

SANCTUARY SCOTLAND ASSET MANAGEMENT STRATEGY

Executive Summary

This Asset Management Strategy has been drawn up specifically for Sanctuary Scotland and is intended to complement and inform the wider Sanctuary Scotland and Sanctuary Group (“the Group”) Business Plans.

In August 2016 three Group Scottish social housing entities came together through a process of transfer of engagements into Sanctuary Scotland. To ensure that this entity delivers the intended organisational and customer benefits, an Asset Management Strategy has been developed. Successful asset management is key to the delivery of Sanctuary Scotland’s objectives of providing high quality services and retaining financial strength.

The Group has an ambitious programme to develop over 3,000 units in Scotland over the next decade. This includes a £75 million regeneration programme in Cumbernauld and the redevelopment of the Victoria Infirmary site in Govanhill, Glasgow. To ensure the long- term success and integration of these developments, it is essential that the performance of existing assets continues to be effectively monitored and managed.

Sanctuary Scotland has a reasonably complex and geographically diverse asset base, including large concentrations of stock in south Glasgow, Cumbernauld, Dundee and Aberdeen. This stock varies in age and construction technique, presenting a variety of asset management challenges.

This Asset Management Strategy has four key objectives:

- Ensure that Sanctuary Scotland has accurate information that enables structured and rigorous planning and analysis to support good decision making and integrative financial planning, supporting a whole organisation approach;
- Ensure the Sanctuary Scotland stock is fit for purpose, compliant and supports the Sanctuary Scotland’s objectives of being a high quality service provider;
- Deal quickly, creatively and appropriately with assets that are either underperforming or failing to reach their full potential in line with the Sanctuary Scotland objectives; and
- Protect and enhance income streams by ensuring properties continue to meet customer expectations and Group financial covenant conditions.

The Sanctuary Scotland objectives, as detailed in the affordable housing operations plan are to:

- Focus upon quality for our current and future customers;
- Acknowledge diversity and meet a diverse range of customer needs;
- Ensure value for money and integration between Group functions;
- Deliver of an ambitious development plan; and
- Ensure long term financial and environmental sustainability in all our business.

The asset management strategy has been crafted in a manner able to reflect these objectives, whilst recognising the need to be even more proactive than in previous years.

As well as its broader objectives, Sanctuary Scotland needs to ensure:

- Compliance with the Energy Efficiency Standard for Social Housing (by 2020) (EESH);
- Continued compliance with Scottish Housing Quality Standards (SHQS); and
- Compliance with relevant regulatory inspection and servicing regimes (including gas, water hygiene, fire, asbestos and electrical testing).

Each of these is monitored and adherence reported through Sanctuary Scotland and the Group's governance structure.

A central part of the Asset Management Strategy is to continue to improve the environmental performance of the stock, raise the average SAP rating and minimise the environmental impact the Group has as an organisation. A separate Group environmental strategy sets out the full approach to sustainability and the role that Sanctuary Scotland plays within this.

Sanctuary Scotland's assets require ongoing investment to ensure that they remain fit for purpose and the stock condition information combined with operational intelligence sets out the investment priorities within the business plan. The gathering of stock and market data is a continuous process that has been streamlined with investment in systems infrastructure such as OneSanctuary/SAP. The strategic application of this data to enhance Asset Management and business planning is a key part of the overall Asset Management strategy.

In order to accurately plan investment, rolling three year plans for each business operations are developed each year. The plans aim to:

- Accurately prioritise the reinvestment reflecting business need;
- Give greater certainty to operating businesses for planned investment;
- Increase stakeholder consultation and satisfaction;

- Enable accurate business planning forecast for Sanctuary Maintenance to enable them to ensure operational alignment to projected spend;
- Procure efficiency opportunities with longer term certainty on contract delivery;
- Reduce administration of contract procurement and monitoring;
- Give greater cost certainty with accurate programming of works; and
- Identify development/sales programmes.

By combining the storage of asset data onto its integrated data base the Asset Management team can ensure data integrity. The data is combined with local knowledge to identify underperforming assets, including those which do not meet customer expectations or are financially unviable, and latent potential / value, including opportunities to derive greater social, environmental or economic value that might be released to ensure Sanctuary Scotland continues to get maximum value from its assets.

1. Introduction

This strategy supports Sanctuary Scotland and the Group's objective of ensuring maximum value is gained from its asset base and continuing to ensure the stock meets the needs and aspirations of its residents both today and in the future.

1.1 Group Objectives and the Sanctuary Scotland Asset Management Strategy

The Sanctuary Scotland Asset Management Strategy has been drawn up to complement and inform the Sanctuary Scotland and Group business plans and to set out priorities for the physical care and improvement of housing stock in Scotland. By using this strategy to ensure our assets are sustainably managed and effectively planned for, the Group Business plan can be pursued with a high level of confidence in forthcoming income and potential liabilities. This document has been completed with reference to the Scottish Housing Regulator's guidelines for strategic asset management and the Sanctuary Scotland Risk register

In common with every other Housing Association, Sanctuary Scotland has finite resources to expend on asset management, which it must manage and direct to derive maximum benefit to:

- Ensuring all homes achieve the EESSH by 2020;
- Maintaining compliance with the SHQS;
- Complement the Sanctuary Scotland business plan objective of focusing internal investment on protecting and enhancing income streams and other non financial benefits;
- Deliver value for money by keeping dwellings in good condition in cost effective ways;
- Facilitate effective long-term financial planning and integrative business planning;
- Look after core stock by bringing properties up to date and in-line with current and projected customer expectations and demand;
- Identify risk and respond proportionately, ensuring works comply with current and prospective regulations as documented in both the Group-wide and Sanctuary Scotland risk map and management strategy;
- Provide a balance between response and cyclical repairs and capital investment;
- Understand our customer aspirations and needs, reflecting local diversity in our approach;
- Utilise a whole organisation approach, join up planning and provide links to development, marketing, lettings, housing support, stock renewal, maintenance and disposals strategies;
- Modernise and/or remodel stock when necessary;
- Achieve high standards of energy efficiency;

- Access grant funding when available to ensure works, especially works to improve energy efficiency, are affordable for both the Group and owner occupiers in mixed tenure blocks;
- Deal with 'cause for concern' stock by addressing potential distressed assets through comprehensive options appraisals; and
- Utilise and store good quality stock condition information to inform asset management decision making.

1.2 Strategic Objectives and Purpose of the Asset Management Strategy

Sanctuary Scotland has a number of strategic objectives, which underpin this document. These are derived from the wider objectives contained within the Operational Business plan. They include:

- Ensuring stock meets the EESSH by 2020;
- Ensuring the stock continues to comply with relevant regulatory requirements as set out by the SHQS;
- Provide service, economic, social and environmental value;
- Remain a market leader in the provision of high quality housing and community services;
- Listen to our customers and invest in our communities;
- Maximising value and use of existing and new stock;
- Maintaining a balanced portfolio through new build, acquisitions, sales, remodelling, tenure diversification, demolition and redevelopment; and
- Provide a range of homes of different tenures to meet housing need.

