



# **Osprey Housing Group Asset Management Strategy 2018**

Revised October 2018

Date of next Review October 2019



## Asset Management Strategy 2018-20

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## Asset Management Strategy 2018-20

### 1. Introduction

#### 1.1. Our Background

The Osprey Housing Group rebranded under its new name in September 2016. The Osprey Group is made up of three constituent parts, which are:

- Osprey Housing (OH), formerly Aberdeenshire Housing Partnership (AHP)
- Osprey Housing Moray (OHM), formerly Moray Housing Partnership (MHP)
- Osprey Initiatives Ltd. (OIL), formerly Aberdeenshire Housing Partnership Developments (AHPD).

Osprey Housing is the parent body.

Osprey Housing was established in 1999 as a Housing Association. In January 2013 Osprey Housing entered into a constitutional arrangement with Osprey Housing Moray. Osprey Housing Moray is a subsidiary of Osprey Housing. Both Osprey Housing and Osprey Housing Moray are Registered Social Landlords with charitable status. Osprey Initiatives Ltd (OIL) was established in 2011 to provide services which OH and OHM could not provide because of their charitable status.

We own and/or manages approximately 1,700 properties across 3 local authorities in the North East of Scotland – Aberdeenshire, Aberdeen City and Moray Councils. OH and OHM provide social housing for a range of needs. They are focussed on the delivery of affordable housing and seek to provide excellent services that meet our tenant's expectations and those of other stakeholders. They house a spectrum of those in housing need including young people, homeless applicants, those moving for employment, those with specialist needs and older people. OIL provides mid market tenures using our own specific stock and under the National Housing Trust initiative.

Because of the way the two original organisations were established our stock is made up of distinct ages, location and types of properties.

- Osprey Housing was established by the trickle transfer of ~350 properties from Aberdeenshire Council. These properties are widely dispersed in location and date from early 1900s to mid 1990s.
- During 2000 to 2010 Osprey Housing built ~740 properties.
- Since 2015 Osprey Housing has built ~200 new properties.
- Osprey Housing Moray was established by the purchase of ~160 Defence Housing Executive properties in 4 locations. These properties date from 1950 to 1973
- During 2002 to 2010 Osprey Housing Moray built ~330 properties.

In addition to the provision and management of our own stock we manage properties on an agency basis on behalf of other RSL's, currently Aberdeen Soroptimist Housing Society.



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At the time of the constitutional arrangement with Osprey Housing Moray the Board endorsed a proposal to create an integrated senior Group management structure to cover the complete organisation.

We currently have an Executive and Senior Management team structure and a staff complement of ~30. It operates out of two offices. It has its Headquarters based in Westhill, Aberdeenshire and operational services for Moray are based in Lossiemouth, Moray.

In 2015 in the interests of efficiency, effectiveness and value for money and with full support of our registered tenants association, Osprey Tenants & Residents Association (OTRA), the Board decided the various organisations should all aim to work under the same 'Osprey' brand name.



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### **2. Our Vision; Mission; Aims and Core Values**

Our vision is one of "Making a difference every day"

Our mission is to "provide high quality affordable housing and services to people in the communities we serve"

The key aims of Osprey Housing are to:

- Strengthen our financial viability.
- Meeting our customers' priorities.
- Continually improving how we deliver our services.
- Ensuring the long-term sustainability of our assets.
- Supporting the development of new affordable housing.
- Continually invest in and develop our people

Our Core Values reflect the foundation from which we perform and conduct our business, and are essence of the company's identity. These Values provide a framework to achieve our Mission Statement and outline the approach taken to achieving the statement –

#### **AMBITION**

Empowering through innovation and challenge

#### **(E)QUALITY**

Doing the best for individuals and communities in a fair and equal way

#### **RESPECT & PROFESSIONALISM**

Towards each other, the people we deal with; the people we serve and our environment

#### **ACHIEVEMENT**

Delivering outcomes that matter and make a real difference – now and in the future

This Asset Management Strategy sets out a strategic framework within which we will manage, maintain and invest in our housing assets. It takes account of guidance published by the Scottish Housing Regulator. It also demonstrates that we clearly recognise that well maintained and sustainable properties are fundamental to ensuring we meet the expectations of our tenants and wider customer base.



## **Asset Management Strategy 2018-20**

### **3. Strategic Context**

#### **3.1. Background**

This Asset Management Strategy forms part of a wider investment strategy and cross references with the Development Strategy currently being developed that includes the assessment of future customers needs through housing needs, demand information and economic drivers.

#### **3.2. Developing the Strategy**

To enable proactive targeting of intervention we will continue to develop it systems that regularly review the performance of our assets.

We recognise that good performance of the property portfolio requires the provision of excellent services throughout the organisation and therefore the relationship between our physical assets, other management services and financial resources is intrinsic.

We are developing this strategy based on an approach that is designed to ensure we utilise the experience of our own staff, consultation with tenants (and specifically our Tenants Association – OTRA), and the expertise of outside consultants.

We have developed with Arneil Johnston a Property Evaluation Tool (PET) to ensure that by integrating specific Key Performance Indicators properties can be assessed holistically and appropriate interventions made.

#### **3.3. Purpose and Key Aims of this Strategy**

The overall aim of the Asset Management Strategy is to protect and increase the value of our assets portfolio through balancing expectations of customers with statutory requirements, good practice and value for money within the parameters of our overall Business Plan.

Our assets consist of:

- Housing stock, residential land and buildings
- Play areas and Open Spaces
- Non residential stock – offices and other non residential buildings (e.g. lock up garages)
- Skilled staff – a key resource that is in place to ensure our physical assets are effectively managed and required services are delivered
- Finances – including cash reserves and loan agreements we have in place
- Other Assets – such as ICT systems, databases, equipment and vehicles.

This Strategy is designed to help:

- Determine and understand the condition and profile of our property assets
- Understand the suitability of our assets to meet requirements of our customer base now and in the future.



## **Asset Management Strategy 2018-20**

We define good asset management as; **“The processes by which we ensure our assets are managed effectively and provide value for money to our tenants and our business.”**

Our definition incorporates operating, maintaining, upgrading, developing, and disposing of our properties in a sustainable, cost effective manner that meets our customers’ priorities, our long-term business plans, and wider housing needs, while sustaining value in our asset portfolio.

Asset Management goes beyond simply investing in good repair and improvements. It includes fundamentally reviewing and if necessary changing the asset portfolio to ensure we have the right type of accommodation, in the right location, and this must be supported by flexible and responsive services for our tenants and customers. Asset management must also take into account quality and value for money, and how outcomes affects the running costs out tenants incur in running their homes.

