



PORT OF LEITH
HOUSING ASSOCIATION

ASSET MANAGEMENT STRATEGY
October 2016

FULL REVIEW TRACKING

A “Full Review” refers to a point when a the whole document is reconsidered by appropriate stakeholder to establish if it is still fit for purpose and this is formally signed-off at the appropriate management level. This acts as assurance the Association's position on key matters is up to date with legislation, regulation and good practice.

Last Full Review Date	September 2012
Applies to	<p>PoLHA Social Housing, Leased Properties and mutual elements covering factors, shared ownership, PDL properties and private owners.</p> <p>It does not cover PDL mid market rental properties.</p>
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The Strategy has a direct link to the following PoLHA policies and procedures	<p>This strategy is part of a range of documents which will be reviewed on a regular basis:</p> <ul style="list-style-type: none"> Asset Management Policy Strategy Action Plan 5 Year Major Repairs and Planned Works Programme Stock Rationalisation Policy Stock Rationalisation Strategy PoLHA Home Standard Operational Procedures <p>Other links include:</p> <ul style="list-style-type: none"> Financial Regulations, Standing Orders Risk Control Policy and Risk Registers Procurement Policy, Strategy and Procedures
Equality & Diversity Impact (EI) Assessment Status	n/a

REVISION TRACKING

Revisions are minor changes which are made between Full Reviews which might be needed because of new ideas or changes

Revision Date	Part of doc revised	Reason for revision	Approved by
1/9/16	All	Cycle review	

ASSET MANAGEMENT STRATEGY

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1. Introduction

1.1. Background

1.1.1. This strategy has been drawn up to complement and inform the Port of Leith Housing Association Business Plan and Persevere Developments Business Plan and sets out the framework and priorities for the ongoing care and improvement to our housing stock. It is guided by the Association's Asset Management Policy and provides a linkage between several Association strategies and policies including development, maintenance, procurement, health and safety, and housing management. The strategy looks to define what the Association's requirements are across three areas:

- The effective investment in planned maintenance to ensure that the property portfolio is maintained to the required standard;
- The active management of our assets will identify properties which have either a poor social, economic or environmental performance; from this the Association will be able to either choose to invest in improvements or replace them with properties which are fit for purpose; and
- The strategy will be clear how the management of the property portfolio is supporting wider business objectives.

1.1.2. The purpose of the strategy is to provide a framework in which the property portfolio will be managed to ensure that each property contributes effectively and efficiently towards achieving the Association's vision and meeting our statutory requirements. Therefore the strategy is divided into four main sections and has associated delivery plans:

- i) Housing Need and Demand
 - What is the level of need and demand for housing within our operating area.
- ii) Asset Records and Stock Condition covering the key questions of:
 - What are our assets and how do we accurately quantify and record them?
 - What are the issues arising from recent Stock Condition Surveying?
 - The implications of implementing the PoLHA Home Standard
 - The level of Scottish Housing Quality Standard compliance and the plans to maintain properties to this standard
 - What is the progress towards delivering the Energy Efficiency Standard for Social Housing by 2020?
- iii) Investment Options and Expenditure
 - 30 year cost profile
 - Planned maintenance delivery highlights and issues
- iv) Risk Assessment and Review

1.2. Link to business objectives and plans

1.2.1. The Association's ambition is '*To make Leith the best place to be*'. This is the basis of our Asset Management Policy which is designed to ensure that our property portfolio meets the needs and standards required now and in the future and should guarantee that our properties are:

- In good condition;
- Located in attractive safe environments;
- Environmentally friendly and energy efficient; and
- Of a design that fits the needs of our customers.

1.2.2. The long term investment opportunities and the viability of the Association are based upon the condition of the housing stock. PoLHA does not just look to maintain but actively seeks to enhance and add value to its property assets. This strategy aims to take the Association through the investment requirements needed to continue maintaining properties to the Scottish Housing Quality Standard (SHQS), to meet the Energy Efficiency Standard for Social Housing (EESH) by 2020 and the Association's long term strategic investment planning up to 2045.

1.2.3. As part of the Persevere Developments Ltd (PDL) Business Plan: 2015 – 2020, there is an Asset Management Agreement drawn up as an addendum to the lease of a development from PoLHA to PDL. This sets out the detailed management arrangements for the properties and make reference to: Insurance obligations; Cyclical, Reactive and Major Repair Standards; Management Standards and Service Level Agreements Compliance with terms of short assured tenancies and obligation to return properties to PoLHA in a suitable condition. This Asset Management Strategy covers the replacement of mutual items but not items within the sole ownership of PDL.

1.2.4. For the purposes of the strategy we are using the term “Asset Management” to refer to all land and property in our ownership but not financial investments, staffing, IT systems or other assets.

1.3. Regulatory requirements and compliance with standards

1.3.1. As a Registered Social Landlord, Port of Leith Housing Association must comply with and operate under a number of legislative requirements. These are detailed in Section 6.3: References.

1.3.2. In addition the Association will adhere to Scottish Housing Regulator (SHR) guidance including the Strategic Asset Management Recommended Practice published in August 2012.

In particular we will ensure we comply with the following outcomes of the Scottish Social Housing Charter:

4: Quality of Housing

Social landlords manage their businesses so that:

- tenants' homes, as a minimum, meet the Scottish Housing Quality Standard (SHQS) by April 2015 and continue to meet it thereafter, and when they are allocated, are always clean, tidy and in a good state of repair.

This **standard** describes what landlords should be achieving in all their properties. It covers all properties that social landlords let, unless a particular property does not have to meet part of the standard. Beyond SHQS, landlords should be looking for cost-effective ways of achieving higher energy-efficiency standards for their properties, to provide warmer homes for their tenants and help to meet climate change targets.

During this Charter's lifetime, the Scottish Government will consult on higher standards. If adopted, these new standards will form part of the next Charter.

5: Repairs, maintenance and improvements

Social landlords manage their businesses so that:

- tenants' homes are well maintained, with repairs and improvements carried out when required, and tenants are given reasonable choices about when work is done.