The Asset Management Strategy is primarily about deciding the future for all our housing stock and other property assets. The Asset Management Strategy provides the framework on which to assess the best use of Sanctuary Scotland's assets over the short, medium and long-term.

The overall purpose and objectives of the Asset Management Strategy are:

- To provide a platform for joined-up, structured and rigorous forward planning;
- To provide a basis for corporate and consultative strategy development;
- To provide a basis for future decision making and direction, including a basis for wider business and financial planning;
- To ensure we own and manage property that residents want to live in;
- To critically assess the current and future stock as being fit for purpose;
- To have clear strategies for protecting our investment;
- To identify the likely investment needs in our current and future stock over the next 30 years;
- To ensure uneconomic investment in the stock is avoided;

- To address risks highlighted as part of the Group and Sanctuary Scotland Risk Register;
- To inform the business plan on the level of resources required to meet the objectives of this strategy, including long-term financial planning;
- To ensure we meet legislative and regulatory requirements and standards;
- To ensure we explore the potential of our assets for the provision of accommodation that will meet future needs and aspirations of prospective residents; and
- To systematically gauge resident aspiration and convert into a deliverable strategy.

Overall implementation of the asset management strategy is the responsibility of the Group Assets team. Operational housing management have a responsibility to support the gathering of good quality information and customer feedback. Locally based asset and maintenance managers and responsible for carrying out asset management actions.

1.3 Asset Management Strategy Components

Sanctuary Scotland has a number of components within its strategy to ensure the stock meets the needs and standards required now and in the future, these include:

- New build construction to cater for new needs and to replace obsolete or uneconomic stock;
- Acquisition of property, by purchase, development, transfer or merger from other landlords to:
 - Maintain a balanced portfolio
 - Address newly emerging needs
 - Achieve economies of scale in the management of Sanctuary Scotland
 - Contribute positively to the sector;
- Refurbishment and remodelling of dwellings when necessary to ensure they remain attractive, meet modern requirements and tenant expectations;
- A planned maintenance programme, achieving economies by replacing components just in time, anticipating changes in minimum acceptable standards, and reducing future requirements for maintenance;
- Cyclical maintenance to prevent deterioration in the physical condition of the stock;
- An internal responsive maintenance service, to ensure that residents remain satisfied with their accommodation and to prevent unplanned deterioration in its condition;
- An internal efficient and effective voids repair service, helping to speed the repairs process and protect the association's revenue;
- Sales and or swap of property, to remove liabilities or to generate funds for future re-investment;

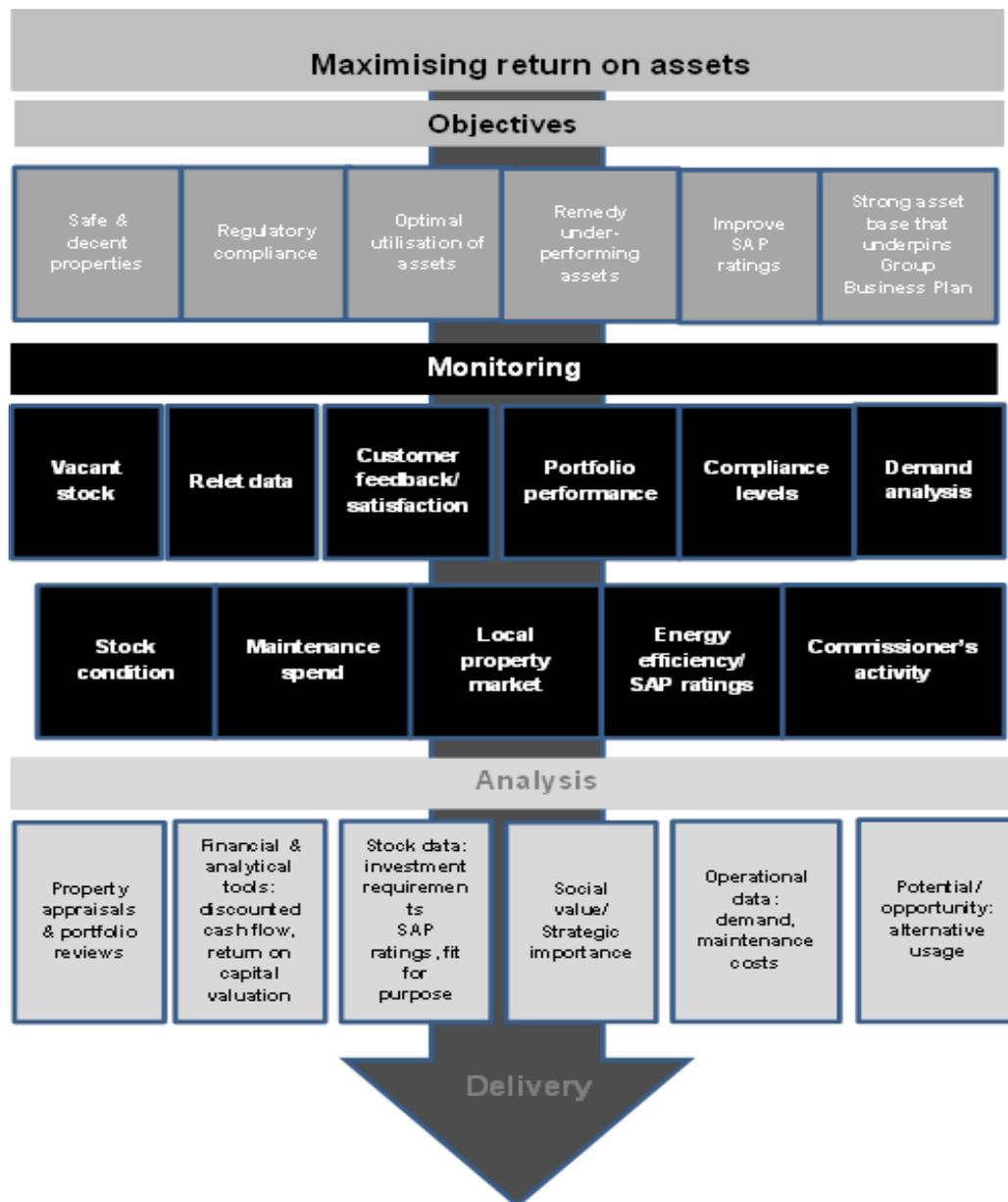
- A process for managing factoring challenges in mixed-tenure blocks; and
- Cyclical investment in compliance components.

