



**Asset Management  
Strategy  
2021-2026**

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## Welcome

Managing our property assets effectively and efficiently is a key activity in ensuring the continuing success of Waverley Housing and plays a crucial role in helping to maintain a good quality of life for our residents. Good management has a positive impact on the social, environmental and economic wellbeing of the communities where we operate.

There are always challenges when managing social housing as we have to operate in an environment where legal and financial changes occur frequently. Factors such as welfare reforms, Brexit and the coronavirus pandemic have also had an impact on our activities. It is difficult to predict how these issues and the wider political picture will impact on Waverley, its tenants and potential tenants but we will need to be alert, cautious, ambitious and flexible to ensure we are able to continue meeting the needs we aim to address.

These factors combined with demographic changes and increasing customer expectations highlight the importance of having a robust Asset Management Strategy in place as it is this which will help ensure that our properties are well-managed and provide good homes for our tenants while making a positive contribution to the local area.

Over the next five years we will regularly review how we work to make sure we are effective and efficient. We will continue to modernise our homes to bring them up to the ever-changing required standards and enhance our service delivery, making our customers' experience of us a positive one.

All of the policies and major decisions affecting the management of our properties are approved by the Board, where our tenants have a significant input. By focusing on this Strategy, we can continue to build on the success of Waverley Housing, as always putting our tenants at the heart of everything we do.

David Gordon  
Chair of Waverley Housing

## Section 1 - Our Strategy

### Purposeful Asset Management

Waverley Housing aims to provide high quality and affordable housing whilst contributing to the broader generation of sustainable communities. It is the purpose of our asset management strategy to ensure that our assets, and how we manage them, make a significant and positive contribution to achieving this. In other words, the purpose of our asset management strategy is to optimise our assets.

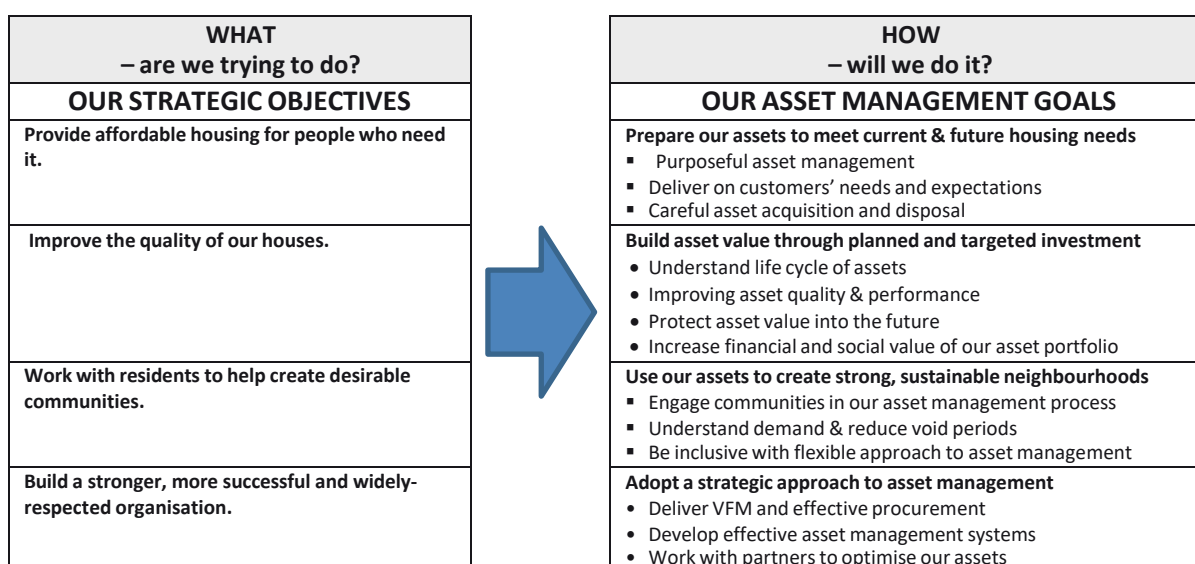
### Strategic Context

We will optimise our assets within the context of our business plan and overall strategic direction. We recognise that we are now in a transformation phase as we move out of a phase focusing on improvement and towards a phase where we can realise our ambitions of growth. Making sure that we not only have a strong asset base but are also optimizing the value of these assets is therefore vital to the success of our transformation.

### Our Asset Management Goals

Our asset management goals are therefore strongly aligned to our strategic objectives.