We are adopting a whole organisation approach from which the key benefits will include:

- The provision of affordable homes
- The right mix of homes to meet local and demographic needs
- Assets aligned to the needs of our tenants/customers
- Assets aligned to the aspirations of our business plan
- A clear understanding of maintenance needs and costs
- A clear understanding of long term capital investment needs and costs
- Appropriate disposal process
- Lower whole life running costs
- An increasingly environmentally sustainable asset portfolio
- Improved value for money

Achieving better financial value through grants and other available external funding sources.

The Asset Management Strategy, and the ‘Planned’ and ‘Maintenance’ programmes that flow from it link to the business planning process and informs our Risk Management Strategy. The Strategy also aligns directly with our Development, Finance and Investment Strategies. This document should therefore be cross-referenced with these documents.

The Technical Appendices contain background and supporting detail relating to this strategy.

### **3.4.Key Objectives of this Strategy**

The key objectives of this strategy are designed to realise the above aims are:

- Establishing our customers’ priorities now and over the long term
- Meeting the Scottish Housing Quality Standards and Energy Efficiency Standards
- Establishing the investment required over thirty years to maintain our assets
- Establishing a framework to manage the investment



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- Determining the affordability of the investment and the economic viability of our assets.

Additionally this Strategy is designed to:

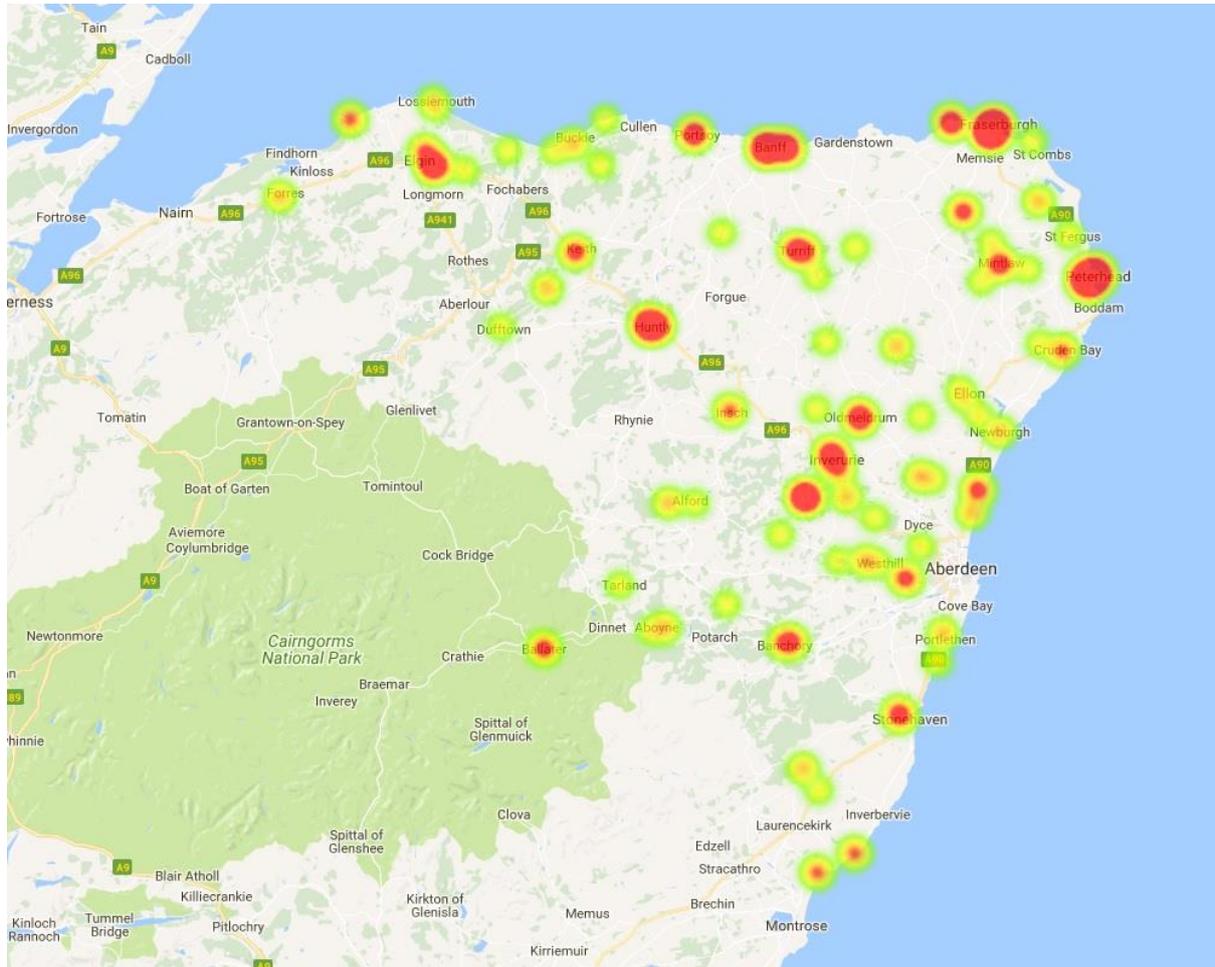
- Meet expected standards – as agreed with our tenants/customers and other stakeholders
- Provision of high quality housing – now and in the future and, ensuring it is continually fit for purpose
- Effective Maintenance – including health & safety
- Sustainability and Energy Efficiency – quality and demand are sustained in the long term and includes our Sustainability objectives
- Stock Condition Data/Property Portfolio Knowledge – Maximising information management and ICT systems
- Mapping Stock and Performance – maximise service delivery; efficiency and value for money
- Financial Viability – ensuring we can afford to manage and maintain the stock in the long term
- Ensuring effective tenant/customer involvement in the development and management of Asset management services and improvement programmes
- Provide opportunity (where appropriate) to work jointly with stakeholders and partners (e.g. joint procurement/contracts).