This **outcome** describes how landlords should meet their statutory duties on repairs and provide repairs, maintenance and improvement services that safeguard the value of their assets and take account of the wishes and preferences of their tenants. This could include setting repair priorities and timescales; setting repair standards such as getting repairs done right, on time, first time; and assessing tenant satisfaction with the quality of the services they receive.

1.3.3. A number of Scottish Government and City of Edinburgh Council policies are also of particular relevance. These are also detailed in Section 6.3: References.

1.4. Context

1.4.1. Port of Leith Housing Association is the largest social landlord in Leith with approximately 2,450 homes in ownership and management for rent and 137 for purchase under the Shared Ownership scheme.

1.4.2. Its purpose is to provide high quality affordable homes, creating neighbourhoods which people consider are great places to live in. Initially focussing on refurbishing the older semi derelict Victorian tenements of Leith, many of which would otherwise have been demolished without our activity, the development programme since 1989 has focussed primarily on building new homes in Leith and North Edinburgh including the Waterfront regeneration areas in Leith, Newhaven and Granton. In all, £200 million has been invested to date developing and improving property.

1.4.3. Parts of Leith used to be regarded as unattractive, where people stayed often through lack of choice. Through our efforts and from the substantial investment by the public and private sectors in Leith, the area is now regarded as a regeneration success and seen as a desirable location. Edinburgh has an acute need and demand for affordable housing now and over the next generation. The housing list has more than 22,000 registered applicants and the average number of bids received for PoLHA vacant properties during 2015/16 was 229, the city wide average for the same period was 167. This is the highest level of demand we have ever experienced and one of the very highest levels in the City.

1.4.4. The strong need for affordable housing means that people with no or a low priority for rehousing could remain on the waiting list for a considerable time. One of the key aims of our business plan is to develop and deliver a wider choice of affordable housing products and services. The Association, in conjunction with Persevere Developments Ltd, is developing intermediate tenure products, such

as mid market rental housing which will take the Association into a new operating environment.

1.4.5. The Association stock is predominantly situated within the North Edinburgh Area and includes sheltered, amenity and general needs housing and fits into three distinctive categories: 23% are pre-1919 properties, (we do not own any properties built between 1920 and 1979), 21% were built between 1979 and 1995 with the remaining 45% built since 1995. Additionally 40% of the total stock is situated within the Leith or Portobello Conservation Areas.

1.4.6. The profile of wholly owned assets as of 1 October 2016 consists of the following:

Table 1: Summary of Owned Assets

Age (by building regulations)	Type	Units	Details
A pre-1919	Flat	498	
	Flat - Disposal	90	Approved by SHR
	Colony	8	
	Commercial	3	32 Morningside Park 15, 19 & 21 Buchanan Street
	Store Room	4	33 Dalmeny Street 7 Albert Street 7 Bangor Road 2 Maritime Street
F 1976-198	Flat	23	
	House	7	
G 1983 - 1990	Flat	342	
	House	26	
	Commercial	2	64b Albert Street 18 Iona Street
	Store Room	2	2 Buchanan Street 31 McDonald Road
H 1991-1995	Flat	331	
	House	17	
	Commercial	1	7 Argyle Street
	Store Room	1	28 Dickson Street
I 1996-2002	Flat	374	
	House	35	
	Commercial	5	17 Ale Moor Crescent 25 Bath Street 40 Restalrig Circus 198 Restalrig Road South 2 St Clair Street
J 2003-2006	Flat	247	
	Commercial	1	15 Junction Place
	Store	1	16 Junction Place
K 2007-2014	Flat	399	

Age (by building regulations)	Type	Units	Details
	House	15	
	Commercial	2	62 Bingham Drive 82, 84 & 86 Great Junction Street
Land		1	Constitution Street
		1	Plot 3 Granton Harbour
		1	17 Madeira Street
		1	Porthaven 14 Wellington Place
Total Social Rented Stock		2412	as of 1/10/16
Other Stock		22	
Shared Ownership		137	
Factored Owners		89	
PDL Stock		131	Mid market Rent
Sites Currently Under Development 2016	Leith Fort	62	62 Mid Market Rent
	St Nicholas Court Extension	8	8 Social Rent Sheltered Housing
	Silverfields	8	8 Mid Market Rent
	Baileyfield Road	52	28 Social Rent 24 Mid Market Rent
	Abbey Lane	31	23 Social Rent 8 Mid Market Rent
	Shrubhill	51	51 Social Rent
	Brunswick Road	46	46 Mid Market Rent

Table 2: Pre-1919 Ownership Split

Type	Units	Stairs
Majority Ownership (>51%)	347	39
Minority (44-50%)	75	11
Disposal Tranche 1	85	65
Disposal Tranche 2	91	19

1.4.7. The Association's stock detailed above is currently split over 134 mixed tenure pre-1919 stairs and 70 Post 80s developments, with management interests in 287 common stairs.

1.4.8. Over the years the Association has lost almost 200 units to Right to Buy. However, the ownership share of our Post 80s properties has now stabilised with the end of Right to Buy in August 2016.