*Figure 1 - Aligning our asset management goals to our strategic objectives*

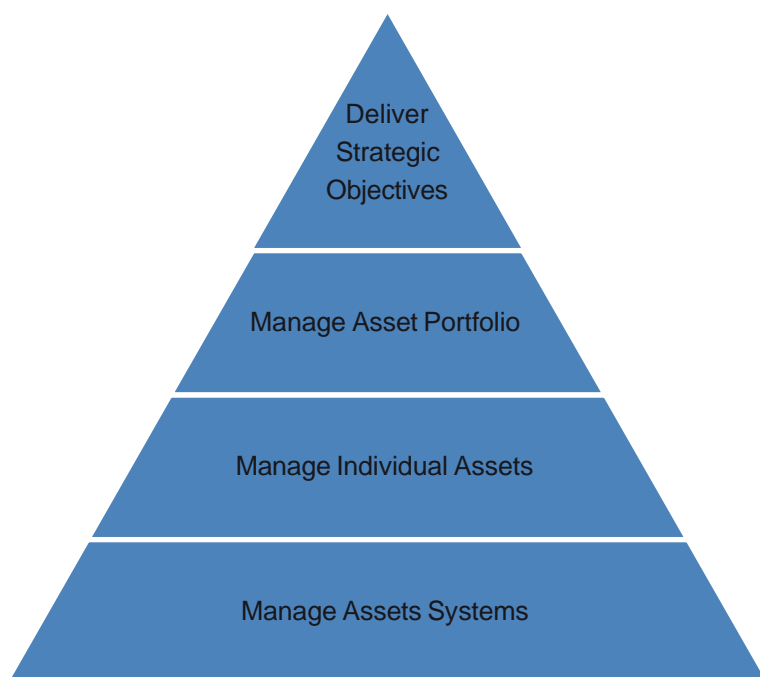


### Principles underpinning our Strategy

Running through all of these goals are a number of principles which influence not just the goals themselves but how we wish to deliver upon these goals. These are:-

1. Community Participation
  - Involving our customers in the process
  - Customer expectations and satisfaction
2. Operational Efficiency
  - Delivering Value For Money
  - Optimising asset utilisation

## Section 2 - Our Action Plan



*Figure 2 - The different levels of our Asset Management Strategy*

### KEY PRIORITIES

- 1. Align with our Strategic Objectives:** Develop a clearer understanding of future demand and expectations, or at least the possible scenarios, and prepare plans to ensure our assets will continue to be fit for purpose. Ensure our asset management strategy helps us to realise our ambitions.
- 2. Manage our Asset Portfolio:** Recognise the importance of building and thereafter maintaining the financial and social value of our assets and consider all future investment decisions and housing management policies in this context.
- 3. Manage our Individual Assets:** Take steps to address the poor performing assets, exploring all the options available to us and developing a robust business case for the way forward.
- 4. Manage our Asset Systems:** Continue to develop a strategic approach to asset management, improving our integrated asset management system as well as our ability to accurately plan our investment programmes and developing a better understanding of the social value of our houses. Involve our tenants and the wider community in this.

<b>WHAT</b> Are we trying to do?	<b>HOW</b> Will we do it?	<b>WHERE</b> Will we focus?
<b>OUR STRATEGIC OBJECTIVES</b>	<b>OUR ASSET MANAGEMENT GOALS</b>	<b>OUR ASSET MANAGEMENT PRIORITIES</b>
Provide affordable housing for people who need it	Prepare our assets to meet current and future housing needs <ul style="list-style-type: none"> <li>• Purposeful asset management</li> <li>• Deliver on customers' needs and expectations</li> <li>• Careful asset acquisition and disposal</li> </ul>	Align with our strategic objectives <ul style="list-style-type: none"> <li>• Undertake research to better understand the needs and expectation of our tenants</li> <li>• Identify opportunities to acquire and dispose of houses</li> </ul>
Improve the quality of our houses	Build asset value through planned and targeted investment <ul style="list-style-type: none"> <li>• Understand life cycle of assets</li> <li>• Improving asset quality &amp; performance</li> <li>• Protect asset value into the future</li> <li>• Increase financial and social value of our asset portfolio</li> </ul>	Manage our asset portfolio <ul style="list-style-type: none"> <li>• Address the hotspots</li> <li>• Establish a Waverley Housing quality standard</li> <li>• Bring all trades in-house</li> </ul>
Work with residents to help create desirable communities	Use our assets to create strong, sustainable neighbourhoods <ul style="list-style-type: none"> <li>• Engage communities in our asset management process</li> <li>• Understand demand and reduce void periods</li> <li>• Be inclusive with flexible approach to asset management</li> </ul>	Manage our assets <ul style="list-style-type: none"> <li>• Set our annual capital investment programmes</li> <li>• Reduce our void periods</li> <li>• Identify opportunities to use our assets more creatively</li> </ul>
Build a stronger, more successful and widely respected Company	Adopt a strategic approach to asset management <ul style="list-style-type: none"> <li>• Deliver VFM and effective procurement</li> <li>• Deliver effect asset management systems</li> <li>• Work with partners to optimise our assets</li> </ul>	Manage our asset systems <ul style="list-style-type: none"> <li>• Update our stock surveys</li> <li>• Review our investment plans</li> </ul>

