years. At the other, private owners in multi-storey flats share substantial and potentially expensive responsibilities for the common parts of the block and the surrounding area. As well as major investment issues, there are substantial routine running costs to be shared, for the upkeep of communal areas and services.

A second dimension is added by the proportion of flats owned by the social landlord and the related issues of risk and control.

If a landlord is a minority owner in a block, it does not have anything like the level of control that it is accustomed to in its other homes. In practice the most common problem this causes is that work or other action that the landlord would like to apply to the block does not happen because it does not get the necessary support. This often results in short term savings to the business plan because budgeted expenditure does not take place. But it would also be possible for the reverse to happen; other owners could decide to do something that is not supported by the social landlord and not budgeted for.

The key issue here from a strategic asset management point of view is that the levers of control are not all exclusively owned by social landlords. This therefore requires a different, responsibility sharing approach. Ultimately, it is possible to be in the position where the minimum acceptable standards cannot be met. This raises the strategic asset management question of whether social landlords should continue to own property in these blocks at all.

Where the social landlord is a majority owner it has a higher level of ultimate control, but it is still far better to proceed at all times by agreement with other owners. Social landlords with a lot of mixed ownership blocks will generally say that they have had to develop a distinctive and quite specialised approach to communication and involvement. This generally involves a drive to promote clarity about rights and responsibilities and a step-by-step decision making process in which financial implications are made very clear.

## 10.8 Related assets

Within a strategic asset management approach, it is important to consider other buildings and land that may be owned. These commonly include:

- garages;
- shops;
- community facilities;
- potential development land; and
- a surprisingly wide range of less common examples, such as car parks, workshops and pumping stations.

In general, it is important to stay alert to the possibility that some apparently unwanted building or land has an interesting alternative use that will turn it from being an irritant to something of positive value.

Some of the larger strategic asset management problems and opportunities can be associated with garages and shops. Because of their history, some social landlords have substantial holdings of garages and shops. Garages can be easy to let, producing a steady rental income and costing little to repair, and shops can be on a thriving little shopping parade providing valued local services. But few landlords would be able to say that of all their garages and shops and it is quite common to find that both garages and shops are liabilities rather than assets. Where there are significant holdings of either, a strategic asset management approach will normally have definite plans for looking after them, and for reviewing their value to the business.

## 10.9 Key questions

- Are plans in place to keep the stock in good condition as economically as possible over the life of a 30-year business plan and meet changing and rising standards as far as they can be foreseen?
- Do you have an efficient and customer-conscious responsive repairs service?
- Do you try to ensure that your homes and neighbourhoods appear well-cared-for?
- Do you try to make your homes as cheap to heat as possible?
- Do you provide effective services to factored owners that meet their requirements and assist your interests as a property owner within the blocks?

# 11. Compliance with standards

## 11.1 Obligations

Many important cyclical programmes carry considerable risks for all landlords through statutory obligations and the very serious nature of the potential consequences of failure for tenants and for social landlords.

Aspects that require cyclical attention and where the key drivers are primarily statutory and safety obligations include:

- gas appliances;
- asbestos;
- legionella;
- water tanks;
- lifts;
- emergency lighting;
- fire safety;
- electrical systems;
- electrical appliances;
- oil and solid fuel heating systems; and
- spalling concrete.

Each of these has its own specific and detailed legal and regulatory framework with which detailed familiarity is essential to ensure compliance. Landlords need to directly employ such expertise or buy it in from a trusted source.

While it is not possible to outline in detail the requirements of each possible programme, there are some general principles to follow. For anything that does require any sort of regular (not necessarily annual) inspection, testing or maintenance regime:

- Understand precisely what is required and why.
- Identify what homes it applies to.
- Design a programme to meet the requirements.
- Decide how you will monitor and quality-assure the programme.
- Ensure that the list of homes requiring the programme is kept updated.
- Decide how to involve and inform tenants.
- Decide how to deal with situations in which access cannot be obtained.

Typically, the greatest risks can arise, not from the failure to establish a technically compliant programme, but from weaknesses in monitoring and quality assurance. Standards can slip below the vigorously high levels required and not be picked up. Examples might include having a property with a newly installed gas appliance that is not then put on the servicing list or not checking the quality of completed gas safety work.

Of course, the primary reason for rigorous compliance standards is the safety of tenants and residents. Social landlords also need to be aware of the consequences for themselves and their employees of any failure. For all these reasons, it is important to consider external independent validation arrangements for higher risk activities.