1.5. Stock Rationalisation

- 1.5.1. In January 2015 the Board approved the Association's Stock Rationalisation Policy and Implementation Approach, with approval to dispose of 113 properties over 10 years, granted in May 2015. In December 2015 the Association received support from City of Edinburgh Council and agreement from Scottish Government to dispose of 113 pre-1919 properties (in 75 stairs) and reinvest the proceeds via the Housing Association Grant Recycling Pilot (HIGN 2012/08). Under this agreement PoLHA will use the proceeds from sales to apply a fixed £14,250 discount in Housing Association Grant (HAG) and £14,250 contribution towards PoLHA private finance per unit to build an anticipated 376 social housing units over 10 years. The Association will continue to maintain these properties in accordance with our Asset Management Policy up until the time of sale.
- 1.5.2. As part of the development of this policy, all pre-1919 properties were reviewed from an ownership point of view with 241 properties (in 101 stairs) where the Association had less than 50% split in to two tranches.
- 1.5.3. Tranche 1 covered 113 properties in 75 stairs where the Association only owned one, two or three properties within the stair. Up to September 2016, 29 properties have either been disposed of or are vacant awaiting disposal, removing the Association's liability from eight stairs.
- 1.5.4. Following further review it is recommended that approval is sought, and Regulator consent applied for, to dispose of a further 91 properties in 19 stairs which would form Tranche 2 of the Stock Rationalisation Strategy. These are properties where the Association owns less than 44% within a stair.
- 1.5.5. The timing of the disposal of these additional properties would be dependent upon the financial capacity of the Association and the rate at which additional social rented units could be brought on line. However having the underlying principle that the Association is not planning to retain ownership in the long term for a selection of properties will guide the investment decisions for these properties and allow investment towards EESSH be directed at properties where we wish to retain ownership.
- 1.5.6. This would leave a core stock of 415 pre-1919 flats and seven commercial properties / store rooms. From these 343 properties are in majority ownership across 39 stairs, with 72 properties in minority ownership across 11 stairs. The Association also factors seven pre-1919 properties which add to our controlling shares within these majority stairs. The properties in minority ownership are a selection where either other RSLs have ownership within the stairs. We have a good relationship with other owners who have been willing participate in works previously or we have majority ownership in stairs to both sides.

2. Housing Need and Demand

2.1. Evidence and level of demand including voids and turnover

2.1.1. The demand for Association properties has been high for a number of years. However it may be that the acute lack of affordable housing in North Edinburgh and the desire of our customers to remain within the wider Leith community is masking the desirability of certain areas or properties.

2.1.2. The Association regularly reviews key aspects of lettability including:

- **Property Turnover:** Are specific property types, locations or individual properties generating a higher turnover than others?
- **Void Loss:** How long and how much money does it cost to repair property types?
- **Difficult to Let Properties:** Are fewer bids received and more offers made on certain properties? Do we have the same refusal reasons given all of the time for certain properties?

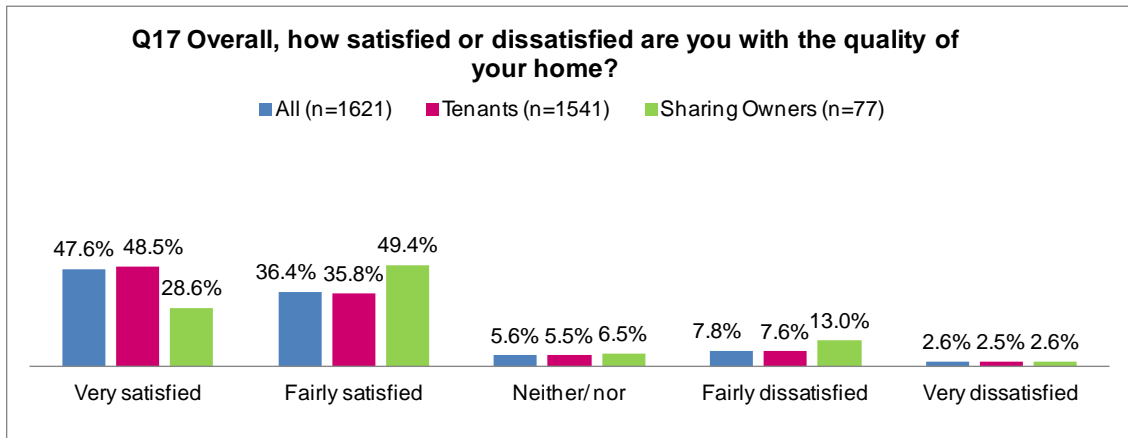
2.2. Evidence of resident views/opinions of needs and satisfaction with current property assets

2.2.1. We carry out a number of regular surveys of our tenants opinions including a face to face five yearly satisfaction survey independently managed, an annual postal survey and new build end of first year surveys; however, they are recorded separately from our database which makes it difficult to analyse from an asset perspective. To allow us to ascertain if our accommodation is meeting the needs of our current tenants, this information we will review whether we can record outcomes onto the database moving forward. This will help inform the development strategy of the requirements of our customers' needs and aspirations.

2.2.2. The last five yearly satisfaction survey conducted in 2013/14 was the first survey aligned with the Scottish Social Housing Charter indicators and was based on 1632 interviews representing a 69% response rate. The survey was recorded in a method that allowed results to be linked back to property age which has allowed greater review to be carried out than previously.

2.2.3. The survey included two specific questions regarding the Quality of the Home:

When considering the quality of the home, 84% of customers stated that they were satisfied compared to 10% who were dissatisfied. Sharing owners were less likely to be satisfied with 78% stating that they were satisfied compared to 16% stating they were dissatisfied.



Analysis by age of property indicates that satisfaction was lower for respondents who lived in pre-1919 properties (79%) and greatest for new build properties built post 2009 (89%).

Table 3: 2013 Tenant Census and Satisfaction Survey Q17 results

Q17 Overall, how satisfied or dissatisfied are you with the quality of your home?					
	Overall	pre-1919	1979 to 2003	2003 to 2009	Post 2009
	1603	357	811	182	253
Very satisfied	47%	41%	49%	48%	53%
Fairly satisfied	37%	38%	36%	37%	36%
Neither nor	6%	6%	6%	6%	4%
Fairly dissatisfied	8%	11%	7%	7%	6%
Very dissatisfied	3%	5%	2%	3%	1%
<i>% satisfied</i>	<i>84%</i>	<i>79%</i>	<i>85%</i>	<i>85%</i>	<i>89%</i>
<i>% dissatisfied</i>	<i>10%</i>	<i>15%</i>	<i>9%</i>	<i>9%</i>	<i>7%</i>

Those who were dissatisfied were asked to explain why. The most common responses given for dissatisfaction are noted below. As shown, the most common response for dissatisfaction was poor windows or doors, which was provided by 39 respondents who were dissatisfied.