### Section 3 - Asset Sustainability

1. For some time we have had concerns about the continuing high level of voids in our housing stock located in the Upper Langlee area of Galashiels. Despite various efforts to relet these voids this problem has persisted for a number of years. As a result discussions were held with Scottish Borders Council to explore options for regenerating our housing stock in this area.
2. Detailed research on the Housing Needs and Demands for this area was carried out by Ark Consultancy and consultation also carried out with the local community to seek their views on estate regeneration proposals. This resulted in a number of options being considered further before the Board approved a preferred option for regeneration of the estate.
3. The preferred option allowed for the demolition of 159 flats and maisonettes on the estate to be replaced with 109 new homes which includes an amenity housing block of 20 flats. In addition 120 garages will also be demolished. Prior to work commencing on this option an external refurbishment works programme to 68 flats and maisonettes on the estate has been completed as part of our regeneration plans.
4. At an individual property level it is recognised that for a small number of our properties it might be an option to sell them rather than retain them for example if the costs of bringing the property up to EESSH2 standard is prohibitive.
5. Options to increase our housing stock through the Mortgage to Rent Scheme, purchases of properties on the open market and co-operation with other Registered Social Landlords will continue.
6. It is recognised that considerable investment will be required in our housing stock to meet the requirements of EESSH2 by 2032 when all our housing stock will need to achieve an EPC B rating.
7. A key element in ensuring continued asset sustainability is the delivery of annual planned and cyclical maintenance programmes to our housing stock and we have developed 30 year plans in this connection. The preparation of these plans has made use of information obtained from the stock condition survey which was completed in 2019. Going forward it is our intention to seek to undertake stock condition surveys of approximately 20% of our housing stock each year over a five year period.

## Section 4 - Detailed Action Plan

1. By far the most significant element of our Asset Management Strategy is the demolition and new build estate regeneration plans for Upper Langlee. Consultants have been appointed to undertake various items of work required to progress these plans and planning application/building warrant approvals have now been obtained.
2. These plans will be delivered throughout the period of this Asset Management Strategy at an estimated cost of £21.1 million which will be funded through a combination of Housing Association Grant from the Scottish Government, our own reserves and an element of private finance.
3. Progress with these plans is subject to regular reporting to our Board. It should be noted that 120 garages at Beech Avenue will be demolished as part of these plans. Some of these garages are used for storage by our Trades Team and as a result it is proposed to undertake an option appraisal of alternative storage options during the period of the Asset Management Strategy.
4. At an individual property level there may be occasions when the disposal of a property may be a preferred option. This could be because the cost of bringing the property up to EESSH2 standard is prohibitive or the property is in a block of flats where we only own one flat which is difficult to let and has high communal repair costs.
5. Opportunities to acquire additional housing stock will be pursued where it is cost effective to do so. We participate in the Mortgage to Rent Scheme and have acquired one property through this route however the opportunities to acquire stock through this route are very limited.
6. We have had more success in using Scottish Government grant funding to purchase suitable properties in the open market and since 2016 have purchased 20 properties by this means. We will continue to explore opportunities to add to our housing stock through such purchases. Each year as part of the budget setting process an exercise will be carried out to assess whether or not to make budget provision for the purchase of properties on the open market.
7. We have purchased 4 new homes in Jedburgh from Eildon Housing Association which were part of a new housing development they brought into management. It is proposed to explore with Eildon Housing Association whether or not a further initiative of this type might be possible.
8. Previous efforts to progress stock swaps with Scottish Borders Housing Association have to date not been successful however it is proposed that if possible such opportunities should be explored in the period of this Asset Management Strategy.
9. It is a requirement to have fitted suitable fire protection measures in all of our housing stock by February 2022 and to have carried out electrical condition inspections on all our housing stock by March 2022. This will be key elements in the first year of our Asset Management Strategy 2021-26.



10. The introduction of EESSH2 stipulates that all our housing stock should meet at least EPC D rating by 2025 and EPC B rating by 2032. There are a range of possible energy efficiency measures that will be evaluated for adoption including air source heat pumps, ground source heat pumps, solar PV panels and batteries, internal and external wall insulation, etc. Part of this evaluation will include an assessment of the availability of sources of grant funding.
11. We have identified 19 properties that do not meet EPC D rating and as a result we will plan to ensure that where possible we undertake any required works to these properties by 2025.
12. Currently only 4 of our properties have an EPC rating of B which illustrates the challenge in ensuring suitable energy efficient measures are installed into approximately 1,400 properties by 2032. All the new build properties to be provided at Upper Langlee will meet the EESSH2 standard.
13. To prepare for these works we are working with Warmworks to explore the option of creating a property database that will stipulate the most suitable energy efficiency measures to install in each of our properties. Such a database will allow us to plan our expenditure on these measures in a more structured manner and allow the development of a stock investment programme for each year until 2032.
14. It is our intention over the period of the Asset Management Strategy to continue with our programmes of planned and cyclical maintenance as these are key measures in maintaining the viability of our housing stock.
15. We will use various procurement methods to seek to obtain cost competitive and good quality provision of products and services as part of our planned and cyclical maintenance programmes. As part of this approach we will look to enter longer term contracts for the provision of items and services such as kitchens, bathrooms, external painting.
16. We will also explore opportunities to use different products where these can reduce future maintenance expenditure.
17. Given the commitment by the Scottish Government to decarbonise the heating systems used in domestic properties we will explore possible options for the provision of new types of heating systems such as air source heat pumps, solar panels and batteries. For the first time we have recently installed air source heat pumps to a small number of properties and over the coming year will evaluate their impact.
18. Given the reduction in the number of staff working in the office and the likelihood that fewer staff will use the office as a permanent base it is proposed to undertake an options appraisal of the office during the period of the Asset Management Strategy.
19. Our annual level of adaptations funding received from the Scottish Government has been in the region of £45-50,000 and on occasion this has been supplemented by additional funding provided by the Company. Whilst these are relatively modest levels of expenditure they can have a significant impact upon the quality of life for those tenants benefiting from the provision of adaptations.