## 11.2 Key questions

- Do you have a comprehensive cyclical testing and maintenance programme that covers all items requiring regular testing or maintenance for any reason?
- For higher risk areas, do you use targeted external accreditation to verify safety standards?
- For higher risk areas, how do you deal with no access situations?

## 12. Dealing with ‘cause for concern’ stock

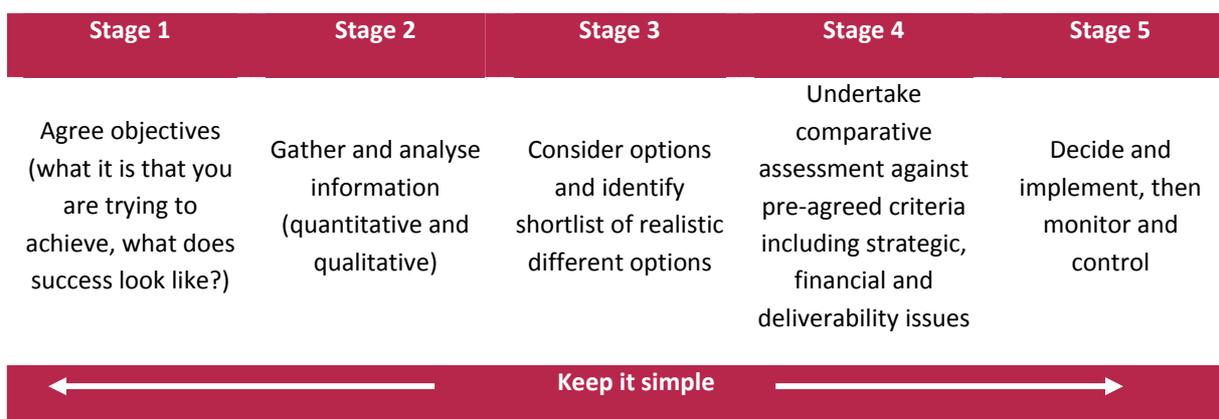
### 12.1 A systematic and proportionate approach

Landlords should have an active approach to asset management that recognises and responds to the fact that there will always be stock that could be doing better, or for which the future could be seen to hold some questions. The principle being set out is that landlords should be alert to these issues, and that they should have a systematic and proportionate way of responding that forms part of their basic strategic approach.

There can be many factors behind a cause for concern and many degrees of seriousness. There may be fundamental factors such as high investment costs, high running costs, or low demand due to unsatisfactory design or very poor location. In extreme cases, these factors may be combining to produce a very low or even negative NPV and a social housing value assessment that suggests the stock is and will remain a liability rather than an asset. But most cause for concern stock is not so extreme and the best response is likely to be much less easy to identify than it can be in the worst performing cases. It may be that an analysis has shown that apparently good stock is producing surprisingly poor value. Or possibly some local issues have caused a sudden increase in voids and a worrying reputational dip, for example a rise in anti-social behaviour.

### 12.2 Option appraisal

Good strategic asset management involves being aware of these issues and considering what to do. The use of option appraisal techniques can help, as set out in this diagram:



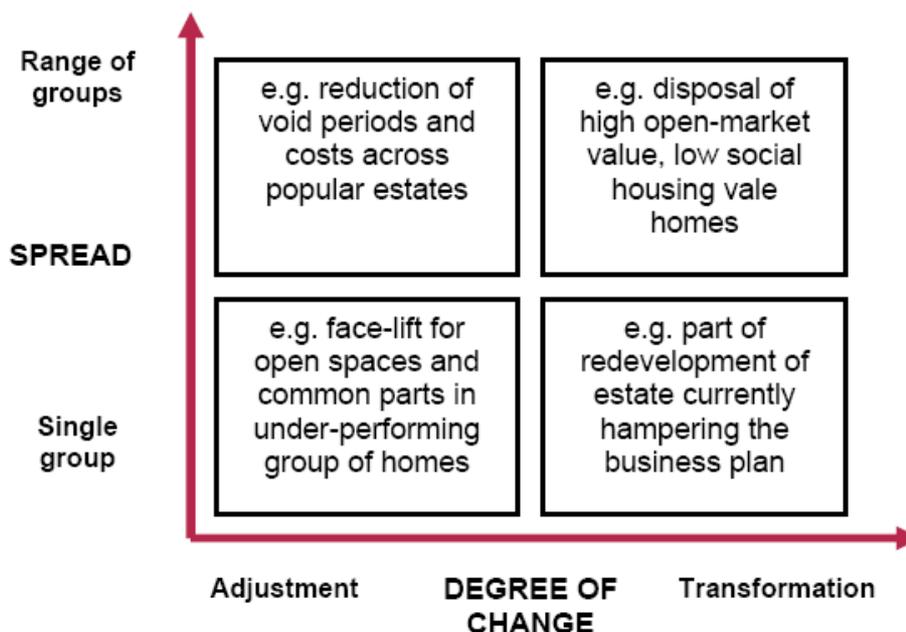
The basic principles can be applied to any problem, large or small, and, at its most basic, can be seen as simply a way of thinking a problem through to a sensible conclusion. Option appraisal is well suited to tackling asset management problems as it helps make sense, not only of the very wide range of factors that may be encountered, but also of the very wide range of potential solutions.