Table 4: 2013 Tenant Census and Satisfaction Survey Q18 results

Q18 If you were dissatisfied can you explain why?						
	All, n=103		Tenants, n=92		Sharing owners, n=10	
	No.	%	No.	%	No.	%
Poor windows/doors	39	37.9%	36	39.1%	2	20.0%
Too many problems	15	14.6%	12	13.0%	3	30.0%
Dampness	12	11.7%	12	13.0%	-	-
Noise	12	11.7%	12	13.0%	-	-
Heating	11	10.7%	11	12.0%	-	-
General finish is poor	9	8.7%	7	7.6%	2	20.0%

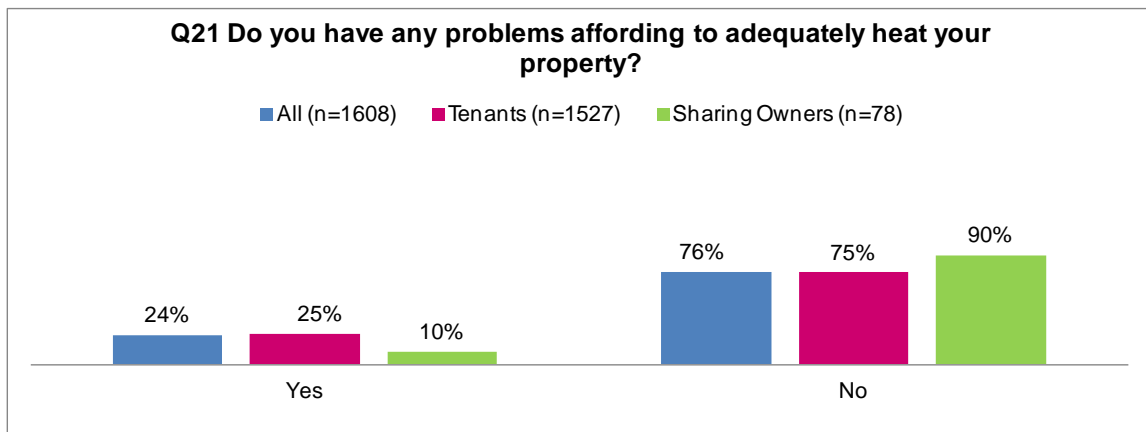
Problems not being resolved	6	5.8%	4	4.3%	2	20.0%
Other	11	10.7%	10	10.9%	1	10.0%

Again, analysis by age or property indicates there were some trends in relation to the reason for dissatisfaction with the quality of the home. The key findings of this analysis were (please note that base numbers are small so care should be taken when reading percentages):

- pre-1919 (n=35): most common reason for dissatisfaction was poor windows/ doors (50%) followed by dampness (14%).
- 1979 to 2003 (n=40): most common reason for dissatisfaction was poor windows/ doors which (38%) followed by heating (18%) and dampness (13%).
- 2003 to 2009 (n=13): the most common reason for dissatisfaction was poor windows/ doors (39%) followed by noise (23%), dampness (15%) and too many problems in general (15%).
- Post 2009 (n=13): the most common reason for dissatisfaction was too many problems (39%) followed by general finish is poor (23%), noise (15%) and problems not being resolved (15%).

2.2.4. Affordability of Heating

Around one in four customers (24%) stated that they have problems affording to adequately heat their property. This was significantly more likely to be the case for tenants (25%) compared to sharing owners (10%).



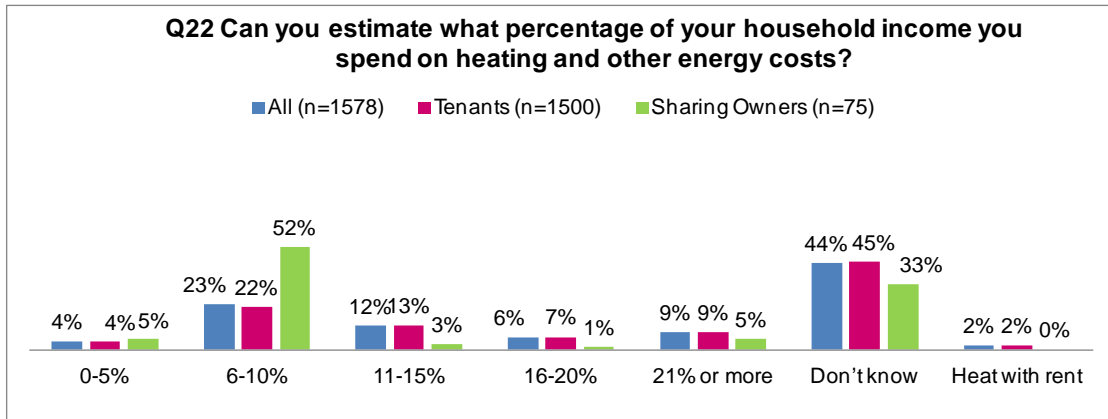
Analysis by age of property indicates that this is significantly more of a problem for respondents living in older properties, most significantly so for those living in pre-1919 properties where almost one in three respondents (32%) stated that they have problems affording to heat their home properly.

Table 5: 2013 Tenant Census and Satisfaction Survey Q21 results

Q21 Do you have any problems affording to adequately heat your property? By age of property				
	Overall	pre-1919	1979 to 2003	2003 to 2009
Base	358	803	180	249
Yes	32%	23%	27%	13%
No	68%	77%	73%	87%

When asked to estimate what percentage of their household income they spend on heating and other energy costs, almost one half of customers stated that they

did not know (44%). The greatest proportion (27%) stated that they spend less than 10% of their income. Almost one in ten (9%) spend 21% or more.



Tenants were more likely to spend a greater proportion of their income on heating and energy with 29% spending more than 10% of their income on heating compared to 9% of sharing owners.

Analysis by property type shows that those in older properties are more likely to spend a higher proportion of their income on heating with 29% of those in properties built pre-1919 spending more than 10% of their income on heating compared to 16% of those in properties build post 2009.