## Section 5 - Our Approach

### 1. Introduction

As a registered social landlord, our assets play a vital role in helping us deliver our strategic objectives. These assets, which in the main are residential properties, are our core product and as such are central to our business model. All our services are affected by how well we utilise, maintain, develop and grow these assets.

We take our responsibilities for stewarding and safeguarding these assets very seriously and have set out in this strategy how we will do this. We recognise that this is a stage in a process and we intend to develop and strengthen our asset management processes and this strategic document over time.

### 2. Scope of this Strategy

We own and control a wide range of assets ranging from the very tangible physical and monetary assets (e.g. our houses and cash in the bank) to the more intangible human, structural and relational assets (e.g. the knowledge and skills of our staff, our in-house trades team and our effective partnerships with other local social landlords).

For this asset management strategy we will focus on our heritable property only – our houses, garages, office and land. We do this for two reasons. Not only is our heritable property our biggest asset in financial terms, but many of our more intangible assets are already the subject of separate strategies (e.g. our People strategy, our communication strategy, etc).

This strategy refers to the assets of Waverley Housing and does not refer to any factoring service we provide to other owners.

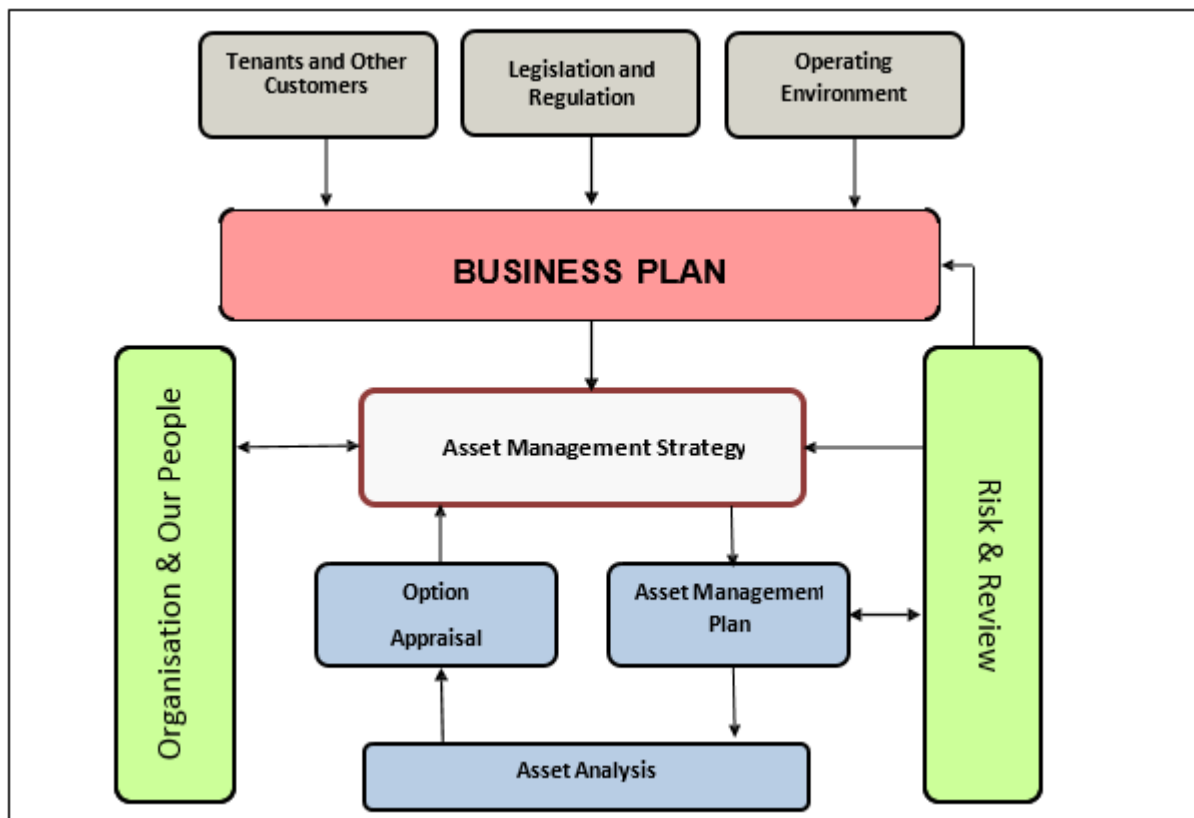
### 3. Definitions

For clarification, when we refer to “property” in this document we mean all heritable property – houses, garages, office and land. When we only mean our residential property we will use the term “houses” (which will include houses and flats).