## Asset Management Strategy 2018-20

### 4. Understanding our Assets and Context

#### 4.1. Location

Our stock is widely disperse throughout the North East of Scotland



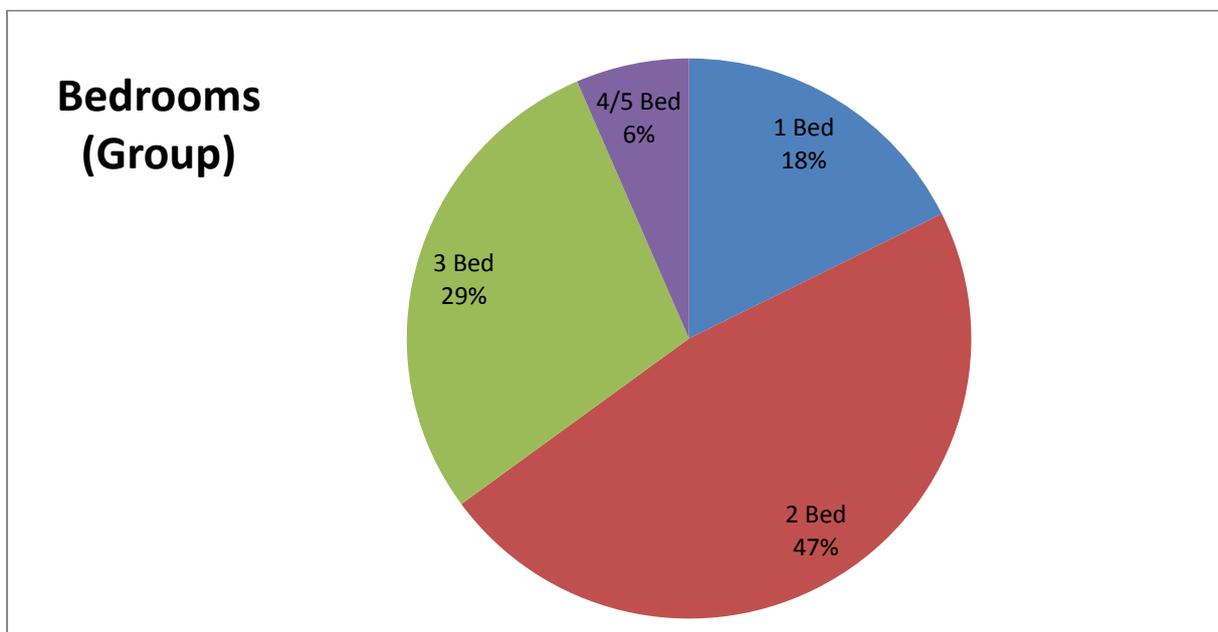
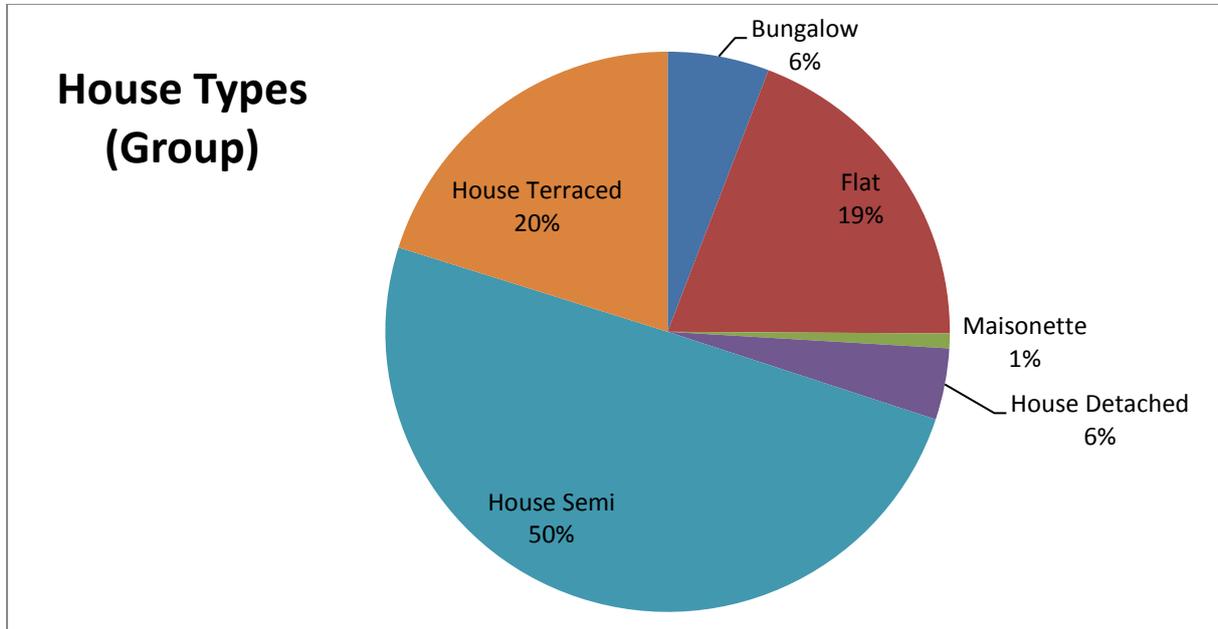
Because of the disperse location of the housing stock high Management costs are incurred due to staff time and expenses. Similarly, response repairs and major replacement programs have comparatively high costs.

The costs of managing single or small clusters of properties in more rural locations are a real consideration. This along with potential opportunities for selective disposal in order to realise value for the purposes of reinvestment is considered with the Property Evaluation Tool.

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### 4.2. Form

All of our properties are 'low rise' (i.e. not above 4 stories)



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Property Type	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	Total
Bungalow	2.2%	3.1%	0.3%	0.1%	0.0%	5.82%
Flat	10.1%	8.4%	0.7%	0.0%	0.0%	19.28%
Maisonette	0.1%	0.3%	0.5%	0.0%	0.0%	0.85%
House Detached	0.1%	1.8%	1.6%	0.5%	0.1%	4.12%
House Semi	4.3%	21.8%	19.9%	3.8%	0.1%	49.80%
House Terraced	0.9%	12.1%	5.8%	1.3%	0.0%	20.13%
<b>Grand Total</b>	<b>17.78%</b>	<b>47.58%</b>	<b>28.76%</b>	<b>5.75%</b>	<b>0.13%</b>	<b>100.00%</b>

Consideration needs to be given to the above mix of property sizes, to ensure that this matches the needs of our community now and into the future. Given the expected changes in demographics and housing need we must ensure, in particular, that our development programs recognise our overall stock mix. This is dealt with in our Development Strategy.