These strategic components will be driven by strategic objectives, and will be based on quality information collected regarding our stock and managed through data management infrastructure OneSanctuary/SAP.

A summary of business benefits to a coordinated approach to our Asset Management Strategy include:

- Better customer service and provision through improved accommodation;
- Property in good condition;
- Innovative strategic procurement;
- Reduction in operational running costs;
- Maximum returns on asset base;
- The release of capital for re-investment;
- Long term property portfolio sustainability; and
- A diversified revenue stream

The components of the Asset Management Strategy and its organisational fit can be best described via the diagram below:-



2. Sanctuary Scotland - Operational Context

2.1 Operational areas

Sanctuary Scotland is comprised of a number of different business streams operating across the country. Stock is managed through three main operational divisions.

- West Scotland - covering Glasgow, Paisley and Motherwell
- Central Scotland - covering Cumbernauld
- North-East Scotland - covering Aberdeen City, Aberdeenshire and Dundee

The Asset Management team works with each operational area, acknowledging that close working relationships with operational teams are vital. However, there is a clear delineation of responsibility in terms of asset management, allowing the asset management team to make asset decisions that benefit Sanctuary Scotland and the Group as a whole.

Within some regions and business streams are assets that have been obtained through the acquisition of other organisations. Often upon acquisition, the condition of poorly performing assets necessitates significant intervention once within Sanctuary Scotland.

More detail on operational areas is included from point 2.5 below which highlights areas which have been identified as posing a consistent asset management challenge.

2.2 Organisational Risk Map

Sanctuary Scotland's Risk Map details 12 keys risk, of which three are especially pertinent to the Asset Management strategy:

- 2. Maintenance service and Long-Term Investment

Failure to deliver the cost savings via the in house maintenance service, investment in housing stock to meet the Energy Efficiency Standard for Social Housing (EESH), merger promises to tenants or tenants aspirations results in regulatory intervention, loss of reputation or adversely impacts on income streams of Sanctuary Scotland

- 6. Merger Promises

That the benefits promised to tenants as a result of the transfer of engagement are not fulfilled resulting in tenants' dissatisfaction, reputation loss and possible regulatory intervention

- 10. Legislative/regulatory

Failure to comply with legislative or regulatory requirements from a strategic or operational perspective results in regulatory involvement or investigation by an external body resulting in reputational damage or financial loss.

Identifying these risks gives Sanctuary Scotland the best change of mitigating and managing them. As such, the below Asset Management context should be considered in line with identified risks.

2.3 Asset Profile

A summary of the asset holding profile of Sanctuary is given in the various tables below:

Asset Profile (Total Sanctuary Scotland as at November 2018)

ALL	
General Needs Housing	6382
Right To Buy Factored	1373
Low Cost Ownership	347
Housing for Older People	307
Non Social Housing (Mid Market Rented)	297
Supported Housing	116
Commercial	9
Grand Total	8831

Asset Profile (Total Social Housing as at November 2018)

Social	Total
General Needs Housing	6382
Right To Buy Factored	1373
Low Cost Ownership	347
Housing for Older People	307
Supported Housing	116
Grand Total	8525

Social Housing Garages (As at November 2018)

Social Housing Garages (inc car ports)	
Scotland Central	1157
Scotland North East	104
Scotland West	9
Grand Total	1270

2.4 Key local authorities and social housing priorities

The Asset Management Strategy must be considered in the context of the areas in which the Sanctuary Scotland has a key presence within local authority boundaries. This is essential to ensure that regional and local priorities are understood and shared between all relevant agencies, where partnership working could achieve significant efficiency and value for money.

The tables below show the social housing split via local authority, clearly acquisitions which involve stock transfers lead to large numbers of social housing within single local authorities. Local authority relationships are continually evolving and the Sanctuary Scotland tailors its approach depending on the level of stock ownership.

Social Housing Properties by Scottish LA	
NORTH LANARKSHIRE	2946
CITY OF GLASGOW	1972
CITY OF DUNDEE	997
RENFREWSHIRE	868
CITY OF ABERDEEN	860
ABERDEENSHIRE	7660
ANGUS	53
EAST DUNBARTONSHIRE	40
CITY OF EDINBURGH	24
SOUTH LANARKSHIRE	3
EAST RENFREWSHIRE	2
Grand Total	8525

2.5 Asset Management Clusters

Although the stock held by Sanctuary Scotland is varied in geography and construction, a number of stock clusters requiring specific asset management approaches have been identified through both existing repairs data and informal operational and customer feedback. Further information on stock clusters, housing management and the impact on asset strategy is provided in

Appendix i. These clusters will be subject to targeted review in the near future to ensure Group data quality and inform long-term management, in order to help ensure investment requirements are effectively planned.

North East Area stock (Aberdeenshire)

Sanctuary Scotland manage a significant number of properties in Aberdeenshire which were constructed between 1955 and 1975 using a variety of non-traditional system based techniques including prefabrication and concrete panelling.

Environmental conditions in this region and challenges associated with the structural durability of this stock necessitate a pro-active asset management approach. To ensure value for money, investment in this stock must be managed in line with projected asset lifespan and customer aspirations.

A review of this stock will be conducted in Spring 2019 to ensure data quality and long-term sustainability. This review will be utilised the property sustainability index discussed below.

North East Area Stock (Aberdeen City)

Within the Sheddocksley area of Aberdeen city the Group manage a number of properties which are clad in timber panelling. The need to retain structural and aesthetic quality for this stock may necessitate additional investment. This must be managed in line with customer expectations, demand and long-term stock viability.

A review of this stock will be conducted in Spring 2019 to ensure data quality and long-term sustainability. Information collected as part of this review will be utilised the property sustainability index discussed below.

Cumbernauld stock

Sanctuary Scotland manages a large amount of housing stock in Cumbernauld. Sanctuary Scotland's major regeneration program has already seen a number of obsolete high rise blocks successfully replaced with high quality modern properties, in partnership with residents, North Lanarkshire Council and the Scottish Government. Further demolitions of high rise properties are projected.

Sanctuary Scotland also manages a large number of low-rise blocks and houses in the area. Use of non-traditional construction techniques and materials has meant that these properties are, on average, less energy efficient than the rest of Sanctuary Scotland's stock. A large number of garages are also managed by Sanctuary Scotland in Cumbernauld. Many of these are not large enough for modern cars.

As a legacy of Right-to-Buy, there are a large number of properties in Cumbernauld included in mixed tenure blocks. In some of these blocks,

Sanctuary Scotland is in minority ownership, which in some cases has led to factor management challenges, especially when major repairs are required.