### 4. Our Approach

We have adopted a strategic approach to asset management where we recognise the need to align the asset management strategy to our business plan and as such consider asset management in the context of the whole organisation, our customers’ needs and expectations now and into the future, and ultimately how we can continue to provide value for money. We call this *purposeful* asset management.

Figure 3 Purposeful asset management



One of the most important aspects of our strategic approach is that we recognise the value of our assets in two dimensions, namely financial value and social value. This allows us to consider the overall sustainability of the asset; not just whether a property is an asset (or liability) in financial terms but also how well it contributes to us achieving our mission and social objectives. We accept that taking such an approach exposes us to an element of subjectivity (for example, what is social value and who is best placed to assess it - us or our customers?) but as a social landlord and a charity, we have an obligation to deliver demonstrable social value.

## Section 6 - National and Local Context

### 1. The National and Local Context

We recognise that our assessment of our assets is by necessity based on current standards and expectations (e.g. void patterns, rent levels, tenant satisfaction, quality standards, etc) but to assume that these will not change in the future is naïve. Thus, assigning a value to our assets is not simply about absolute value but also involves consideration of relative value and thus some subjectivity. It is therefore important that we set any strategic decisions about how we will manage our assets into the future within a context of our national and local operating environment and how this may change.

In the national context the following are relevant:

- The Housing (Scotland) Act 2014 brings an end to the Right to Buy with effect from 1 August 2016 and as a result we will no longer lose any housing stock through this route.
- Our procurement activities are regulated by the Procurement Reform (Scotland) Act 2014 and subsequent legislation. The principles underlying the legislation to promote innovation, sustainability, community benefits and value for money will be reflected in the Company's approach to asset management in the future.
- The Company has achieved SHQS standard for 98.5% of its housing stock with the remaining stock being an exemption or abeyance. These will be kept under review to establish if and when opportunities arise to bring these properties up to SHQS standard.
- The Energy Efficiency Standard for Social Housing<sup>1</sup> had to be achieved by 2020 and 99% of our housing stock now meets this Standard
- There is likely to be a continuing focus on climate change and fuel poverty which will affect how we manage our housing stock, for example, seeking funding from Government programmes such as home energy efficiency programmes, exploring options for renewables.
- The potential impacts of Brexit on our activities are still being assessed and at present there is some concern about possible disruption to the supply of certain building materials.
- The growth in the private rented sector may diminish given changes to the tax treatment of rental income which may result in a reduction in properties available for private rent and increases in rent levels for tenants in this sector.

In the local context the following are relevant:

- The Company has a considerable number of properties in blocks/areas of mixed tenure which can make the delivery of cyclical and planned maintenance programmes difficult.
- Currently there are in certain areas where we operate a surplus of private properties available for rent which can impact upon demand for our properties.
- The Company has limited sites available for housing development.
- Currently the Company has its estate regeneration plans for Upper Langlee contained in the local Strategic Housing Investment Plan.

Overall the Company is operating against a background of potentially positive and negative factors e.g. the ending of Right to Buy will prevent the loss of any more housing stock whilst the continuing low demand for some of the Company's housing presents challenges moving forward. The ability to accurately gauge the impact of these various factors and translate this into "future proofing" our Asset Management Strategy will be a key challenge.

## Section 7 - Our Asset Profile

We describe the main features of our property portfolio below, and where appropriate, draw attention to the key challenges these present.

### 1. We have a property portfolio worth just over £37.5M

We currently own 1,547 houses, 190 garages, 1 office (from which we operate) and 1 store. We also own common areas in the estates on which our houses are located. Together, these assets have been valued at approximately £37.5m. They generate an annual income of around £6.6m (£80k of which is from the garages). However as part of our estate regeneration plans for Upper Langlee we will have a net loss of 50 properties and 120 garages.

### 2. Our property is spread throughout the Borders

We own houses in 20 towns and villages. In 12 of these towns and villages, we own fewer than 8 houses. Most of our houses are in 4 towns – Hawick 34%, Galashiels 30%, Kelso 11% and Jedburgh 11%. Appendix 1 provides details of the geographical distribution of Waverley's housing stock. With little public transport and busy roads, some of these outlying properties are some 45 mins drive from our office. Clearly this can be a challenge in terms of our management costs.