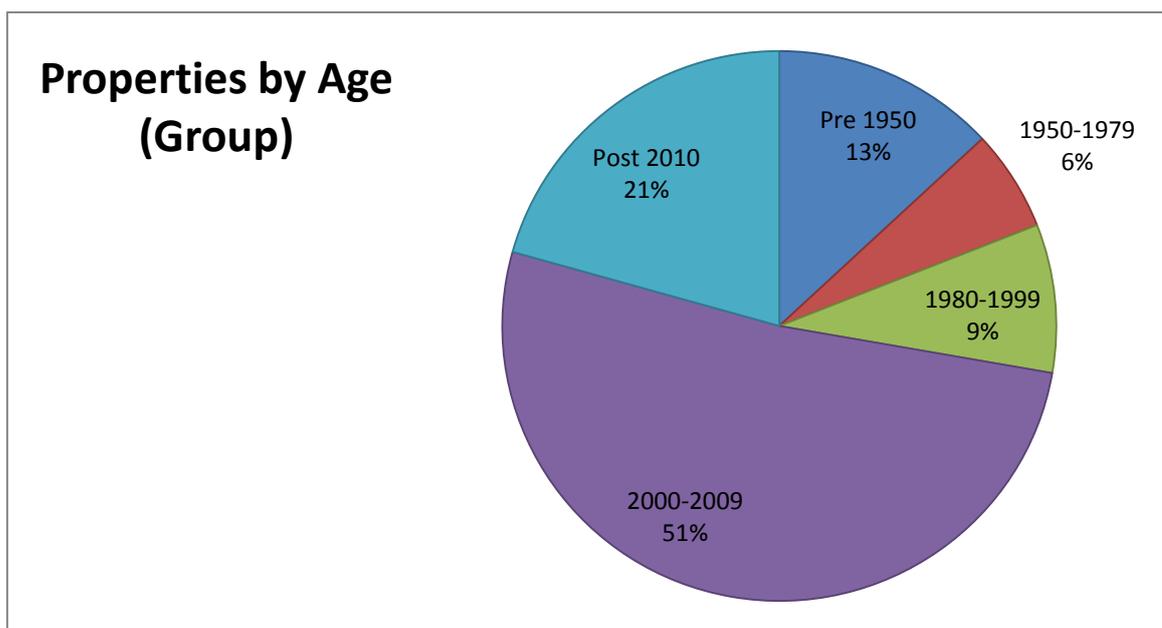
#### 4.3.Age

**Osprey Housing** – has a stock of 1012 properties widely geographically dispersed across Aberdeen and Aberdeenshire. The stock portfolio includes:

- 350 'Trickle transfer' properties
- 626 newer build properties (the majority built between 2000 – 2010)
- 14 specialist supported housing units (of which 4 are HMO's)

**Osprey Housing Moray** – has a stock of 506 properties spread across Morayshire. The stock portfolio consists of:

- 154 properties transferred from the Defence Housing Executive
- 352 newer build properties





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### **4.4. Condition Information and Financial Projections**

Stock surveys were completed by an external consultant in 2011 (Osprey Housing Moray) and 2012 (Osprey Housing). The survey data was based upon, a sample survey of Osprey Housing Moray stock and a full survey of the Osprey Housing trickle transfer stock and a 10% sample survey of the Osprey Housing newer build stock. The sample surveys were designed in accordance with the practice that allows cloning of property information. A desktop review and update to the projections for both Osprey Housing Moray and Osprey Housing was undertaken in 2014. Additional inspections and revaluations are planned for early 2019.

Since 2014 full life cycle projections have been developed for all of our stock. These include:

- Major Cost Elements – individual projections for each property. These major elements are: Windows, External Doors, Boilers, Heating systems, Kitchens, Bathrooms, and Roof coverings.
- Planned works – based on age, property type, location etc. This includes items such as: Electrical systems, Paths, Fences, etc.
- Cyclical works – Painterwork, Servicing, etc.

These projections take account of current SHQS, EESSH 1, Health and Safety and other regulatory requirements.

In order to reduce the financial impact of a very irregular spend profile, caused by the age profile of our stock, significant 'smoothing' of major element replacements has been carried out. This is done in the context of our 'standard life' assumptions.

The above projections have been integrated into our financial projections and used in 30 year financial modelling undertaken with the assistance of our financial consultants Arneil Johnston.

To ensure the validity of the above projections and to ensure it is kept up to date 20% of the stock is surveyed annually by Asset Management staff members. This is done by a combination of 'Void Inspections' specific 'Condition Surveys' and EESSH surveys. The outcome of these surveys is regularly integrated into the above projections.

It is considered important to maximise the knowledge, expertise and experience of our own Asset Management staff in assessing stock condition. They have a working day to day knowledge of our stock and an ongoing commitment to our tenants and the organisation

The projections highlight the following:

- All work previously delayed in 2010 to 2013 period has been completed.
- All work identified to achieve SHQS has been completed.
- All work identified to achieve the current EESSH 1 standards has been programmed and will be carried out before the target date and within anticipated costs
- Proposed EESSH 2 standards will have a significant financial cost to us.



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- The proposed increase in the extent of fire detection equipment could have a significant unexpected financial cost in the near future.
- Significant 'Major Element' replacement programs will start in 2019 for the development we built in the 2000s
- Consideration needs to be given to the long term viability of:
  - The Pinegrove, Elgin development. Currently being undertaken.
  - Individual 'trickle transfer' properties. Via the 'Property Evaluation Tool (PET)' currently being developed.
  - Specialist properties such as the 'Woman's Aid' property in Banchory, which may not have a long-term requirement by the current users.
- The Asbestos removal program at ex DHE properties in Elgin needs to be completed.
- Properties generally referred to as 'New Build' are reaching the age where major elements are reaching the end of their lives.
- Large programs of boiler replacements carried out in OHM in 2000s are now reaching the end of their lives and needing replaced
- Poor quality items (e.g. Boilers) and specialist items (e.g. Multi point locks) are causing unexpected and early replacement costs.
- Our supported housing units have higher levels of wear and tear as a result of the customer profile and usage. Some fitting, standard and specialist components are showing the need to be replaced more often than manufacturer standards and industry norms.

### **4.5.Scottish Housing Quality Standard**

We significantly met the Scottish Housing Quality Standard (SHQS) before the April 2015 target. Approximately 3% had some works outstanding at this time (some because of Tenant choice). This has now been completed.

### **4.6. Energy Efficiency Standard for Scottish Housing (ESSH 1) and (ESSH 2)**

Currently ~170 of our properties fail ESSH 1, down from ~450 in 2015. Failures are predominantly within our 'Trickle Transfer' and 'Ex DHE' Stock. To allow us to collate ESSH information various Asset Management staff have been trained to carry our EPCs and we have a dedicated member of staff monitoring Energy Efficiency and Sustainability throughout the organisation. We have detailed plans to meet the standard before the December 2020 target and has appropriate budgets in place.

Recently the Scottish Government has consulted on proposals for ESSH 2. In general the proposal is to achieve a 'B' EPC rating by 2032. Initial work indicates that this will cost us ~£3,000,000.