In general, with asset management, it is a mistake to expect there to be a complete solution to a problem, in the sense of one that is practical, financially viable, and which resolves the problem with no significant downside. Compromises are very much part of the art, and sometimes a substantial downside has to be accepted to unlock progress. Financial implications need to be fully understood. Many problems can, on the face of it, be resolved by spending substantial sums of money. But can this be shown to ensure a return to the social landlord that justifies that much investment? Or, if the answer to that question is no, is resolving this problem such a high corporate priority that the costs should be carried anyway? Done properly, option appraisal encourages a transparent approach that leads through to the best available conclusion, even when that conclusion has some

uncomfortable aspects for decision makers. The key to success is to ensure that the options presented are underpinned by good quality information and take account of the organisational objectives trying to be achieved.

### 12.3 Taking action

The diagram below demonstrates the wide field of actions that may need to be considered.



Starting at the top left example, it may be that the biggest factor reducing asset value is a general problem with relatively high void costs and periods across the stock - including in core stock. Organisational focus on achieving a general reduction in void time and cost may do more to build value than anything that can be done with any one particular part of the stock.

At the bottom left, the example may involve homes that have something of a run down feel, but not to an extent that raises fundamental questions about their future, or where radical investment solutions are not really realistic. It may well be that a simple face lift, tackling the most noticeably run down features that strike tenants and visitors, will have an impressively positive effect on the feel of the area.

At the bottom right, the example may be a group of homes with a social housing value that clearly makes them more of a liability than an asset. Even where that is the case, option appraisal may conclude that redevelopment is not a practical way forward. But, sometimes it will be a serious option, for example, where demolition happens to unlock wider development opportunities and creates land of significant value.

And in the top right example, a landlord may have homes, possibly somewhat disconnected from the mainstream stock, with a high open market value but generating a noticeably low social housing value. A flat in an older block in an up market area, for example, may have high maintenance and investment requirements that mean it is bringing less to the business plan than the modern flat in the much cheaper area. Selling a few such flats when they become empty might well generate enough net income to start a small development programme.

These are just some simple examples. In practice, most cause for concern situations, when examined, have some familiar general factors and also one or two specific features that are unique to that situation. The skill for social landlords is to understand the situation and think things through in a proportionate way to decide the best course of action.

## **12.4 Key questions**

- Do you have stock that for any reason is causing concern now or is felt likely to cause concern in the future?
- Do you adopt a systematic approach to identifying such homes and considering the options for them?
- Does your asset management approach contain the full range of options from 'wait and see' to radical intervention?

## 13. New development

### 13.1 Growth plans

Many organisations still have the aim of achieving growth, through new development or possibly other forms of growth such as acquisition of existing homes or buildings to convert. Some have an existing development programme, but for others it is an aim for the future, possibly linked to a specific opportunity that they expect to arise, or possibly a general strategic aim. Even without strategic growth plans, it may be more a case of being aware that opportunities do arise, not always predictably, perhaps to acquire homes, or other property, or land.

Plans may involve a wider range of tenures and markets than traditional social renting. They may involve other development, such as health centres or shops, as well as homes. They may be general, in the sense of aiming to have a rolling programme of a certain size. Or they may be much more specific, such as an intention to build or acquire a small number of larger family homes to help fill a specific gap, or to develop a specific gap site that is letting down a neighbourhood.