- 2.2.5. The changing age demographic of the population also raises questions as to how we are planning to meet the needs of an aging population. The Association has a number of specific properties which have either been purpose built, amenity or sheltered schemes. A large number, (in the order of 280 properties) have had adaptation works carried out to them over the past ten years. However, whilst uncertainty remains regarding funding of both adaptation works and supported accommodation, we will need to keep our response to this under annual review.
- 2.2.6. The requirement for the provision of wheelchair adapted properties has caused concern when letting new build properties where the number of suitable applicants has been low and the property still needs additional works to be carried out to tailor the property to the requirements of the first tenant. Particular consideration will be given to identifying potential tenants early on in the design process or ringfencing properties for let to particular support agencies on a leased basis.
- 2.2.7. Over the last five years the Association has obtained a very high amount of information regarding the environmental performance of its properties with 98% of social rented properties having either an Energy Performance Certificate lodged or cloned data available. This data has been used to confirm our EESSH performance and report progress to The Scottish Housing Regulator in the first EESSH return in May 2016.

EPC Band	No of EPCs	%
A		0%
B	687	28%
C	1,349	56%
D	290	12%

E	31	1%
F	8	0%
G	1	0%
Total	2,366	98%

2.2.8. We are currently carrying out research to ascertain the effectiveness of the different types of heating system and will carry out research into the impacts of fuel poverty on our customers and how the selection of components such as heating systems and insulation can be used to address some of the issues.

2.3. Evidence of wider neighbourhood standards and demand/need

2.3.1. The City Housing Strategy 2012 – 2017 is the Council's key strategic document for housing, setting out the outcomes sought covering all housing tenures, and incorporating homelessness, housing support and fuel poverty issues. This will shortly be realigned with the Scottish Government's target of delivering 50,000 affordable homes over the next ten years, 35,000 of them to be social rent with the remainder being largely mid market rent and some for low cost home ownership.

2.3.2. The second Housing Need and Demand Assessment SESplan published in March 2015 shows the housing need in Edinburgh remains high. The report identifies the need for between 38,000 and 46,000 new homes in Edinburgh over the next ten years. Recognising the significant need for a higher proportion of these homes to be affordable tenures, the City of Edinburgh Council has expanded its house building programme to 8,000 new homes.

2.3.3. In January 2016 six housing association representatives of the Edinburgh Affordable Housing Partnership, (Castle Rock Edinvar, Dunedin Canmore, Hillcrest, Home Group, the Link Group and Port of Leith) committed to matching the Council's plan with a further 8,000 low cost and affordable homes. Together this is a commitment of 16,000 homes and £2 billion of direct investment over the next 10 years in the city.

2.3.4. There is a continued focus on investment in the Waterfront development, supporting the renewal of Leith Walk and Leith Central as local centres. The ambition to develop the Waterfront as major mixed use extension to the city for people to live, work and play remains a priority for Granton, Newhaven / Western Harbour and Leith. Our work, while mainly focused to date on the provision of new affordable housing, has further scope to continue with this and also in support of the 'work' and 'play' aspects of the overall ambition.

2.3.5. The Association is seen as an active champion of Leith and North Edinburgh, maintaining good links with the local community but few which stretch widely beyond our own direct customers. Our current neighbours may one day be our tenants and we need to ensure that as we look to grow to meet the housing demand we are taking the wider community with us to meet their aspirations.

2.3.6. The Scottish House Condition Survey estimates that 24% of all households in Edinburgh were said to have at least one member who is long term sick or disabled (LTSD) in 2012-14, compared to the Scottish average of 36%. 55% of the households living in social housing were said to have a member who is LTSD, compared to 22% in owner occupied housing and 10% in private rented housing.

25% of households in Edinburgh are in fuel poverty, with 6% of these in extreme fuel poverty.

- 2.3.7. These figures highlight just how important the work carried out by the Association to develop new homes and maintain our existing stock to a high standard is and positive impacts we can have of the wider Edinburgh community.
- 2.3.8. This information whilst allowing the Association to develop its own business plans for the future will also add further credence to our position as advocate on behalf of the people of Leith and North Edinburgh.

3. Asset Records and Stock Condition

3.1. Asset register and stock condition (including non housing assets)

3.1.1. Asset records can be classified as information about our property portfolio which falls into two distinct areas:

Property Information ie the type, age, location and classification of a scheme (eg a general needs development built in 1995 on Pitt Street containing 24 one bedroom flats)

Component Information ie the type, age and condition of a particular fitting or feature within a property (eg one Worcester 30si combination boiler fitted in 2104 in a good condition), where a component is a feature or fitting which needs to be:

- Replaced eg kitchens
- Routinely maintained eg water pumps
- Inspected for a statutory requirement eg gas servicing
- Reported on eg SHQS compliance

3.1.2. A stock condition survey is the collecting of information regarding the structural composition and internal fit out of properties. This information can be drawn from a number of sources:

- Physical surveying of the property and an estimation of age and condition rating
- Refurbishment project records
- The repairs ordering system
- Scheme health and safety files

3.1.3. A stock condition survey will not be an exercise carried out every 10 years and left on a shelf; it will be an ongoing process to enhance the accuracy of the information held by the Association. The Stock Condition Surveying allows for a full external and internal survey by an independent organisation to evaluate and report on the condition and associated costs for replacement over a 30 year period. It includes a structural survey of all building envelopes, including where the Association has minority ownership to ensure that any joint liability is captured in full. Properties which are currently let on a leased basis are also included. The survey is designed to obtain statistically reliable information concerning repair and improvement costs including:

- Physical condition of the stock.
- Advice and recommendation on appropriate component lifecycle replacement assumptions.
- The extent and cost of backlog or "catch-up" repairs.
- Advice and identification of the areas of contingent risk of unforeseen or unplanned major repairs being required which may require additional specialist surveys.
- Provision of a position statement regarding compliance with SHQS and a programme for achieving compliance by 2015.