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### **4.7. Specialist Properties**

We provide; 22 properties for Very Sheltered housing units, 7 properties leased for homeless accommodation and 18 properties, providing 27 beds spaces, for people with specific support requirements. These units are across our stock in the following locations:

#### **Osprey Housing**

- Jarvis Court, Fraserburgh, Very Sheltered Housing
- Milton Wynd, Huntly
- Ardinn Road, Turriff
- Tramaine House, Peterhead
- Bergen View, Peterhead
- Soy Avenue, Portsoy
- Grampian Women's Aid Refuge, Banchory
- Respite Unit, Banchory
- Eilean Rise, Ellon
- Chapelwell, Balmedie
- Castlewood Avenue, Fochabers

#### **Osprey Housing Moray**

- 7 general needs units leased to local authority as temporary homeless accommodation

We must consider the medium to long-term requirement for these properties in their current form and ensure that they meet our Partners needs.

We acknowledge the nature of the differing types of client groups can create additional demands on our assets and this has to be taken into account if life cycle costs and component replacement programmes along with repair budget provisions.

### **4.8. Adaptations**

We estimate that some 10% of our assets contain adaptations designed to specific customer requirements. We have continued to utilise Scottish Government grant funding to carry out this type of work. This funding is however, at times, insufficient to meet the needs of our tenants and we are left in a position where it has to temporarily fund such work itself. In 2017-18 the excess spend was ~£20k. To date this spend has been recouped for the Scottish Government. We needs to consider if this situation can continue and at what level of spend.

Adaptations funding is only available for the initial installation of equipment and the ongoing requirement or replacement of individual adaptations necessitates monitoring and investment decisions.

With the onset of greater levels of health and social care integration, and changing demographics, we believe the demand for carrying out adaptations will grow and will



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become increasingly important to the management of our assets and improving the lives of our tenants.

### 4.9. Tenant Satisfaction and Complaints

We have worked with internal teams and with our partner Contractors to improve tenant satisfaction with this homes and with the response repairs service. Typically Emergency repairs are responded to in ~2 ¼ hours and Non-Emergency repairs in ~9 days

Tenant satisfaction with their homes and with the repairs service has improved in recent years

	Satisfied with their Home		Satisfied with Repairs Service	
	2015/16	2017/18	2015/16	2017/18
Osprey Housing	89.7%	92.9%	84.9%	95.5%
Osprey Housing Moray	94.1%	95.7%	95.6%	97.8%

1st and 2nd stage complaints have also reduced

	2015/16		2017/18	
	1 <sup>st</sup> Stage	2 <sup>nd</sup> Stage	1 <sup>st</sup> Stage	2 <sup>nd</sup> Stage
Osprey Housing	22	24	10	8
Osprey Housing Moray	9	12	1	1

### 4.10. Flood risk

We have identified stock that may be at risk of flooding in exceptional weather, and have registered with SEPA for flooding messages. We have sought the advice of our Insurance Company, in respect of the fitting of flood inhibiting/resistant produces in some current projects and in future refurbishment works.

We have worked with our Insurance Company to respond to and learn from the major flood incident that affected our properties in Ballater, Aberdeenshire over the Christmas/New Year holiday period 2015. This flood incident has had a serious impact on the residents of our properties. Osprey Housing managed this disruption well with the fastest response of all agencies in the area. The remedial work ensured early drying out, services/boilers checked and new bunded oil tanks provided with some residents largely remaining in occupation throughout reinstatement work. Decanting was also employed where required.

Because of the above event we have put in reviewed and straightened our Emergency planning measures to minimise the impact of any future flood event.

### 4.11. Landscape and Play parks

We currently have 35 landscaped areas we maintain directly ourselves. The maintenance of these is tendered regularly, to a defined specification, to local organisations. New monitoring methods will be introduced in 2018. Several other areas are maintained by Factors agents as



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they are within larger developments. All costs incurred for the maintenance of the areas is currently recovered through Service Charges.

We currently have 10 Play parks within our ownership. These are inspected regularly by Asset Officers using standardised forms, and any issues attended to immediately.

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### 5. Property Evaluation Tool (PET)

It is important that we have good quality data about the performance of our assets to inform our decision-making. On an ongoing basis, we maintain a comprehensive set of Key Performance Indicators, a subset of these will be integrated in our Property Evaluation Tool to enable us to understand the extent to which each property is making an effective, positive contribution to our business plan.

The Property Evaluation Tool considers the following indicators for each property;

- Rent loss averaged for the past 3 years
- Reactive and Void costs averaged for the last 3 years
- Management costs
- Property value based on anticipated income and expenditure
- The average number of times the property has been void in the last 3 years
- The total times the property has been refused by potential tenant in the last 3 years
- If the property in an area of 'Low Demand'
- Estate Management
- The 30 year Life Cycle Cost of the property

The above key indicators are selected as the basis of measuring asset performance. Average scores across each indicator are based on statistical analysis of performance data across our housing stock. The five-point scoring system applied to each of the key performance indicators is as follows:

Points	1	2	3	4	5
Rent loss averaged for the past 3 years	0%			1%	<2%
Reactive and Void costs averaged for the last 3 years	>£250	£251 to £380	£381 to £510	£511 to £850	<£850
Management costs	>£210	£211 to £700	£701 to £1,200	£1,201 to £1,500	<£1,500
Property value	<£114k	£41k to £114k	£300 to £41k	£0 to -£10k	>-£10k
The average number of times the property has been void in the last 3 years	0		1	2	<2
The total times the property has been refused by potential tenant in the last 3 years	0		1	2	<2
If the property in an area of 'Low Demand'	3		2		
Estate Management	3		2		
The 30 year Life Cycle Cost of the property	>£17k	£17k to £20k	£20k to £25k	£25k to £27k	<£27k



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Each of the scores is totalled for each property. With each of the indicators being equally weighted.

To present the results clearly, a Green (up to 23) Amber (23 to 33) Red (above 33) colour coding system is used to represent performance

### 5.1.Current Outcomes

Based on our current model our current position is;

	Osprey Housing		Osprey Housing Moray	
	No.	%	No.	%
Green	724	74%	246	66%
Amber	229	23%	112	30%
Red	22	2%	17	5%

### 5.2.Dealing with our worst performing properties

Where a property scores more than 33 (Red) we will;

- Re-evaluate the property to ensure that our KPIs are accurate and valid
- Confirm that the property is within this category for valid reasons and are not caused by short-term events
- Target the property for a 'Property Condition Survey', to confirm its condition and confirm its investment requirements
- Consider the property for disposal, either when it becomes void or as part of a larger program of disposal
- Consider other interventions.