### 13.2 New development and strategic asset management principles

This Recommended Practice is not the place to deal with the nuts and bolts of development. But some of the most important principles of strategic asset management do apply to new growth, and can be summarised as having answers to the questions:

- Why are we doing this?
- How is it to be paid for?

For an organisation with serious intentions these questions should not be hard to answer, but the full answers may turn out to be relatively complex and it does pay to ensure that they have been properly asked and answered.

For the ‘why are we doing this?’ question, it is likely that two aspects to the answer will be targeted:

- the meeting of a strategic need, for homes of this type, in this location; and
- the addition of new, good quality homes to the business, helping to build value in the asset base for the future benefit of the business.

Social landlords should be able to show that both of these apply. The considerable experience of owning, managing and maintaining homes should inform all the decisions involved in new development, including location, type, design, and specification.

For the ‘how is it to be paid for?’ question, the answer will lie in a combination of net rental income, free or reduced price land, cross subsidy from development for sale, grant, control of development costs, low-cost funding, and financial support from the rest of the business plan.

The ability to bring in financial support from the rest of the business plan is closely related to the strategic asset management approach. ‘Getting more out of what you’ve got’ will create some new capacity in the business plan to support borrowing for new investment or support the cost of services. The questions that follow can be summarised as:

- How much capacity has been created?
- Can we be confident that this will continue into the future to support borrowing, or

- other new expenditure streams?
- How much of it do we wish to spend on new development and other growth, compared to the other uses to which it can be put?

### **13.3 Resources**

Social landlords with growth plans need to consider what resources and expertise they need to deliver them. This is particularly important if they have little recent experience of development or if they are planning innovative approaches while having experience mainly of relatively straightforward grant funded development. Even where the skills are there, this type of activity can easily consume a substantial amount of senior management time, taking it away from other aspects of the business. Using other organisations as agents, or working in consortia are two of the obvious options for getting round this problem. Social landlords still need to have a level of expertise within the organisation to be able to proceed with confidence.

### **13.4 Key questions**

- Does your corporate strategy include for growth through new development or acquisition?
- How is it to be funded?
- What is the housing market you are aiming at, and how will the new homes meet that aim?
- Is your experience as a landlord being translated into the design and specification of your new stock?

## 14. Value for money

Taking a strategic approach to asset management provides an opportunity for landlords to review how value for money can be improved. All landlords need to ensure that they are managing their assets to create the optimum balance between cost and quality in their own context.

### 14.1 Cost conscious decision making

Large budget heads within the business plan are often spent by many individuals across the organisation making large numbers of separate decisions in the course of their day-to-day work. It is important that they are always aware of the costs that will flow from their decisions and are encouraged to consider whether the cost can be fully justified or perhaps whether it can be done cheaper and better in a different way. Keeping to budget is very important, of course, but this type of thinking goes beyond that. It involves ensuring that people do not make the common mistake of assuming that, because something is within budget, that it necessarily means that it is money well spent.

### 14.2 Market testing and benchmarking of costs

It should be possible for every landlord to be able to demonstrate to tenants that major services such as repairs, maintenance and investment are being provided at or near the lowest cost possible for the quality required. Where services are contracted out, a well run procurement exercise will provide good evidence and the same will apply where it is an in-house service that has won the contract in open competition. Where an in-house service has not been subject to reasonably recent competition, then other tests will have to be applied to evidence value for money. Selective market testing to establish sufficient market comparators is one possible approach. Benchmarking against other landlords is a useful general tool, but has its limitations and is likely to be best used alongside other measures to give a rounded assessment of value-for-money. Equal rigour should also be applied to other aspects of the service to tenants, such as open space maintenance, and cleaning.

### 14.3 Modern procurement

Underpinning a strategic approach to asset management will be a strategic approach to procurement that is kept under review and is tailored to the particular needs of the organisation. Aspects to consider include:

- grouping and bundling of work;
- contract length;
- supply chain arrangements;
- use of procurement clubs or Joint Vehicles (JVs);
- collaborative methods with payment / rewards and risk sharing; and
- other efficient, low cost procurement methods that avoid over prescription and encourage strong proposals.

### 14.4 Managing programmes

Organisations also need to keep a close eye on the costs of planning, procuring and managing programmes. These costs tend to be buried somewhat in the overall running costs of the organisation and not subject to the same level of scrutiny that the costs of contracts themselves are. As an example, high levels of routine pre and post inspection may allow some control of costs but in some circumstances can result in high administrative costs and delays to work. Professional fees are often not routinely reviewed for value for money and introducing a competitive process can result in a decent saving, particularly on larger contracts. Or, for procurement, putting several small contracts into one large and

longer term contract can save a great deal of procurement process cost, as well as better prices due to being more attractive to the market.