We own garages in Galashiels, Kelso, Jedburgh, Selkirk and Hawick.

### 3. We generally have a low concentration of houses

Moving down to a street level shows just how dispersed our houses are. We own houses in a total of 224 streets. In 147 (66%) of these streets, we own fewer than 5 houses. In 56 (25%) of these streets, we only own one house. Not only does this mean that we can find it difficult to achieve any economies of scale in our management of these properties, but given our minority stake, it often means that we have little influence in the future management of these streets. This can be particularly crucial where for example we may wish to improve the energy efficiency of a single house but are not able to install external insulation without the co-operation and/or investment of the other owners in the block.

### 4. We have a significant presence in four/five housing estates

Notwithstanding the dispersed nature of our property, around 44% of our houses are located in five housing estates – Burnfoot, Beech Avenue, Upper Langlee, Lower Langlee and Grieve Avenue. All of these are predominately social housing and generally suffer (often unfairly) from a poor reputation which has led to us experiencing difficulty letting some of the houses.

All of these estates, other than Grieve Avenue, are in areas with significant levels of deprivation (in the top 10% most deprived areas in Scotland) which often manifests itself in high levels of unemployment, poor health and lower levels of educational attainment.

## 5. We offer a range of house types

- Details of the property types and sizes is shown at Appendix 2.
- Some property designs are no longer in favour e.g. maisonettes.
- Some properties suffer from finite lifecycles due to being of non-traditional construction or mass concrete construction.
- Some properties have unpopular heating systems e.g. wet electric systems.

## 6. Our properties date of construction

Date of Construction	% of stock
Before 1945	13%
1945 – 1965	27.6%
1965 – 1982	59%
After 1982	0.4%

## 7. Our houses are generally of good quality

98.5% meet the SHQS.

There are 7 properties which are exempt from SHQS as they do not have sufficiently high EPC ratings. Most of these exempt properties are due to tenants not wishing to have energy efficiency measures installed in their homes. Such a situation gives rise to issues of poor energy efficiency and fuel poverty. There are also 14 properties in abeyance where works cannot be carried out at present because for example owners are unwilling to cooperate in having works carried out to door entry systems.

Looking at more subjective indicators of the quality of our houses and services, 90% of tenants are satisfied with the overall level of services they receive, 100% are satisfied with the repairs service they receive, while 87% of all tenants are satisfied with the management of their neighbourhood and 82% think that their rent payments represent good value for money. These figures are reported in the Annual Return on the Charter for 2020/21.

Nonetheless, all of these measures mask some pockets where we know the quality of our houses is not as good as we would like.

## 8. Our houses are affordable

Benchmarking our rents against those charged by the three other RSL's which operate in the Borders indicates that for most property types and sizes i.e. 1,2 and 3 apartment properties our rents are lower.

## 9. Our properties are in demand

Properties are allocated wherever possible to ensure that the household moving into a property makes best use of the number of bedrooms and amenities in the property. In recent years one in four of new tenancies have not been sustained for longer than one year and this is an area of concern. Efforts to support new tenants e.g. settling in visits and welfare benefits support are ongoing. In 2015/16 only 75% of new tenancies were sustained for more than one year however in 2020/21 90% of new tenancies were sustained for more than a year. This improvement has been achieved despite significant changes to the welfare benefit system most notably the introduction of Universal Credit.



## Section 8 - Emerging Themes & Challenges

From our strategic asset analysis, we have identified a number of important themes, some of which present significant challenges for us. These include:

### 1. Organisational Resilience

Successful organisations are those which are sufficiently resilient to cope with changes in their operating environment. We recognise the role our assets play in developing our resilience and understand the risks.

### 2. Value for Money

Whilst it can be tempting to value our assets simply in financial terms, we wish to understand their value in the broadest of terms. Our new strategic approach to asset management makes a start on this but we recognise that we need to develop and validate this further. This will require input from a number of key stakeholders including not just our current tenants but the wider community too.

Coupled with this more strategic view, is the need to ensure that we deliver value for money in our operational activities. In the context of asset management, one of the processes which makes a significant contribution to this is how we procure property services. While many of our property services are delivered by our own in-house Trades Team, we continue to purchase specific services from local and national contractors.

### 3. Value Drivers

The factors which appear to have the greatest impact on the financial value of our houses are (a) rent levels, (b) investment levels and (c) housing management costs. This means that if we were to increase rent levels while reducing our investment and housing management costs, then the financial value of our property would increase. However optimizing the financial value in this way would have serious implications – e.g. our houses may no longer be affordable and the quality of our houses may deteriorate as would the housing management service. Tenant satisfaction would certainly drop.

The factors which appear to have the greatest impact on the social value of our houses are (a) previous void experiences and (b) the length of the current tenancy. We know that longer tenancies are a sign that the community is more settled and that overall, tenants are happy with their home and the service they receive. If we have experienced significant void periods in the past 4 years, we use this to predict potential void problems in the future. Whilst we recognise that this is not always the case, significant void periods can suggest that there may not be sufficient demand for this house which in turn can be influenced by factors such as supply, affordability, and reputation; many of which are out with our control. This tells us that if we are to support our tenants in sustaining their tenancy then we will be able to increase the social value of our houses.