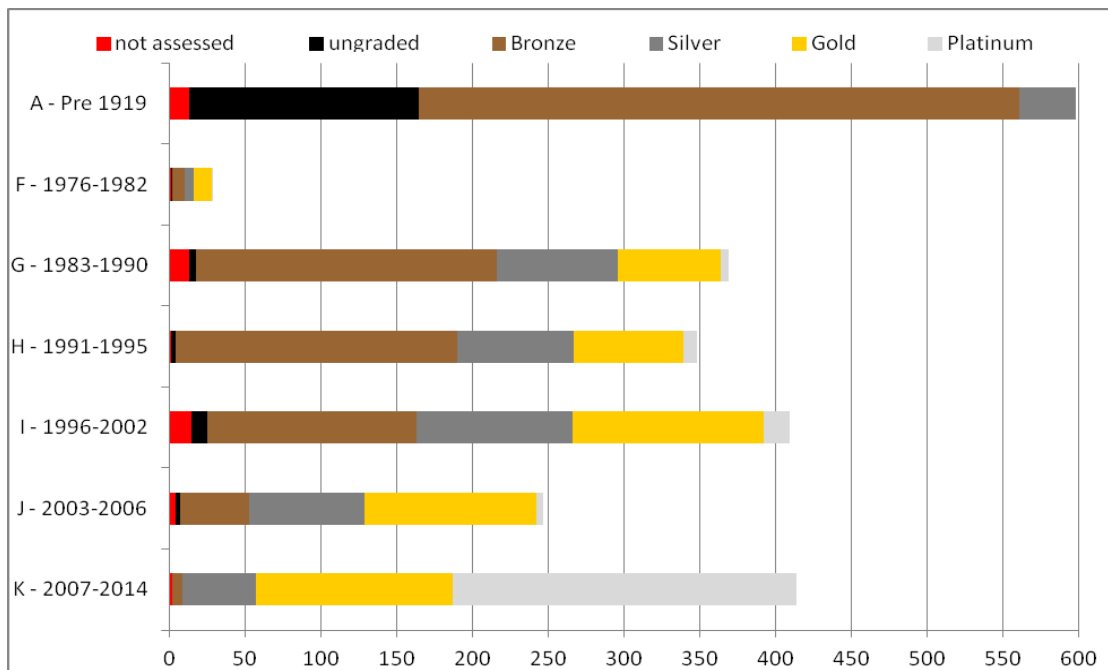
- Provision of accessible and reliable data for planning future repairs and improvements via the QL system.
- 3.1.4. To ensure that asset records are maintained and accurate, the QL system has links between the repairs ordering system, property attributes and the property components which will ensure that whenever specific item is replaced the basic details of the component record are automatically updated. Additional information is updated such as manufacturer's details; serial numbers etc are included for the new component. Although this will ensure that the actual replacement dates of components are updated, the property portfolio will still need to be periodically physically surveyed to ensure their condition in terms of wear and tear is recorded and its impact taken into consideration when generating replacement programmes.
- 3.1.5. During 2011/12/13 the Association undertook a large scale Stock Condition Survey capturing 100% of data for external and common areas and gaining access to 83% of tenants' homes and 100% of passenger lifts were surveyed. Following this in 2014 a specialist survey was conducted to all Mechanical and Electrical equipment in common areas. Additionally since 2011 all new build handover information and major repair project files has being used to populate component and property records within the Aareon QL business system. During 2016 a 100% survey has again been carried out on our passenger lifts by an independent specialist consultant and we are currently procuring a annual stock condition survey which will cover approximately 10% of properties per year. This information provides means to maintain, access, validate and model full information about the property portfolio to inform management and investment decisions.

3.2. PoLHA's Property Standards

- 3.2.1. During 2015/16 the Association researched, developed, consulted and launched the **PoLHA Standard**. The PoLHA Standard is a property assessment methodology designed to assist in reviewing the viability of its existing housing stock and ensuring properties continue to meet the aims set out in the Asset Management Policy. The assessment methodology has been developed to set the standard the Association wishes to achieve regarding the type, size and facilities it offers in its properties for social rent. The standard has been developed to include four areas for which all properties will be benchmarked:
- Scottish Housing Quality Standard (SHQS) requirements and beyond
 - Energy Efficiency Standard for Social Housing (EESH) requirements and beyond
 - Space standards
 - Facilities
- A further two areas have been developed based on specific property types:
- Housing Suitable For Adaptation (Houses, Duplex & Wheelchair Flats)
 - Pre-1919 properties (only)
- 3.2.2. Each area contains a number of specific elements against which a property is assessed. Our Lettings Standard has also been reviewed during the development of the PoLHA Home Standard but does not form a part of the property benchmark.

3.2.3. The results obtained in the initial desktop assessment of the housing stock undertaken in 2016 are displayed in the table below:

Table 6: PoLHA Home Standard Desktop Assessment - Building Regulation Year



3.2.4. Several elements within the standard can only be fully assessed by physical surveying of the properties. This additional information has been added to the requirements of the stock condition survey and will be recorded over the next five years. Information such as room size and appliance spaces within properties will then be reviewed to see if future remodelling of properties could be carried out to increase the performance of a property.

3.2.5. Additionally properties will be reassessed on an annual basis following completions of major repairs programmes which could increase performance in the SHQS and EESSH areas.

3.2.6. Since 2000 the Association has had a **PoLHA New Build Design Guide** which is used to assist consultants, developers, contractors and others in the design and construction processes in realising our customers' aspirations of quality housing at affordable price. The New Build Design Guide will continue to be a strategic document kept up to date in accordance with changes to building regulations and environmental performance requirements, whilst designing and building homes suitable for our customers' needs and aspirations. The design guide will continue to be formally reviewed on a three yearly basis or after substantial building regulation changes. However the live document will be maintained at management level to capture the latest changes required due to maintenance requirements or performance issues experienced with the property portfolio.

The Design Guide will achieve:

- Good and effective design which can demonstrate value for money.
- Enhancement of quality in the finished product.
- Make homes more energy efficient, by reducing CO2 emissions.
- Greater ability to provide tenant satisfaction.

- Control of the level of capital expenditure.
- Ease of maintenance and component replacement and enhanced building life.
- Encourage innovation and modern building technology.

3.2.7. The **PoLHA Equipment Specification** is currently an appendix to the design guide, and it is issued with routine and planned maintenance contracts as the preferred equipment specification. The document was first produced to accompany the SHQS refurbishment contracts in 2004 and significant effort was employed in the research and selection of the components as the Association's preferred technical product solutions.