Asset management of properties in Cumbernauld must take consideration of modern regulatory standards and customer expectations. Mixed tenure blocks, especially those where Sanctuary Scotland is in minority ownership, will be subject to independent professional evaluation in advance of major works. Full consultation with leaseholders will also be undertaken.

Additionally, asset management in Cumbernauld must be closely integrated with Group development policy. As indicated below, the Group will consider all options on a property by property basis, including disposal if necessary, to ensure that Group stock reflects customer demand and expectations. Stock condition data will be used to inform options selected for individual properties.

Given the importance of the area to Group development and challenges associated with build quality and patterns of Group ownership, a separate Cumbernauld strategy has been developed to help ensure the Group meet its objectives in the area. This strategy is projected for completion in February 2019 and will identify the additional monies to be provided by the Group in order to ensure the long term sustainability of this stock.

South Glasgow stock

Sanctuary Scotland manages a large number of properties in South Glasgow. A wide range of techniques and materials were used in the construction of these properties, including Craig-Atholl steel frames, timber kit-frames and foamslag concrete. In addition, Sanctuary Scotland manages a number of modern, recently developed houses.

The most challenging geographical area is with the Access Apna Ghar stock. The void data demonstrates the same challenges with this stock in terms of average vacant days and average void costs.

This means that a range of asset management approaches are required in a geographically contained area. Investment planning for these assets therefore requires the use of high quality data and an individual property approach alongside integration of asset management with maintenance services.

A review of this stock will be conducted in Spring 2019 to ensure data quality and long-term sustainability. This review will be utilised the property sustainability index discussed below.

Key Local Authorities

Ninety-eight per cent of Sanctuary Scotland stock is in six local authority areas; North Lanarkshire, City of Glasgow, City of Dundee, Aberdeenshire, City of Aberdeen and Renfrewshire. These authorities are regarded as key strategic partners and will be consulted in detail when forthcoming Asset Developments are proposed in their districts. Sanctuary will seek to align developments to Local Plans when viable.

Should any significant change in Group stock holding be considered, authorities will also be consulted, and Sanctuary Scotland will work to align objectives with these authorities whenever possible.

Asset Options

Alignment of housing management and asset management approaches for stock which poses an identified challenge is essential. A summary of the existing Sanctuary Scotland Housing Management strategy and its implications for Asset management is included in **Appendix i**.

Management of the issues which may arise from varied and non-traditional stock will require a balanced approach to ensure Sanctuary derives sufficient value from assets and continue to meet customer expectations. However, it may be that stock outside of identified clusters may also require higher levels of investigation.

Sufficient value is understood as both financial and service value. Sufficient financial value will be determined by the calculation of a positive Net Present Value (NPV), utilising Group standard assumptions and hurdle rates, indicating long-term financial sustainability. NPV are calculated for all properties, with updated NPVs calculated for all properties in identified clusters, or which have been identified by operational or maintenance teams and posing an “asset issue” (see below).

Sufficient service value may be understood though evidence that the property meets customer needs and expectations, which may be derived from vacancy periods, tenancy lengths and other demand metrics. This will be compared to financial considerations using the “Sustainability Model” below.

Assessment of the necessary course of action will always be completed on a property by property basis, including properties included in identified clusters. When assessment suggests that property assets performance is not sustainable, Sanctuary may consider:

- additional reinvestment, as determined by stock condition data;
- use for an alternative customer or client group to improve financial viability;
- disposal to other affordable housing providers; or
- disposal on the open market.

The possible nature of asset property issues and property performance analysis is detailed below.

2.5 Asset Property Issues

There are a number of reasons why a property may cease to meet Group strategic requirements and become worthy of appraisal. Key drivers have been identified to enable a systematic and proportional approach for reviewing

the current use of a particular property. These are set out in the table below, together with some proposed factors that are monitored.

Reason	Factor to be Monitored
<p>A property may need a considerable amount of work to be done to ensure properties achieve the EESSH and continue to comply with the SHQS.</p>	<p>The work arising from the stock condition survey needs to be reviewed as it is carried out to ensure that we are investing in housing with a long-term future. In addition, sometimes a home can suffer considerable damage from an outgoing tenant and, in these circumstances; it may be uneconomical to repair it. Properties will fast-tracked for review if one-off maintenance costs exceed £25,000 (NET), or if consistently requiring maintenance exceeding normal demand.</p>
<p>A property may, over time, cease to meet the needs for which it was originally constructed. For example, a supported living project may suffer a loss of demand because the commissioning authority wishes to make alternative arrangements. Alternatively, an area may suffer from a lack of demand.</p>	<p>The number of people leaving the property, together with the time taken to re-let empty homes.</p> <p>In addition, other organisations may influence this. For example, a social services department may feel that a property has ceased to meet a need for which it is being funded under the “Supporting People” funding and cease to commission the service. Local authorities’ opinions of the service offered therefore need to be monitored carefully.</p>
<p>Government legislation may mean that a property cannot continue to be let to the target client group.</p>	<p>Sanctuary Scotland needs to continue to monitor changes in Government announcements and legislation.</p>
<p>There may be a sharp change in the environment, which renders the existing use of a property unattainable in the short, medium or long-term.</p>	<p>Sanctuary Scotland needs to monitor the political and economic environment carefully and where possible future proof stock and decision making.</p>
<p>A property may become uneconomic to run as a result of difficulty in levying an economic charge to the residents or other stakeholder.</p>	<p>We need to monitor properties with special financial arrangements.</p>
<p>A property may not make the financial returns expected.</p>	<p>Where a property or project is separately accounted for and shows a loss.</p>
<p>Low cost and new supply shared equity ownership properties do not sell as quickly as planned.</p>	<p>All low cost ownership and new supply shared equity properties where the sale has not completed within three month of practical completion.</p>

2.6 Market Intelligence and Customer Information

High quality information regarding customer demand and expectations of housing stock is vital in determining the long-term future and investment requirements of stock.

As such, information regarding demand for stock, at an individual property and stock-cluster level will be utilised to help inform both current investment requirements and assessments of long term stock viability. As detailed above, identified clusters a formal channel for use of this information will be created by incorporating it as part of the property Sustainability Model (see 2.7 onwards). There are three key sources for this information:

- Group lettings and demand data, including length of void periods, average tenancy lengths and number of offers before re-let;
- Complains and customer comments data; and
- Wider market information.

In some geographical areas, for example Cumbernauld and Priesthill, South Glasgow, Sanctuary Scotland stock represents the primary source of affordable accommodation. This means that Group data can provide the most comprehensive source of information regarding localised customer preferences and demand for affordable housing. Detailed complains data will also be analysed to understand any trends which may impact investment.

Data collected at a Group level for properties within the portfolio, providing bespoke market information will therefore provide a number of metrics which will inform the sustainability index.