### 4. Asset or Liability

We have calculated that each house (excluding 159 properties to be demolished), on average, has a financial net present value of £28k. This presents a very positive picture, especially when compared to the average debt by house of £14k and reflects not just the

quality of our houses but the quality of our repairs, capital investment and housing management programmes over the past 30 years.

The Company has a mixed portfolio of property types, sizes and locations with houses generally being more popular than flats. In addition there are certain streets where there is evidence of low demand due to reputational reasons.

Our tenant satisfaction indicators are mixed with some e.g. satisfaction with the repairs service significantly higher than the Scottish average whilst for others e.g. satisfaction that rent represents value for money is slightly below the Scottish average.

## **5. Estate Management**

120 of our houses are in the top 10% most deprived postcodes in Scotland and there seems to be a link between deprivation levels and poor performing housing. The challenge here is whether we can improve the financial and social value of our houses whilst at the same time help to tackle the cause and symptoms of multiple deprivation.

The distribution of our houses together with the impact of Right to Buy sales means that many of these estates are now multi-tenure with individual owners and Scottish Borders Housing Association having a significant stake in the area. Whilst this limits our direct influence over the regeneration of the area, it does offer the opportunity for partnership. We are a key partner in the Scottish Borders community planning partnership which means that certain estate management approaches such as dealing with anti-social behaviour can be better co-ordinated and monitored.

## **6. Forecasting Demand**

One of the obvious challenges we have is our ability to predict the future demand for our houses. Our current assessment of social value is based on information obtained previously as part of the preparation of the first Asset Management Strategy and our recent experience in letting the houses. We know that there are many factors that can affect demand levels in the future – the economy, welfare benefit cuts, population changes, employment levels, etc. although quantifying the impact of these factors is difficult.

On average the Company relets around 110 properties annually and information from 2020/21 indicates that non low demand properties were relet in an average of 29 days whilst low demand properties were relet in an average of 204 days. However there are currently 1,910 applicants registered for housing with us which suggests a significant level of demand for most of our housing stock.

Tenancy sustainment levels are improving which assists with reducing void loss and repair expenditure and creating settled communities.

Customer requirements are changing with expectations of higher quality service provision e.g. that greater levels and quality of decoration are provided in properties offered for letting.

## 7. Improving Quality

98.5% of the Company's stock meet SHQS and the 14 properties in abeyance and 8 exempt properties will be regularly reviewed to seek to undertake any required works to meet SHQS when possible.

## 8. Driving Customer Satisfaction

It is generally accepted that location is one of the most important factors for people in meeting their housing aspirations and that this was not just about the aesthetic and infrastructure dimensions of where people lived, but crucially was also about people's social attachment to place and familial and community bonds. This is evident even more so in rural areas such as the Scottish Borders.

The Energy Efficiency Standards in Scottish Social Housing<sup>2</sup> set out the energy efficiency targets for different property types and fuel types which need to be met by RSL's by 2032. The Company is preparing plans to undertake the required works to meet these targets by 2032. The achievement of these targets will assist in making our housing stock more energy efficient and help tackle fuel poverty for our tenants.

- The principles underpinning Procurement regulations e.g. value for money, community benefits, partnership working will help to guide the Company's activities in this area.
- Statutory obligations in relation to annual gas checks, smoke detectors, periodic electric checks and working with asbestos will continue to be an important part of our asset management.
- Effective planned and cyclical maintenance programmes should have a positive impact upon reactive repairs and annual reviews of these components of the total maintenance expenditure of the Company will be undertaken to establish trends in this respect.

## Section 9 - Funding our Strategy

Delivering on our asset management strategy requires significant investment. We expect to invest between £4.3 and £5.5 million every year over the period of this Strategy. However, the cost of labour and materials can go up and uncertainties arising from Brexit may feed through into higher than anticipated tender returns for major works. It is a constant challenge for us to balance our desire to plan out our investment with the need to react quickly when emergency work is unavoidable.

The estimated new build figures need to be treated with caution as they are presented as initial estimates that can only be refined further once greater clarity has been established on the phasing of both the demolition and new build programmes at Upper Langlee.