### 5.3.Formal disposal process

Disposal of properties will enable us to investment more in new homes and reinvest further in our existing homes.

Before disposal of a property is confirmed we will seek approval from the Scottish Housing Regulator, The Board, and any appropriate lenders.

Annually, one or two 'high value' void properties may also be considered for disposal on an ad hoc basis where we believe this could make a meaningful contribution to securing new development opportunities. A robust evaluation will be carried out on such disposals.

Examples of PET outcomes

Address Line 1	Av Void Rent Loss %	Av Void Rent Loss %	Av R&Vr repair spend per property	Av R&Vr repair spend per property	Management cost per unit	Management cost per unit	NPV	NPV	Av No. of times void per property	Av No. of times void per property	Total Refusals	Total Refusals	Low Demand	Low Demand	Estate Management All	Estate Management All	Overall cost - All components (30 Year)	Overall cost - All components (30 Year)	TOTAL SCORE
Property 1	0%	1	1,131	5	1126	3	69,573	2	-	1	-	1	2	3	2	3	24,125	3	22
Property 2	0%	1	70	1	607	2	68,865	2	-	1	-	1	2	3	2	3	24,125	3	17
Property 3	0%	1	95	1	620	2	98,433	2	-	1	-	1	2	3	2	3	24,125	3	17
Property 4	1%	4	519	4	1432	4	25,433	3	1	3	-	1	2	3	2	3	24,125	3	28
Property 5	1%	4	1,127	5	3030	5	44,293	5	1	3	-	1	3	1	3	1	25,625	4	34
Property 6	5%	5	1,105	5	1833	5	14,513	5	1	3	-	1	2.	3	3	1	22,862	3	36
Property 6	0%	1	681	4	1698	5	23,233	3	-	1	-	1	3.	1	3	1	23,037	3	25

## 6. Investment in Assets

Historically, both Osprey Housing and Osprey Housing Moray have seen day-to-day and cyclical repairs form a significant part of its overall expenditure on its assets. The Strategy will be developed with a view to creating the right balance between capital and revenue expenditure.

Currently the spending profiles are;

	Osprey Housing	Osprey Housing Moray
Reactive	34%	36%
Voids	10%	10%
Cyclical	12%	13%
Planned	3%	6%
Capital	42%	35%

### 6.1. Response and Void Repairs

We use locally based Contractors to provide our response repairs service. A new 3-year index linked agreements with various contractors started in April 2018. Four regional areas have been allocated to two different Contractors. Costs are based on the 'National Schedule of Rates'. We have experience with these Contractors and they provide a very good level of service throughout the repair process.

### 6.2. Cyclical Works

Painterwork and Gas servicing contracts have been established with various Contractors. These are both nearing the end of long-term agreements, and will be retendered within the life of this Strategy.

A recent change to our standard Electrical Installation Condition Report (EICR) timing, from every 10 years to every 5 years, will increase the significance of this work and transfer it into 'Cyclical' works.

### 6.3. Planned Works

These works include other smaller works derived from our Life Cycle Costing plans, which are validated by our Condition Surveys and pre-contract inspections.

### 6.4. Capital Works

As noted elsewhere we have developed full major elements replacement plans for our complete stock. This included the following Major Capital elements:

- Boilers 15 years life
- Kitchens 20 years life
- Bathrooms 25 years life
- External Doors 25 years life
- Windows 25 years life
- Heating Systems 30 years life
- Roof Covering 100 years life



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We will procure these contracts as per our Procurement Strategy with the intention of establishing 3 years agreements with suitable Contractors.