Although covered by a separate strategy, this approach will also inform Sanctuary Scotland development approaches. Property types, orientations and tenures which lettings data indicate do not meet customer expectations will not be considered for delivery as part of future developments. As Sanctuary Scotland looks to develop a Mid-Market Rent Portfolio, market information, collected using industry standard software, regarding local rental markets will be utilised in identifying suitable areas for this portfolio and understand appropriate rental levels.

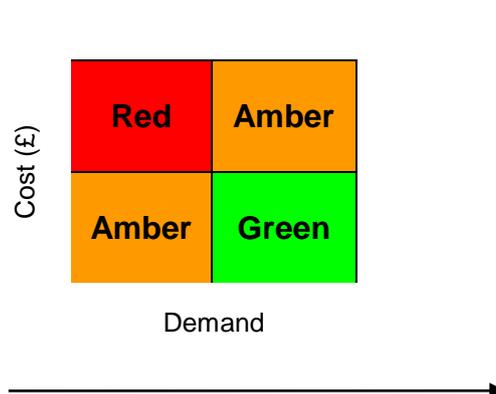
2.7 Property Performance and Sustainability Model

As highlighted above, the Sanctuary Scotland risk map and the Group risk map highlights that tenant satisfaction, regulatory compliance and long-term investment sustainability are the key risks which the Asset Management Strategy are seeking to mitigate. This should be considered especially important in the use of the Sanctuary Scotland “Sustainability Model”.

The “Sustainability Model” is effectively a measure of property performance, or, cost benefit analysis. This considers a range of inputs, such as income, demand and projected maintenance costs. Due to the varied nature of inputs, this will draw upon and synthesise knowledge and experience of operational teams, maintenance teams and asset management teams. It will be the responsibility of the asset management team to appraise the options for properties which have been flagged as performing at an unsustainable level by other teams. Stock condition data which highlights re-investment requirements that will reduce the viability of stock will also be used to highlight performance issues.

This process will be used to manage assets with identified performance issues at an individual property level. Properties assessed will be given a Property Performance Index (PPI) classification of either ‘Red’, ‘Amber’ or ‘Green’:

1. **Red** - Those properties deemed to be of high risk (for example requiring higher than average levels of re-investment in order to maintain them in a good lettable condition) and/or that are in low demand (for example are difficult to let or which have an unjustifiably high void turnover rate).
2. **Amber** - Those properties that offer marginal or peripheral performance and that require further investigation to be reclassified as either red or green.
3. **Green** - Those properties that are in high demand and that require average or below average levels of re-investment. This category may otherwise be described as ‘core stock’.



Re-investment is influenced by these categories as follows:

1. **Red** (on hold/under review) - No major expenditure permitted. A detailed appraisal is to be completed and outcomes reviewed. To be maintained on an ‘essential’ responsive maintenance basis only, plus essential or statutory planned maintenance (for example statutory gas servicing).

2. **Amber** (under review) - No major expenditure permitted unless an appraisal has been undertaken to assess the impact of any re-investment on future works requirements and the likely impact on demand. Without a clear investment option, the property is to be maintained on a responsive and cyclical regime only.
3. **Green** (go ahead) - All expenditure permitted, subject to approved budgetary funding.

(Property categorised as either Red or Amber are to be the subject of further investigation, or review, through a detailed options study, until they are either re-classified or until such time as an alternative strategy is agreed (for example asset disposal, remodelling or re-development). Economic viability must be demonstrated to permit on-going re-investment.)

Over the course of 2018/2019 all Sanctuary Scotland properties will be reviewed using the sustainability model, with priority given to properties included in identified clusters (see above). Following this, asset options will be considered, and all potential financial impact will be incorporated within Group financial planning.

A list of metrics utilised and their categorisation is included in Appendix 3.

2.8 Asset Management and Financial Planning

Asset Management budget requirements are set at the level which recognises and is sufficient to meet the strategic objectives listed above. Asset Management data, including stock condition data, day-to-day maintenance spending and historic asset management costs will be utilised in conjunction with detail regarding the strategic capability of existing internal teams to set a budget. This provides a key link between day-to-day Asset Management and long-term financial planning.

Budget setting is managed through close collaboration between financial planning management and asset management leadership within both Sanctuary Scotland and the wider Group. Additional investment to ensure compliance with the SHQS and EESSH has been included within Group Business plans (see below).

Following preparation of an Asset Management budget, Sanctuary Scotland board are invited to comment in detail on the proposed budget and are responsible for approval or rejection of the budget. Should further monies be required following the proposed reviews of identified clusters, Group Board will consider these demands in line with wider stock maintenance requirements and help to ensure these requirements do not impact the overall financial viability of the Group.

2.9 Managing Empty Properties

Properties which are vacant due to an asset management issue are monitored through an extensive suite of reporting included within the OneSanctuary/SAP system which are based on a range of scenario codes. These codes highlight the stages which a property may pass through as it is appraised, subject to works and returned to use.

The period during which a property is included within a code will be recorded to ensure that vacant periods are monitored and reduced to the minimum viable amount. Properties which experience excessive periods of vacancy whilst available to let will be reviewed to understand the drivers behind vacancy periods, and if necessary subject to an options appraisal.

3. External Environment and Key Drivers

3.1 Housing Quality Standard

The SHQS defines what constitutes acceptable, good quality housing. Local authorities and other registered social landlords had until 2015 to meet the standard.

Locally based surveyors will review and update data for the SHQS through the use of specially designed property surveys. Data will be managed centrally by the Asset Performance team who will add data to the OneSanctuary/SAP system.

This team records properties which are at risk of failure. The number of properties which may be at risk of component failure are detailed below.

Risk of failure	Percentage of stock
Failure of 1 SHQS Component	2.11%
Failure of 2 SHQS Components	0.38%
Failure of 3 SHQS Components	1.14%
Failure of 4 SHQS Components	0.16%
Failure of 5 SHQS Components	0.02%

All Sanctuary properties which fall below the SHQS will be targeted for investment or review. All the properties Sanctuary chooses to develop or retain under the Asset Management Strategy will meet these minimum standards.

Compliance is assured by annual revision of planned and cyclical maintenance plans to reflect current data and close collaboration with responsive maintenance teams.

3.2 Healthy, Safe and Secure Housing

The SHQS provides clear guidance on the elements of housing which are regarded as constituting a risk to health, safety or security. These elements have statutory weight.

Sanctuary Scotland seeks to continue to meet these standards through a program of stock condition inspections, by replacing inferior components where identified and by ensuring components which will fall below standards are included within planned and cyclical programs.