Within this context, we have set out our anticipated investment levels for the next five financial years bearing in mind this investment will be regularly reviewed:

	Investment				
	2021-22	2022-23	2023-24	2024-25	2025-26
Planned Maintenance	£1,793,365	£1,306,660	£1,328,380	£1,352,947	£1,378,006
Cyclical Maintenance	£95,290	£101,400	£103,225	£105,290	£107,395
Upper Langlee	£2,487,766	£4,000,000	£4,000,000	£4,000,000	£4,000,000
<b>TOTAL</b>	<b>£4,376,421</b>	<b>£5,408,060</b>	<b>£5,431,605</b>	<b>£5,458,237</b>	<b>£5,485,401</b>

## Section 10 - Risks Review

### 1. Asset Management and Risk

When considering the risks associated with delivering upon our asset management strategy, it can be helpful to separate out the three different dimensions, namely:

- Some of the risks are inherent in delivering the asset management strategy (e.g. the 30 year planned maintenance programme is unaffordable);
- Some of the risks are corporate wide and could potentially affect all parts of the organisation, including asset management (e.g. hardware or software failure of ICT systems);
- Some of the risks are where our asset management strategy is itself part of the solution, designed to mitigate the risk (e.g. failure to improve and increase customer satisfaction levels in all areas of the business).

We argue that it is important that we differentiate, assess and manage all three dimensions.

### 2. Aligning with our Risk Management Process

We already have in place a well-embedded approach for effective risk management which includes a risk register where we assess and score the risk and set out how we are taking action to mitigate the risk. All asset management risks are included in this register and reporting process. Nonetheless, it is useful to set out the key risks here.

### 3. Key Risks

The key risks are set out in the table below.

	HIGH	MEDIUM
<b>Asset management risk</b>	<i>The demolition/new build plans for Upper Langlee are not delivered within budget or within agreed timescales.</i>	<i>30 year planned maintenance programme is unaffordable</i>  <i>Unplanned for/uninsured works of high value</i>  <i>Asbestos management</i>  <i>Failure to meet statutory requirements – gas inspections</i>
<b>Corporate-wide risk</b>		<i>Hardware or software failure of ICT systems</i>  <i>Staff have inadequate IT skills</i>
<b>Risk where asset management is (part of) the solution</b>	<i>Low demand for housing</i>  <i>Failure to improve or increase customer satisfaction levels in all areas of our business</i>	<i>Breach of Barclay's facility</i>

## Section 11 - Reviewing our Strategy

### 1. Monitoring and Evaluation

It is important to us that this strategy is seen as a starting point rather than an end point. This means we will need to *monitor* whether we are delivering what we set out in our action plan, and also *evaluate* whether our analysis is accurate and whether we have the right strategy.

### 2. Evaluating our Strategy

We recognise that circumstances may change and these could have an impact on our strategy. These circumstances could be out with our control (e.g. changes in the local housing market which affect demand for our houses) or they could be more internal to the organisation (e.g. changes in our overall strategic direction which have an impact on how we manage our assets). For this reason, we believe that it is important to be both proactive and reactive in how we evaluate our strategy.

We intend to review our asset management strategy no later than in 5 years' time. This timeframe ensures that the strategy is reviewed at the same time as we review our business plan. Should circumstance change before then, we may decide to bring the review forward.

Our 5 year strategic review will focus on:

- What have been the outcomes from our asset management strategy?
- How can we strengthen our understanding of the value of our assets?
- Is our asset management strategy still appropriate?
- Where and how can we improve our strategy?

As we did in the work to develop this asset management strategy, we intend to adopt a participative approach to reviewing our strategy. It is important to us that staff from across the organisation can feed into the review. We will also consider how best we can engage with our key stakeholders in reviewing our strategy.

### 3. Monitoring our Performance

Monitoring our progress and performance against the targets in our action plan will be done on an ongoing basis. We will provide regular performance reports to our Board and review the action plan on an annual basis.

### 4. Looking towards the Longer Term

We are keen to move our business planning process to a 10 year, rather than a 5 year, cycle. We are also keen to align our business planning processes even more closely with our asset management planning processes and anticipate that we will get to a stage where we will adopt a single, integrated strategic plan which cascades down into a series of 1-3 year action plans.

## Geographical distribution of housing stock

Village/Town	Stock
Ancrum	3
Bonchester Bridge	1
Bowden	1
Earlston	23
Galashiels	480
Hawick	524
Heiton	4
Heriot	1
Jedburgh	180
Kelso	173
Lauder	2
Melrose	6
Morebattle	1
Newcastleton	3
Newtown St Boswells	44
Selkirk	55
St Boswells	7
Stow	1
Tweedbank	37
Yetholm	1
Grand Total	1,547

## Type and Size of Properties

Type of Property	No of Properties	Bedsit	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed
Bungalow	1		1				
Detached House	8				7	1	
End house/garage	7			3	2	2	
End terraced House	194		16	107	49	14	8
Flat	571	3	197	327	43	1	
House	2			1	1		
Maisonette	201			37	164		
Mid-terraced House	291		20	137	106	25	3
Semi-detached House	248		13	88	116	26	5
Semi-detached house/garage	16			7	6	3	
Studio Apartment	1	1					
Terraced house/garage	7		2	2	1	2	
<b>TOTAL</b>	<b>1,547</b>	<b>4</b>	<b>249</b>	<b>709</b>	<b>495</b>	<b>74</b>	<b>16</b>