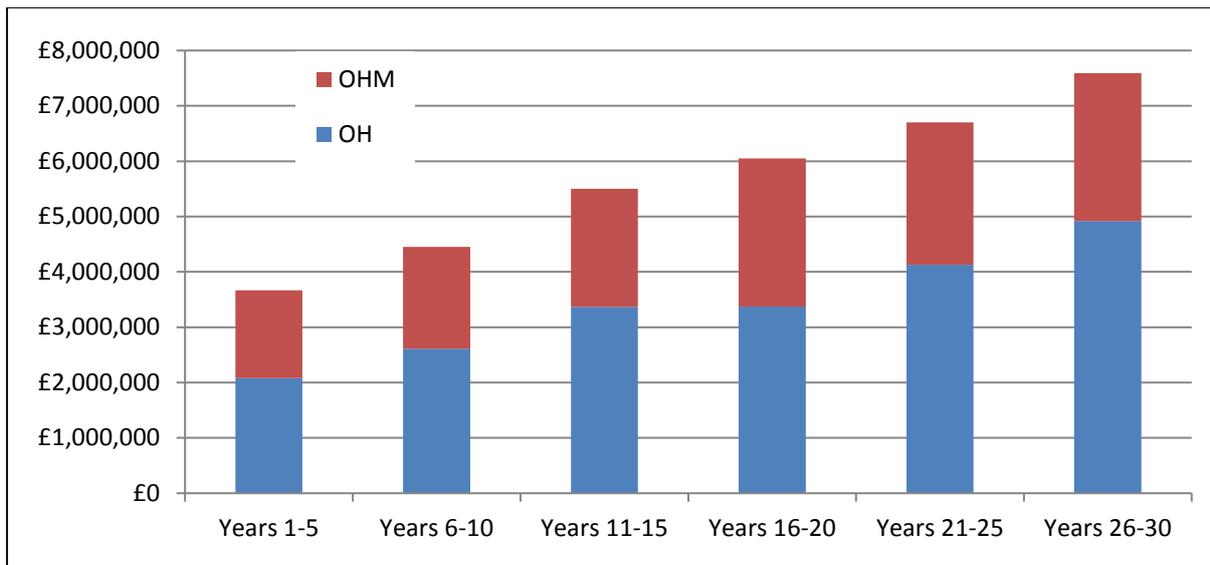
## Asset Management Strategy 2018-20

### 7. Investment Requirements

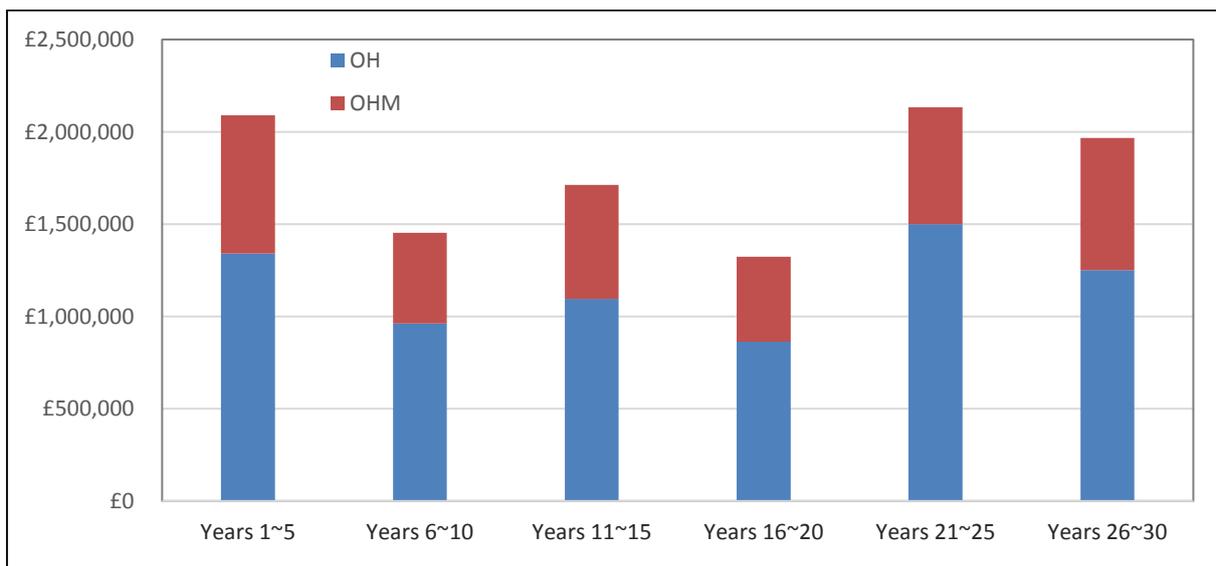
#### 7.1. Profiling Spend – Capital and Planned

We estimate our capital investment costs will be ~£44 million over the next 30 years. The undernoted chart details the investment profiling in five-year splits.

##### Capital Spend



##### Planned Works



These investment costs have been based upon:

- Our major element replacement lifecycles
- Our knowledge of anticipated costs



## **Asset Management Strategy 2018-20**

- Understanding of stock performance and condition, (which is continuously update by ongoing 'Condition Surveys')
- Feedback from our tenants
- Consultation with our Tenants Association (OTRA).

To aid financial stability major element replacement dates have been 'smoothed' to removed peaks and troughs in spending. Within the life of this plan, it is anticipated that we will reach the position where we will has sufficient budgets established to replace major elements fully in line with their anticipated life cycles (e.g. 1/20 of kitchens replaced every year).

The resultant capital investment requirements have all been worked into our 30 year Business Plan that has been prepared with support from our Financial Consultants Arneil Johnston.

### **7.2.Profiling Spend – Response and Voids**

We estimate our capital investment costs will be:

- Osprey Housing – £30.7 million on response repairs including void management and central heating maintenance.
- Osprey Housing Moray - £15.0 million on response day repairs including void management and central heating maintenance.
- Osprey Housing - £10.1 million on planned revenue maintenance.
- Osprey Housing Moray - £4.8 million on planned revenue maintenance.
- Osprey Housing - £4.0 million on painting common areas and externals.
- Osprey Housing Moray - £1.9 million on painting common areas and externals.
- Osprey Housing - £2.1 million on recoverable grounds maintenance and other service costs.
- Osprey Housing Moray - £1.1 million on recoverable grounds maintenance and other service costs.



## **Asset Management Strategy 2018-20**

### **8. Value for money**

#### **8.1. Procurement Strategy**

We have adopted a Procurement Strategy, Policy and associated documents developed with other local RSLs. These have been tailored to reflect our unique needs and characteristics but still provide a degree of commonality that will ensure compliance with new procurement legislation.

We are now also using the services of The Scottish Procurement Alliance for particular programs within its Procurement Strategy to ensure it buys Works, Supplies and Services within the terms of current regulation in an effective way.

We will publish on its web site, its 'Contracts Register' to ensure a transparency of process.

#### **8.2. VFM Strategy**

During early 2016 as part of its early adopter's commitment to the Scottish Governments "Stepping up to Scrutiny" programme we participated in a pilot VFM project conducted by CIH Scotland and HouseMark Scotland. In addition we have also participated in an informal RSL Group that has been developing a VFM framework.

The Pilot Programme included training for staff; Board members and tenants and was designed to improve their understanding of VFM.

The outcome of this has enabled us to start developing a framework that will define what VFM means to us, help us understand VFM at both service and whole organisation level, and with our tenants agree actions that will help improve our VFM performance.

We are in the process of developing tools for tenants to undertake VFM reviews of service areas to complement the work of the Scrutiny Panel.

We recognise that our main source of income is rents and the relationship between our rent levels, the costs of building new homes, investing in our existing stock, and delivering high quality services is complex and requires careful management.

In view of this, we recently commissioned an independent affordability study, which was undertaken by our financial consultants Arneil Johnston. The report concludes that our rents are affordable in a local housing market area context. It does however recognise that currently Osprey Housing's rents are higher than our peers.

In view of the above, we have included in our VFM strategic framework the aim to limit levels of rent increases to no more than inflation + 0.5% whilst ensuring necessary future investment requirements will be met. This is reflected in our business plan.

The strategic framework we are developing will be structured to;



## **Asset Management Strategy 2018-20**

- Focus on improving efficiency whilst meeting the needs of tenants and diverting savings to increase investment in the front line repairs service
- Intensively monitor and manage operating costs with a view to improving performance and increasing tenant satisfaction
- Ensure we can continue to invest in new homes
- Minimise rent increases taking into account investment requirements
- Maximise the quality of management information to inform investment decisions
- Investing more in all front line service delivery
- Using new technology to increase efficiency and effectiveness
- Use an intelligence led approach to potential disposals that not only considers poor performing stock but also potentially 'high value' stock should it become void.
- Evaluate performance of key contractors, particularly those responsible for delivering our response repairs service, capital programmes, cyclical/planned maintenance programmes, open space maintenance and new build
- Establish a VFM register to record VFM achievements throughout the year (bringing together Osprey Housing and Osprey Housing Moray together under a single primary brand is a good example of this with estimated efficiency saving of over £50,000 in our first year)
- Apply flexibility to the EESSH investment and major component renewal programs to ensure we are being responsive to lettable standards.
- Consider our Sustainability Strategy to reduce our Tenants living costs by improving the thermal performance of our properties, educating our Tenants and maximising their income through advice and support.