## **14.5 Key questions**

- Is everyone who is making spending decisions aware of the cost and thinking about how to get the most from it?
- Are you able to demonstrate to tenants and to yourselves that work is done at the best possible balance between cost and quality?
- Do you have a procurement strategy that makes the most of modern methods of procurement?
- Are your arrangements for programme and contract management low cost and efficient?

## 15. Planning a review

### 15.1 Deciding where to start

Every social landlord needs to think carefully about what it needs to do to ensure it has a good strategic approach to asset management and how this can be demonstrated. How best to do this is a matter for each organisation and will depend on the individual circumstances.

In some cases, it may be that the time has come for energy and resources to be committed to a full structured review. This might be the case, for example, if the organisation is already conscious that a number of the key questions in the previous section cannot be answered with confidence. A full review is then required to get some perspective on the different issues and come up with a deliverable action plan that concentrates effort where it is most needed.

In another case, it might be that strategic asset management is established and there is good evidence to show that it has worked. How do you sustain and build on this may be the question to pose, or perhaps there is one service aspect that was overlooked?

Or, in some cases, the principle of proportionality may apply almost from the start. An efficient social landlord with no new development plans, with modern stock in high demand and with no sign of future risks can and should skip rapidly over several of the ten strands. Of course that means it has a strong business with a strong asset base and it will probably want to ask itself if it is achieving all it could from such an enviable position.

This Recommended Practice does not attempt to prescribe how to carry out a review, although there are certain principles to follow that will help landlords. These principles are:

- Start by standing back and considering your own position against the ten strands, even if you feel you know where the issues lie, and whatever your size and complexity.
- Be honest with yourself. Nothing is gained by glossing over issues, even if recognition raises difficult matters. They will not go away if ignored. And when it comes to strategic asset management, no organisation gets everything right all the time.
- Then focus on the things that really matter. Devote organisational time and energy to the right things.

It is important to tend towards the self-critical, asking yourself the harder questions. The results of the review may eventually become a public document, an important part of the face of the organisation. And the review itself is the right time for some searching questions.

### 15.2 Designing a review

Reviews should be designed to suit individual circumstances. Landlords who already have a successful and engaging process for annual strategic planning should adapt that to tackle strategic asset management. In practice, there are certain established basic techniques that have a natural application to this type of review. These usually involve beginning the review with some good information and using workshop type techniques to engage a range of people and promote discussion.

As covered earlier under the Good Information strand, for a complicated subject like strategic asset management, it is very easy to end up with a lot of information that confuses rather than clarifies. The start of a strategic asset management review is a good time to draw together a solid set of basic information to help participants have a common and clear understanding of the baseline position. This will also help to identify gaps where essential

basic information is not readily available.

Engaging people in interactive, workshop style events is an excellent way to involve people across the organisation and improve buy-in (one of the key issues for a strategic asset management approach). Successful workshops typically involve:

- good basic planning in advance;
- good quality information on the subject issues in advance or presented at the beginning of the workshop (or both);
- some key questions to pose, which are then the subject of small group working
- results gathered up, distilled and fed back;
- an understanding of how the workshop will feed into the strategy review; and
- a comfortable venue.

### **15.3 Use of analysis techniques**

Many social landlords will be familiar with SWOT (Strengths, Weaknesses, Opportunities, Threats) and PEST (Political, Economic, Social, Technological) analysis, and the numerous variants on similar themes, in which participants are encouraged to use a simple structure to offer their thoughts on current issues and on how they may change in the future. As for workshops, they are a very useful way of involving and capturing inputs from a range of participants and well suited to a strategic review of asset management.

### **15.4 Structured self-assessment**

Another natural way to structure a review is through preparing a self assessment, perhaps using the key questions that have been set out in this guidance. This again can be used to give structure to a workshop-type event, where people are asked to give relatively simple, bullet point responses to the questions. Or, a small group of people could be asked to prepare a reasonably detailed response to each of the self assessment questions, and that draft could then be scrutinised by a wider audience.