3.2.8. The document is regularly updated following the release of new products, new technology methods and changes of manufacture. The Equipment Specification is also reviewed prior to inclusion in all large major repair and new build procurement by the Association's technical staff. Presentations from equipment manufacturers, trades people and discussion with other housing associations should be encouraged to ensure that the Association is kept abreast of the latest technical developments

3.3. Compliance against the Scottish Housing Quality Standard

3.3.1. The Scottish Housing Quality Standard (SHQS) was launched in 2004 with landlords required to meet the standard by 2015. When the Scottish Social Housing Charter was launched in 2013 the requirement to maintain properties to the SHQS standard was included as the standard measure of the quality of housing.

3.3.2. The Association is required to demonstrate that all its social rented housing stock meets the requirements of the Standard's five broad criteria in that they:

- Must be compliant with the current Tolerable Standard
- Must be Free from Serious Disrepair
- Must be Energy Efficient
- Must have Modern Facilities and Services
- Must be Healthy, Safe and Secure

These criteria are further broken down into 55 individual elements, the compliance of which must also be recorded.

3.3.3. Guidance was provided by the Scottish Government in March 2011 to add greater clarity, and considerably more technical detail, on what exactly the elements and sub-elements of SHQS are. This technical guidance supersedes the original (2004) guidance and is set out in a number of annexes:

- A: SHQS Technical Guidance for Social Landlords: Must be Compliant with the Tolerable Standard
- B: SHQS Technical Guidance for Social Landlords: Must be Free From Serious Disrepair
- C: SHQS Technical Guidance for Social Landlords: Must be Energy Efficient
- D: SHQS Technical Guidance for Social Landlords: Must have Modern Facilities and Services

- E: SHQS Technical Guidance for Social Landlords: Must be Healthy, Safe and Secure
- F: A Summary of the Five Broad Criteria and 55 Elements of the Scottish Housing Quality Standard
- G: A Guide to the Technical Guidance for Social Landlords on the Scottish Housing Quality Standard
- H: The Scottish Housing Quality Standard: A Guide for Tenants
- I: Guidance for Social Landlords on Scottish Housing Quality Standard Exemptions and Abeyances
- J: Policy Guidance: Policy guidance for social landlords on targeting and cost saving when implementing the Scottish Housing Quality Standard
- K: Statistical tables: SHQS element by element analysis (2009)
- L: Annex L: Scope of The SHQS Target For Social Landlords

3.3.4. The requirement of the Association to record on a property by property basis the compliance or not with the five Broad Criteria and 55 Elements is a particularly cumbersome one. However the classification of what meets and does not meet the standard has been clarified in Annex I: Guidance for Social Landlords on Scottish Housing Quality Standard Exemptions and Abeyances. Where landlords must consider which elements in which properties are:

- **Passing** – this arises when the element is in place or has been repaired to a good state of repair without technical or social problems getting in the way
- **Failing** – this arises when the element is not in place or hasn't been repaired to a good state of repair yet there are no technical or social reasons why it cannot be in place or repaired
- **Not applicable** – this arises where a certain element isn't present in a particular property and therefore SHQS does not apply in that case. It is important to be aware of the number of non-applicable elements because without a firm idea of which parts of the stock are not applicable to SHQS, the task of what needs to be done in terms of meeting SHQS cannot be easily defined.
- **Exempt** – this can arise when a property is capable of meeting SHQS on a particular element (unlike the 'not applicable' case) but the landlord believes it is not possible to meet it for technical, disproportionate cost or legal reasons.
- **In abeyance** – this can arise when work cannot be done for 'social' reasons relating to tenants' or owner-occupiers' behaviour (eg where owner occupiers in a mixed ownership block for common elements of SHQS such as roofs, hallways etc do not wish to pay for their share)

3.3.5. As of 31 March 2016, the Association has a current compliance rate of 96% with 13 properties being categorised as Exempt and 83 being in Abeyance. This compliance rate is likely to remain stable whilst we work with many private owners to carry out work to mutually owned properties and tenants to gain access to carry out internal refurbishment works.

3.4. Compliance against and progress towards the Energy Efficiency Standard for Social Housing 2020 (ESSH)

3.4.1. The Scottish Government published the ESSH in March 2014. The purpose of the standard is to encourage social landlords to improve the energy efficiency of

their properties. The intention is to improve energy ratings where required, to reduce fuel bills for tenants, reduce fuel poverty and contribute to the reduction of Scotland's carbon emissions.

- 3.4.2. The standard is a minimum Energy Performance Certificate (EPC) Energy Efficiency (EE) rating for all social housing stock. The minimum EPC (based on the Standard Assessment Procedure (SAP) 2012 ratings to pass EESSH vary, depending on the type of property, and the fuel type used to heat it:

Table 7: EESSH requirements by property and fuel type

Dwelling Type	EE Rating (SAP 2012)	
	Gas	Electric
Flats	69	63
Four-in-a-block	65	62
Houses (other than detached)	69	62
Detached	60	57

- 3.4.3. Properties which have received all applicable measures but have not been able to achieve the standard will be eligible to claim a temporary exemption (Technical, Legal, Excessive cost, Social reasons, Properties scheduled for disposal or from 2017 where a landlord is unable to secure funding); however the standard has been developed on the basis that RSLs will carry out all possible works to maximise the benefits to the tenant in the long term and increase efforts to eradicate fuel poverty. A technical review of the standard by Scottish Government is scheduled to take place in 2017 which will test progress towards achieving the 2020 milestone, and to assess the assumptions made regarding costs against actual practice and this will inform future decisions including standards required beyond 2020.

- 3.4.4. Since the standard was launched the implications have been reported to Board annually and the Association's first report to The Scottish Housing Regulator was prepared in May 2016. The current level of compliance as of 31 March 2016 was 86%.