3.3 Business Energy Efficiency

It is a Group-level priority to ensure we care for the environment. Sanctuary Scotland is committed to meeting regulatory standards and to developing strategies for improving the environmental sustainability of all aspects of operations. In this respect, environmental impact is examined in the following broad categories:

- transport;
- existing stock & investment;
- development; and
- offices

3.4 Sustainable, Energy Efficient Homes and Asset Energy Performance

Sanctuary Scotland must meet the standards set out in the Energy Efficiency Standard for Social Housing (ESSH) in all properties without a technical exemption by 2020, including the SAP rating that must be reached. This objective informs Sanctuary Scotland's asset management priorities.

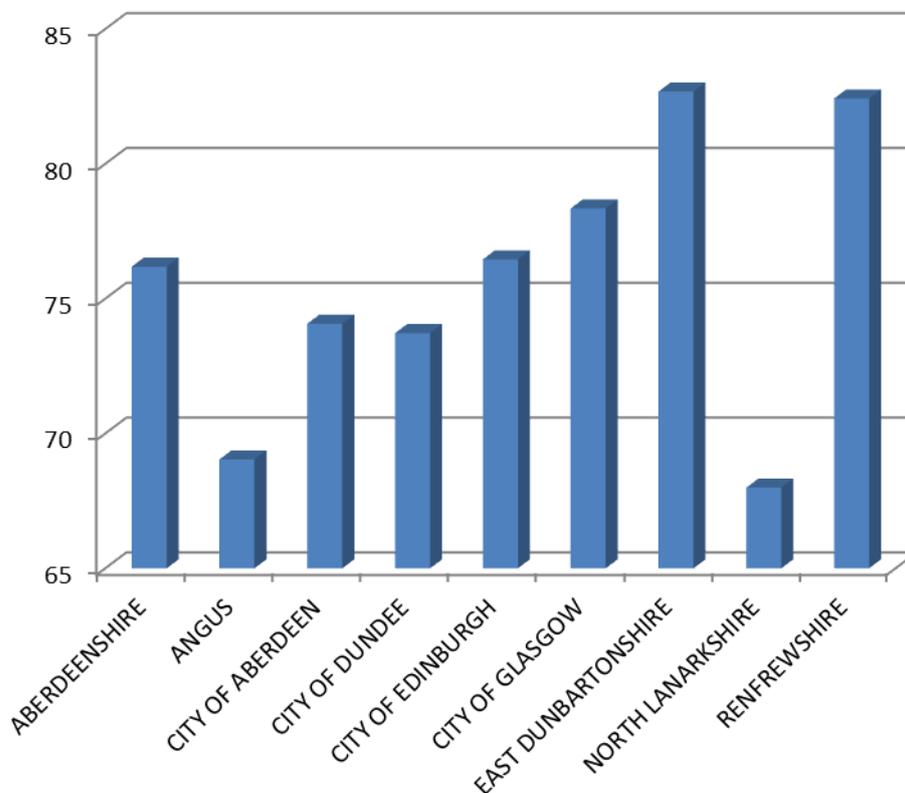
Energy Performance Certificates (EPCs), detailing SAP ratings must be provided to all prospective tenants in social housing. EPCs must also be provided on new stock transfers.

RdSAP is the Scottish government-approved standardised assessment procedure for energy assessments of existing dwellings; this is employed in our stock condition data management process.

Sanctuary Scotland uses EPCs in monitoring the condition of the stock and as part of the Asset Management Strategy. Information from the certificates can help inform investment decisions to fulfil landlords' commitments on fuel poverty as well as climate change.

In addition to meeting the existing SAP rating goals set out in the SHQS, a trial of the "SAP 80" project is being undertaken and the results of this will go some way to informing the strategy for energy efficiency until 2030. The average SAP ratings for the social housing portfolio can be seen, grouped by local authority, in the chart below:-

Average EPC by local authority



3.5 Fuel Poverty

The wider Group has an Energy Efficiency strategy which details our approach to alleviating fuel poverty. This is relevant to Sanctuary Scotland, concentrating on the following key areas:

- The extent of financial exclusion and action plan to promote financial inclusion;
- Controlling fuel prices by transferring void properties to new competitively priced tariffs; and
- Improving heating and insulation standards when identified through reinvestment programmes.

Sanctuary Scotland actively seeks to maximise the benefit of partially grant funded programmes for energy efficiency programmes to improve the insulation efficiency of the housing stock and thereby help to ensure that fuel demand (to maintain an adequate standard of warmth) is minimised for the benefit of the resident.

Sanctuary Scotland has been undertaking a comprehensive programme to install cavity wall insulation to homes that were previously without it. Sanctuary Scotland is also carrying out roof insulation work to match current

Building Regulation standards across all the housing stock. Such programmes will continue.

By having a specific energy efficiency strategy and policy, the following primary benefits will continue to be promoted:

Residents Benefits:

- Reduced fuel costs;
- More comfortable and healthier homes; and
- Reducing the risk of condensation & mould growth

Landlord Benefits

- Energy efficiency improvements increase the sustainability and value of the stock.
- An inefficient home can directly affect a tenant's ability to pay their rent if fuel costs are high.
- Providing homes that are affordable to run can lead to a good market reputation.
- By building new low carbon homes, we can reduce carbon emissions.

Environmental Benefits

- Reduction of carbon dioxide emissions (CO₂) and other greenhouse gases.

3.6 Housing Support Service

Sanctuary Scotland manages a number of supported housing schemes.

In the case of the supported housing schemes, the living environment must:

- be suitable for its stated purpose, accessible, safe and well maintained;
- be appropriate to the needs of the residents; and
- meet the requirement for independence, privacy and dignity.

It is possible that local authorities will decommission provision, or investment will be required in stock to improve facilities/amenities to meet future service standard requirements. When services are decommissioned, alternative uses will be sought and properties will be subject to a comprehensive options appraisal.

3.7 Equality Act 2010

The Equality Act 2010 protects those with one or more of nine protected characteristics (including disabled people) from discrimination in:

- employment; and
- accessing goods, facilities and services.

Sanctuary Scotland must ensure that its services are fully accessible to those with special requirements. This includes properties and a wide variety of issues, including physical alterations to homes, offices and public spaces such as the entrances to communal facilities as well as the installation of equipment such as mini-coms, signage and the training of staff.

All work carried out under this legislation will be reviewed in the light of changing requirements to ensure that our commitment to equality and diversity is sustained.

3.8 Aids and Adaptations

It is accepted that both the wider Group and Sanctuary Scotland will build into its business plan the funding of adaptations as part of its core activities. The actual investment level will be set annually and the arrangements publicised so that association residents can access them fairly and consistently.

An annual award of grant from the Scottish Government to is used to support the completion of these works. Additionally, an amount is also set aside from the reinvestment budget on an annual basis to complete works.

Details of works that qualify for funding can be found in Sanctuary's Aids and Adaptations Policy and Procedures. Where feasible, equipment used in adapted property will be re-cycled, such as stair lifts and hoists.