### **15.5 Who to involve**

Probably the most important aspect of any review is that it is an opportunity to involve the full range of people within the organisation who need to understand and contribute to a strong approach to strategic asset management.

This obviously means the people dealing with the planning and implementation of maintenance and investment, but it equally means people responsible for:

- housing management;
- business planning and financial management;
- strategy and information; and
- growth and new development.

Typically, this will mean the people, or a selection of people, managing these functions, but it is also useful to think about how to involve a wider range of staff, particularly front line staff. This might be achieved, for example, by holding a reasonably large workshop early in the review, at which people are invited to give their view on the service, perhaps by posing the ten strands as questions, or by tailoring something from the ten strands that fits the distinctive nature of the organisation.

In small organisations, the question of who to involve can be quite simple. A review would typically be carried out by the management team, perhaps involving a few other key individuals. Communication with the whole organisation will be straightforward, probably

through the regular staff meeting or similar.

In larger organisations, the question of communication and involvement requires careful thought in planning the exercise. A major theme of this Recommended Practice is the importance of promoting understanding and buy in across the organisation. Larger organisations will already have found ways of tacking cross organisation involvement for core business, for example in service plans. Something similar will probably be necessary for asset management.

In some cases, more likely to be in local authority housing services, this will be carried out primarily as a management exercise, and the results presented to the council committee. For RSLs the governing body should have ownership of the process from the beginning and be involved throughout. It is an opportunity to raise the issues and build understanding to improve the ability of the governing body to perform its key role of providing strategic direction.

The views of tenants and other groups, such as factored owners, feature in most of the strands, and will obviously have to be fed into the review in numerous ways. Much of this should be capable of being gathered from existing tenant feedback and engagement, but some landlords may want additional tenant and customer input specific to asset management. There will also be numerous examples of other stakeholders that some landlords will feel need to be engaged. But, on the whole, it is probably best to see this more as an internal exercise in tough self examination rather than an opportunity to engage all your stakeholders.

## **15.6 Capturing the outcomes**

The value of a good strategic review is in the benefits of the process, in the way it focuses on key issues and leads to improvements in outcomes. But, having gone to the trouble of carrying out a review it is essential to capture the results clearly in a document or documents of some kind. A good test is to consider what would happen if a peer organisation asked advice on your approach, for the purposes of its own review. Would you be able to give them, perhaps one document or perhaps a small set of documents with a short explanation of the links and know that they would get a clear picture of your approach?

In practice, many organisations will feel that the best way to capture the results is to produce a single asset management strategy. In most cases a strong review will produce the necessary material for a strategy.

However, there is also a good argument for asset management strategy to form part of the corporate plan or strategy, rather than be a separate document. A big theme of this recommended practice is the very close relationship between business planning and strategic asset management and a simple and powerful way to respond to that is to capture the two in one document. This might, for example, lead to a single strategic plan for the organisation, produced every three to five years, supported by a set of annual plans for business planning and asset management, produced or refreshed as part of the annual planning cycle.

If an asset management strategy is produced, it is probably best to see it as having a three to five year life and resist the temptation to try to update it each year – this tends to result in a significant amount of work to produce a slightly confusing document. As with any strategy, it will gradually date, and the time to review it will be the point at which it is clearly too dated to be of much value. This is also likely to be the point at which it is worth committing organisational time and effort to a full review anyway.

The basic structure of an asset management strategy can readily follow the structure of most strategic documents, typically:

- aims and objectives;
- review of context, and linkages to other strategies and plans;
- review of current performance and key areas to focus on;
- plans for the future; and
- key actions with SMART targets.

Actions from the review (whether or not an actual asset management strategy document is produced) and performance measures should be included in the annual corporate planning and performance management framework.

## **15.7 Going forward**

This Recommended Practice started by emphasising that a strategic approach to asset management is more about a creative, problem solving, financially-aware, value-building, and organisation wide approach than it is about following a prescribed set of indicators. Social landlords can 'get more out of what they've got' by following the creative strategic approach. While a common set of basic principles has been outlined, all social landlords need to think for themselves about how and to what extent these apply. It is already widely understood in the social housing sector that this is the right direction of travel and much good practice already exists. This Recommended Practice is intended to help and encourage that progress and to spread it across the whole sector. With around 575,000 social rented homes in Scotland and a challenging environment for social landlords, an active, strategic approach to asset management is bound to be a permanent and central feature of the sector.