## Asset Management Strategy 2018-20

### 9. Compliance

#### 9.1. Health and Safety

Statutory compliance with Health and Safety related legislation is essential. We use the EVH '**Health and Safety Control Manual**' to manage Health and Safety within the organisation and EVH '**Landlord Facilities Health and Welfare Management System**' to deal specifically with facilities/compliance for Landlords. The Landlord system includes numerous areas of asset compliance, including; Asbestos, Construction Design and Management, Cleaning, Electrical Safety, Fire safety, Gas Safety, Hygiene of Tenancies, Play Parks, Legionella, Asbestos and others, which we use to manage compliance.

We have recently changed its Compliance monitoring and reporting processes and will continue to review these to ensure effectiveness.

Staff and Committee members receive train on these Management Systems on a regular basis.

#### 9.2. Sustainability

We have a 'Sustainability Group' that comprises staff, committee members and partners from Energy related organisations. The purpose of this group was originally to achieve 'afford warmth' for our Tenants. Recent we expanded its brief to consider 'Sustainably' in the wider context for the complete organisation.

We foresee that following on from the current EESSH 1 targets there are likely to be further more stringent targets for our housing stock (EESSH2), and that the environmental impact of organisations such as us are likely to come under scrutiny. Consequently, we have recently developed a Sustainability Strategy that will incorporate areas such as:

- Further improving the thermal performance of our housing stock, and our offices
- Providing information (directly and via other organisations) to our Tenants on the most effective use of their homes, heating, lighting, ventilation, energy supplier, etc.
- Ensuring new homes have good communication services and suitable internal facilities
- Consider our internal practices to reduce their impact on the environment. Areas such as:
  - Our vehicles
  - How and when we visit properties and tenants
  - How we use communication internally and to our Tenants (Video linking, text, email, postage)
  - Energy and consumables use within our offices
  - Waste management within our offices and Housing stock (Voids, New Build, Works programs).
  - Ecology
  - Green procurement



## **Asset Management Strategy 2018-20**

### **10. Information Management**

Accurate stock information and good data systems/information management are essential for the delivery of effective asset management.

We currently use Aareon QL as its prime Housing Management software system. In 2018 we will upgrade the system to allow response contractors to have direct access to some of its functions allowing them to; record appointments, propose variations to Work Orders, confirm completion dates and streamline the invoicing process.

We use the QL dedicated repairs diagnostic software called 'Locator Plus'. This software helps users select and specify repair reported by tenants and link it to a Schedule of rates, which has agreed costs with our local Contractors.

Fields Officers use mobile tablets with predefined forms to;

- Carry out Condition Surveys
- Report response repairs
- Carry out Preterm Void Inspections
- Carry out Void Inspections
- Confirm Void are ready to let
- Carry out Play-park Inspections
- Estimate Rechargeable Repairs and get hem authorised by Tenants
- Report Unsatisfactory Workmanship.

Each of the reports can be tailored 'in-house' and can direct outcomes to different people and organisations. The system also allows photographs to be included into the report and provides downloadable databases for each of the areas of activity. 848 such reports were made in the first year of use.

The above 'on-line' forms system has now been extended to Service Contractors, with landscaping and cleaning Contractor now confirming when they have carried out an activity.

We have implemented to use of 'Task Centre' to automatically produce and distribute reports to contractors, prompting them to produce information, and to staff for performance and reporting purposes.

Property condition, Life Cycle, EESSH, and Compliance information is held on Microsoft Excel databases. All supporting and background information is held electrically and filed appropriately on our systems, which are backed up regularly.

We have also invested in dedicated Energy Efficiency related software (BACRA). This has enabled us to enhance the level of information we need to enable us to meet the Scottish Governments EESSH requirements and to enhance significantly the quality and integrity of the data.



## **Asset Management Strategy 2018-20**

### **11. Risk Management**

#### **11.1. Strategic Risk**

We identify risk in line with the SHR's Strategic risk module and manages this at Governing Body level on an on-going basis. Our 6 key areas of the Strategic Risk Matrix are;

- Welfare Reform impact
- Financial Viability – solvency
- Asset Management Failures
- Housing Management Failures
- Governance Failures
- Corporate Failures

Each risk factor has; the Risk, the Mitigation, the Owner, and the Risk Score.

All of our risks are reviewed and assessed 6 monthly or before if appropriate, by our Joint Housing Committee. Their remit is to review this from an operational impact perspective. Their recommendations and comments are then fed back to the main Governing Body for approval and adoption into the register.

#### **11.2. Other Risks**

Other organisation risks that impact Assets include:

- Legislative and regulatory compliance, including safety of customers, staff and the public
- Customer satisfaction/poor performance of charter indicators
- Quality failures
- Void properties – potential for increasing numbers in poorer condition
- Extreme weather incidents
- Affordability – including fuel poverty
- Financial control and value for money
- Management and integration of data systems
- Review of our financial capacity
- Stakeholder interventions
- Reputation
- Changes in the local housing market that may impact the Development Programme.

## 12. Delivering the Strategy

### 12.1. Action Plan

	<b>Led by</b>	<b>Timescale</b>
Take ownership of Property Evaluation Tool and integrate standard processes.	Asset Manager, Housing Services Manager,	December 2018
Further development of the handheld technology for frontline staff.	Asset Manager	November 2018
Annual review of our Rent and Service Charge Policy.	Housing Services Manager, Chief Finance Officer	November 2018
Develop mobile phone app (and subsequent internal CRM systems) for use by Tenants, Staff and Committee members	Asset Manager, Housing Services Manager	November 2018
Create and integrate the Development Strategy.	Chief Executive, Asset Manager	December 2018
Review Property Condition Surveys to ensure they provide useful and appropriate information.	Asset Manager	December 2018
Develop and offer improved digital services for tenants.	Asset Manager, Housing Services Manager, Corporate Services Manager	January 2019
Review Customer Satisfaction collection and information review processes.	Asset Manager, Housing Services Manager, Corporate Services Manager	March 2019
To Development and further embed Procurement Strategy and Policy.	Asset Manager	April 2019
Development and further embed Sustainability Strategy.	Asset Manager	April 2019

## **12.2. Reviewing the strategy**

The strategy will be reviewed annually. In determining our 30-year investment needs and plans regular reviews are essential as over this period political, social, economic and technological changes will have significant impact on the direction of the strategy.

## **12.3. Related Documents**

- Business Plan
- Corporate Plan
- Development Strategy
- Sustainability Strategy
- Procurement Policy
- Repairs & Maintenance Policy
- Service Charge Policy
- SHR Guidance on disposals – August 2015
- SHR Recommended Practice – Asset Management 2012
- SHR Thematic Inquiry – Repairs Services in Scotland 2018
- SHR Thematic Inquiry – Gas and tenant safety in Scottish social housing