Where major adaptations are required the Group will always seek to provide the best value for money solution, individual tenant needs are taken in to consideration and options such as transfer, property exchange and alternative accommodation are discussed.

3.9 Resident Involvement

Sanctuary Scotland is committed to resident consultation and involvement. Effective consultation and involvement is achieved through a variety of channels. This includes Area Committees, Resident Review Panels, Registered Tenant Organisations and informal resident groups.

The broad framework includes consultation regarding:

- service standards, including prioritisation and target timescales;
- choice of components and colours;
- procurement options;

- investment priorities for improvement programmes;
- satisfaction with services and review of complaints/compliments; and
- feedback and service improvement suggestions.

Sanctuary Scotland also evaluated the feedback from residents about their opinion on the condition of their property. The table below illustrates the feedback from general needs residents.

	Overall home quality	Repairs and Maintenance
Satisfaction levels	84.9%	88.8%

4. Reinvestment Methodology

4.4 Property reinvestment and maintenance management

Reinvestment programmes are derived from stock condition data and other external factors such as market conditions, operational needs and legislative changes. The Group has a clear methodology for its investment programmes with the following key areas taking priority:

- EESSH;
- SHQS;
- Statutory Compliance maintenance;
- Health and Safety; and
- Market drivers.

The above criteria help prioritise the investment decision making for Sanctuary Scotland, as there is a finite level of resources that can be applied to stock investment. The above criteria ensure that the stock meets all legislative requirements and provides a safe and secure environment for our residents to live.

4.5 Stock Condition Surveys and Investment priorities

Sanctuary Scotland is committed to using good quality information to inform asset management. The organisation will review stock condition survey information on at least an annual basis and providing updated information on specific assets, at least every five years. Sample surveys (in the order of 10 per cent of the stock) are only used for strategic planning purposes, with increasing samples (up to 100 per cent) to support planned reinvestment programmes and option appraisals.

Property inspections associated with general repairs management affords an excellent opportunity to update stock condition data through tablets. The strategy to maximise this opportunity must be embedded by the Asset Management Strategy at the local level.

Stock condition surveys provide an initial basis for identifying reinvestment needs to maintain the existing stock. However, such surveys are effectively 'blind' to wider strategic issues, these aspects are determined by independent assessment within the relevant business area and the outcomes incorporated into the overall strategy.

Sanctuary Scotland's stock condition survey information is intended to help identify the necessary programme of work to maintain the stock over a 30 year business plan projection. This information is frequently updated as properties are visited by Group surveyors. In line with standards set out in the SHQS, especially Modern Facilities and Services requirements, the priority issues for re-investment are mainly associated with the following elements:

- thermal performance improvements for affordable warmth;
- heating and boilers;
- kitchens;
- bathrooms;
- electrical systems;
- lifts;
- windows and doors; and
- roofs.

The profile is reflective of a stock requiring significant ongoing repair and improvement which is expected within the industry.

4.6 Data and Information Management

The Asset Management Strategy must be supported by good data and information management systems. In this respect, the Sanctuary Group has invested in the acquisition and development of SAP to ensure a smooth transition of data used by Sanctuary Scotland and is also widening the usage of PDAs for surveyors.

The implementation of SAP helps to satisfy a range of different needs:

- To inform asset review, appraisal, planning and decision-making processes;
- To provide reinvestment predictions, demands and expenditure profiles for business planning;
- To monitor and assess the implementation of asset strategy and asset performance;
- To satisfy statutory and other regulatory external reporting and compliance requirements;
- To support the continuous management and maintenance of the asset base;
- To maintain a complete and accurate asset register;
- To manage service contracts and related safety matters (e.g. gas servicing); and

- To assist in the management of deleterious materials, such as asbestos.

A key theme is data consistency and accuracy. The objective being to ensure that data is only entered once (subject to validation) and that it is maintained consistently, and as far as reasonably possible automatically.

4.7 Planned Maintenance Cycles

Planned maintenance cycles are assumed within the cost modelling, the assumptions are taken from industry recognised standards. Property maintenance and re-investment business planning are below:

Property attribute	Maintenance intervals in Years (unless otherwise stated)
Automatic doors	1
Automatic toilet (Clos-o-Mat) Systems	1
Calorifier de-scale (hard water areas)	1~2 (depending on PPM values)
Decorating (external)	7
Decorating (internal)	5~8 (subject to client group)
Drainage pumps (submersible)	1
Electrical testing - general needs/sheltered dwellings	10 (subject to property sampling)
Electrical testing - hostels/care homes	5
Electrical testing - sheltered/general needs	5 (for communal services)
Emergency lighting - schemes	Every 3 months
Extraction systems (central ventilation/air conditioning)	1
Fire alarms and equipment - schemes/blocks	Every 3 months
Flat blocks communal area decoration	3~5 (subject to client group)
Gas servicing (LGSR)	Within 12 months
Grounds maintenance / estates caretaking	Site specific specification
Lift Servicing* (including stair lifts)	Monthly, (6 month*) LG1, 5, 10
Lightning conductors	1
Mobile equipment (hoists etc...)	1
Portable appliance testing	1~2 (as designated)
Power generators	1
Security systems	(Defect response only)
Service of heating systems - commercial (pressure plant*)	Every 6 months (+ LGSR)

Service of heating systems - domestic	1 (+ LGSR)
Smoke/CO detectors - general needs	1 (with LGSR)
Thermostatic mixing valves (TMV or blending valves)*	1 (or Manufacturers guidance)
Warden/nurse call systems	1 (Breakdown service only)
Water conditioning plant	1

4.8 Component Replacement Cycles

The tables below illustrate typical “Life Cycles” in years. These are used in re-investment financial modelling but depend on key factors such as quality and type.

Component	Life Cycle
Roof structure	50
Roof finish	50
Soffit material	50
Loft insulation	50
Rainwater goods	30
Fascia boards	30
DPC/DPM	80
External wall structure	80
Porches	50
Canopies	50
Balconies	50
Primary wall finish	60
Secondary wall finish	40
Windows	40
Main external doors	20
Flat Entrance Door	40
Heating extent	30
Heating distribution system	30
Central heating boiler	15
Communal boiler	15
Heating programmer	15
Gas fire	15
Solar water heating	20
Blender valves/TMV	15
Hot cold piping	30

Component	Life Cycle
CO detector	10
Kitchens	20
Bathrooms	40
Consumer unit	30
Wiring	30
Front & rear door security	40
Lintels	60
Door entry systems	10
Warden call systems	20
CCTV	10
Stair lift	20
External wall insulation	80
Cavity wall insulation	80
Garage door	30
Outhouse roof	50
Outhouse wall finish	60
Communal heating system	40
Communal lighting	20
Communal emergency lighting	20
Communal Entrance Door	30
Communal heating distribution	25
Communal fire alarm system	20
Windows in communal areas	30
External decorations	5 - 10
Internal communal decorations	5 - 7

Hot cold piping insulation	30
Expansion water tank	40
Smoke alarm	20

Communal Aarial system	20
Paths, roads & parking	25

4.9 Procurement for Reinvestment

Sanctuary Scotland will seek to generate Value for Money (VfM) benefits through vertical integration. In practice, this means that reinvestment works are completed by Sanctuary Maintenance when possible.