# Glossary

<b>Asset management</b>	Ensuring that current and future assets (houses, land, garages, shops etc) fully support the organisation's objectives – working towards having the right assets, of the right quality, in the right place, at the right time generating appropriate value to the business plan and 30 year cashflows.
<b>Business plan</b>	A document setting out a landlord's aims and objectives and its financial plans and resources for a specific period.
<b>Business continuity planning</b>	Prepared (and tested) measures for protection of critical business operations from the effects of a loss, damage or other failure of operational facilities.
<b>Cash flows</b>	An accounting term that refers to the amounts of cash being received and spent by an organisation during a defined period of time.
<b>Community care plan</b>	A plan setting out the provision of support and services to people who have community care needs in a local authority area.
<b>Contingency plans</b>	Alternative plans to cover what the organisation will do if things change and the original plans will not work.
<b>Cover ratio</b>	A type of financial ratio which is commonly used in lending covenants.
<b>Environmental stewardship</b>	The responsibility for environmental quality shared by all those whose actions affect the environment.
<b>Financial forecast</b>	A projection of the organisation's expected financial position based on expected conditions
<b>Financial stewardship</b>	An RSL's responsibility to take care of the public funding invested in its stock.
<b>Housing Association Grant (HAG)</b>	A grant that the Scottish Government or a local authority awards a RSL to acquire land or buildings and to build, convert or improve housing for rent or low-cost home-ownership.
<b>ICT</b>	Information and communication technology systems.
<b>Internal management plan</b>	A management plan defining operational targets which must be met in order for the overall strategy to be achieved.

<b>Key performance indicator</b>	A measure of how an organisation is achieving its objectives or performing in particular activities. Performance indicators can be compared with a pre-set standard (a benchmark) or with other organisations.
<b>Lending covenant</b>	Agreement between an organisation and its creditors that the organisation will work within certain limits, for example in relation to its debt levels, asset sales and financial ratios. If these limits are broken the consequences can be serious.
<b>Mission statement</b>	A formal short written statement of the purpose of an organisation which has been approved by the organization's governing body.
<b>Options appraisal</b>	A structured process for considering alternative choices against appropriate evaluation criteria in order to optimise the achievement of strategic objectives.
<b>Performance Standards</b>	The nationally-agreed standards RSLs and local authorities are expected to meet in providing housing services and in managing their organisations.
<b>Private finance</b>	Funding borrowed from a private sector lender such as a bank or building society.
<b>Procurement</b>	The way an organisation obtains services or materials from other organisations or agents.
<b>Registered social landlord (RSL)</b>	A landlord providing or managing social rented housing that is registered and regulated by the Scottish Housing Regulator.
<b>Right to Buy (RTB)</b>	The right of many Scottish tenants to buy their property at a discounted price, depending on length of tenancy.
<b>Risk management</b>	The process of defining and analysing risks, and then deciding on the appropriate course of action in order to minimise and mitigate these risks.
<b>Scenario planning</b>	A process of visualising and testing what might happen to affect the organisation's business, what the likelihood and impact would be and how to respond.
<b>Scottish Housing Quality Standard (SHQS)</b>	A minimum quality standard for all of Scotland's social homes. Landlords should achieve the standard by 2015.
<b>Sensitivity analysis</b>	Investigation into how projected performance <u>varies</u> along with changes in the key assumptions on which the projections are based.

<b>Stakeholder</b>	Any person or organisation using a landlord's service, affected by the landlord's actions or having an interest in the landlord's activities – an interested party.
<b>Standard Delivery Plan (SDP)</b>	An SDP sets out the action required by social landlords to meet and maintain the Scottish Housing Quality Standard by 2015.
<b>Standard Development Funding Plan (SDFP)</b>	An SDFP is submitted to a public sector grant provider by a RSL wanting public funding to build new homes for social rent.
<b>Strategic Housing Authority</b>	The local authority responsible for strategic housing planning in an area.
<b>Strategic Housing Investment Plan</b>	Submitted by the Strategic Housing Authority to Scottish Ministers demonstrate how it will achieves its aims.
<b>Strategic objective</b>	A target that an organisation must achieve to make its strategy work.
<b>Stress test</b>	A test that looks at the impact on an organisation's business plan of a major change in one or more variables in order to see what effect this would have.
<b>Treasury management</b>	A policy governing the way an organisation manages borrowing and investments.
<b>Value for money</b>	Value for money is about obtaining the maximum benefit with the resources available.