To ensure that VfM benefits are realised it is essential that Sanctuary Maintenance staff have sufficient work for a full working schedule. This means that focus is primarily on achieving efficiency in high demand trade areas, including plumbing, electrical works and gas-fired equipment servicing. Trades which experience more sporadic demand, for example roofing, will continue to be delivered by external contractors. When using external contractors, Sanctuary Scotland will seek to realise value for money benefits from the wider Group's scale and associated procurement power.

A wide number of metrics are used to ensure efficiency, including levels of internal utilisation, assessments of jobs completed by operative per day and average cost per job. These metrics are compared to national benchmarks and performance is subject to frequent review.

Evidence highlights that typical costs per job with Sanctuary Maintenance is lower than like-for like with an external organisation, therefore focus on increased utilisation and effective planning will help to continue to deliver value for money.

4.10 Reinvestment Budgets and Forecasts

The 2018/2019 business plan allows for approximately £4.7 million of investment in to the current stock. Reinvestment is split between major remodelling and also works based upon the criteria outlined previously within this strategy.

Where possible expenditure is directed to Sanctuary Maintenance, as this provides the opportunity to ensure value for money and gives greater control on cost and quality. As part of a joined up approach, it is Sanctuary Scotland's ambition to increase the level of reinvestment spend that is delivered by Sanctuary Maintenance.

An overview of the planned investment for the current and next two financial years can be seen below:

Year	2018-2019	2019-2020	2020-2021
Budget	£4,720,000	£4,348,000	£3,942,000

Further detail regarding asset budgets is provided in **Appendix ii**. Budgets and business plans are reviewed and revised annually.

4.11 Cyclical Budgets 2018/2019

The Group operates a cyclical maintenance programme to ensure that reactive maintenance is kept to a minimum. The cyclical maintenance programme is driven from stock condition information as well as a local operational view. An overview of the planned investment for this financial year can be seen below:

	Cyclical Investment
Total	£628,800

5. Health and Safety Management Delivery

This aspect of asset management is covered in more detail within the approved Health and Safety Policy and Procedures.

Some specific areas of health and safety management require specific mention within this strategy. These are dealt with in alphabetical sequence, rather than by perceived priority:

5.1 Asbestos

Sanctuary Scotland policy is in line with statutory legislation and the Health and Safety Executive's recommendations. This is to leave asbestos in position unless it is in an unsatisfactory condition or likely to be subject to frequent disturbances or where it can be safely removed as part of a repair, improvement or alteration.

Sanctuary Scotland maintains a developing register of all asbestos containing materials within its properties. Compliance is controlled and monitored through Group Health and Safety Policy and Procedures, as well as operational compliance procedures within the businesses.

5.2 Electrical Safety

Sanctuary Scotland complies with the all statutory legislation. This includes controlling new installation and modification work governed by Scottish Building Standards 4.5 and 4.6 and Building (Scotland) Act 2003.

A systematic, centrally managed annual regime of portable appliance testing is carried out throughout the Group. Compliance is controlled and monitored through Group Health and Safety Policy and Procedures, as well as operational compliance procedures within the property functions. Periodic inspection and testing is carried out when necessary to identify any safety concerns and to specify remedial repair work.

5.3 Fire Safety

Sanctuary Scotland complies with Fire Safety (Scotland) Regulations 2006 and the Fire (Scotland) Act 2005 in addition to all other related fire safety regulations. Each relevant property has a formal risk assessment in place for the management of fire risks, including suitable systems and procedures. Compliance is controlled and monitored through Group Health and Safety Policy and Procedures, as well as operational compliance procedures within the property function.

5.4 Gas Safety

It is the duty of Sanctuary Scotland to ensure that within the properties that are owned and managed throughout the business gas appliances, installation pipework and flues are maintained in safe condition. Compliance is controlled and monitored through Group Health and Safety Policy and Procedures, as well as operational compliance procedures within the property function. This is fulfilled as part of the annual gas servicing programme which also includes commercial installations and those using other fuel types, such as oil-fired systems.

5.5 Legionella (Water Hygiene and Temperature Control)

Sanctuary Scotland complies with the Approved Code of Practice for the control of legionella bacteria in water systems (ACOP L8), within the properties under its control. This is informed by a formal risk assessment process and overall compliance is controlled and monitored through Group Health and Safety Policy and Procedures, as well as operational compliance procedures within the property function.

6. Asset Development

6.1 General Approach

The approach to development is described in more detail under a separate strategy but it is increasingly clear that successful asset management can in itself create opportunity for development. Additionally, Asset Management data can be utilised to help guide the Group's development approach, avoiding the construction of property types, orientations and tenures which do not meet customer needs and expectations.

Recent years have seen a marked change in the environment in which registered social landlords operate including:

- changes in the supply and demand for social housing;
- pressure for efficiency gains in the procurement of new housing; and
- desire to create mixed tenure sustainable communities and neighbourhoods.

6.2 Sanctuary Group diverse business strategy

Sanctuary Group has a distinct advantage over many registered providers due to the diverse business streams it operates in. The diversity of the Group allows for proactive asset management decisions to be made within Sanctuary Scotland that enable value to be driven from individual assets that may provide a greater return in different operational business whilst still maintain the Group's social purpose.

Group Development strategy acknowledges the affordability challenges affecting large parts of Scotland's housing market, and is focussed on delivering a range of affordable products.

Demographic assessments and market demand analysis is undertaken in detail before each development project, in order to ensure that customer demands are met by new assets. Ensuring our developments will meet an existing demand is integral to planning our development programme.

6.3 Sustainable assets

It is increasingly clear that revenue streams from assets that are not reliant on government subsidy or policy are becoming more important to ensure the long term sustainability of Sanctuary Scotland. Where it is financially advantageous there is a desire to not dispose of the property for short term gain but to look to generate additional returns through asset intervention.

In order to ensure the sustainability of Sanctuary Scotland's stock base constant monitoring of each individual business stream is undertaken by both operations and corporate teams including asset management. Monitoring of individual businesses is done on an individual basis recognising the differences between the operational needs and external influences. The annual operational business plans are supplemented by an asset plan that sets out the key goals and milestones to be achieved within the year.