Table 8: PoLHA EESSH performance as of 31 March 2016

	Gas	Electric	Other fuels	Total
Flats	1,717	272	0	1,989
Four-in-a-block	0	0	0	0
Houses (other than detached)	93	0	0	93
Detached houses	2	0	0	2
Total	1,812	272	0	2,084

At this time it is anticipated that 229 properties will require a temporary exemption for the following reasons:

Table 9: PoLHA EESSH temporary exemptions as of 31 March 2016

Reason	Number
Technical	12
Legal	172
Excessive cost	0
Social	0
Disposal	45
Other reason / unknown	0
Total	229

This leaves 111 properties which will require energy efficiency measures prior to 2020 to achieve the required standard of which 80 will require internal wall insulation.

- 3.4.5. Some of the properties which are currently categorised as not meeting the required energy performance may in fact reach the standard following a detailed review of the information recorded in the Energy Performance Certificate. Additionally some properties which currently meet the standard may also be recorded as underperforming due to incorrect data.
- 3.4.6. Detailed analysis has been carried out of the whole social rented housing stock. The post 1980s properties perform very well against the standard. The refurbishment works carried out to heating systems under the SHQS programme have ensured that not only do they meet SHQS Element 35 but they met EESSH 2020. Properties which have not yet received their 15 year heating upgrades perform well and already meet SHQS with 96% meeting EESSH and the remaining will do by 2020.
- 3.4.7. The pre-1919 properties however, tell a different story; after the current disposal programme only 57% of properties are predicted to meet EESSH.
- 3.4.8. During 2015 Hardies Property Surveyors carried out a detailed study and modelling for the 77 non EESSH compliant properties identified during EPC surveys they carried out in 2014. The recommendations for potential upgrade works to many properties included the replacement of single glazed windows with double glazing and the upgrade of heating systems and controls which are already part of our upgrade specifications and will be carried out at the next upgrade phase. However, it was clear that even with these works many properties are unlikely to meet EESSH after these measures have been carried out and the installation of internal wall, loft and floor insulation will be required to meet the standard.
- 3.4.9. As the Association has not previously carried out this type of upgrade work, trial projects were carried out in 2015 and 2016 installing internal wall insulation (IWI) to three unoccupied and three occupied properties. From evaluating the outcomes of these trials five out of the six properties met EESSH after the works; however it is only thought realistic for this level of works to be carried out whilst a property is vacant. This is due to small size of tenement flats, the level of disruption caused and time required when IWI is installed.
- 3.4.10. Working in unoccupied properties will also allow plasterwork/ceiling improvements, replacement of heating distribution systems and rewiring to be carried out at the same time. Although some of these items may be replaced slightly ahead of their component lifespan, it would be very difficult to carry these works out without a void/decant programme in place.

- 3.4.11. The Association may be able to receive grant funding for the additional EESSH measure required; however this is likely to be on an annual application basis and cannot be relied upon. The impact of component depreciation and void rent loss has been built into the costs of the EESSH programme and any EESSH funding sourced would go some way towards mitigating these additional costs.
- 3.4.12. It is possible to gain exemption from EESSH for properties which are listed buildings or located within a conservation zone. This currently applies to 149 pre-1919 properties; however as the principles behind EESSH are that properties should be brought up to the highest possible standards, these properties should be included within the internal wall insulation programme.
- 3.4.13. Over the first year of the Disposals Programme we have developed a successful methodology for approaching tenants and assisting them with relocation to a more suitable, modern, energy efficient property. This same methodology would be applied should the decant of tenants be required.
- 3.4.14. When taking into consideration the Association's Stock Rationalisation Policy and the regulatory requirements of maintaining properties to the SHQS and the requirements of EESSH by 2020, it is possible to segregate the pre-1919 stock into four groups.
- Group 1 – Commercial Properties (7):** No requirement to meet SHQS or EESSH. These properties will continue to be maintained in accordance with their lease terms.
- Group 2 – Majority Ownership (343):** Required to meet SHQS and EESSH (of which 138 -40% do not currently). Investment will be prioritised in the following order: Maintaining SHQS and replacing components in accordance with the lifecycles. Properties will receive structural repairs in accordance with their condition and placement into programme. Only they will receive internal wall insulation as they become void with those not meeting EESSH being prioritised. Of those remaining internal wall insulation will not be installed in top floor properties until they have received structural works.
- Group 3 – Minority Ownership (72):** Required to meet SHQS and EESSH (of which 43 -60% do not currently). Investment will be prioritised in the same way as Group 2.
- Group 4 – Identified for Disposal (T1-84+T2-91):** Tranche 1 are exempt from EESSH as they are approved for disposal, Tranche 2 (of which 31 - 34% do not currently meet EESSH) would require SHR approval. These properties will continue to be maintained to meet SHQS; however no large scale structural projects will be undertaken by the Association. We will continue to assist other owners and CEC if they are managing structural projects.
- 3.4.15. The investment profile has been created on the basis that internal wall insulation will be added to all (407) pre-1919 properties the Association is planning to retain long term ownership of. This will be carried out at the next phase of major internal refurbishment. The spend and time profile for these works is given in Appendix 3.

4. Investment Options and Expenditure

4.1. 30 year cost profile and priorities for next five year investment plan

- 4.1.1. All property items are maintained and replaced in accordance with their anticipated useful life. This information is contained within the component used with the QL component database which also contains the current replacement costs. Also detailed are the maintenance (service) cycles required for the ongoing maintenance during the lifecycle.
- 4.1.2. The Association's property investment and maintenance delivery activities are separated into three main areas: **Major Repairs** in line with the 30 year life cycle costings, **Planned Maintenance** which covers Cyclical Works and Statutory Responsibilities and **Reactive Maintenance** which are responsive repairs usually carried out at the resident's request. All areas of work go towards ensuring Association properties continue to meet the Scottish Housing Quality and progress towards the Energy Efficiency Standard for Social Housing 2020.
- 4.1.3. Major Repairs are carried out when property components have reached the end of their useful life and economic repair in line with their lifecycle value and physical condition. Their replacement has been included within the scheme's life original cycle costing. The word major can be misleading as the individual component may not be of a large value or physical size but the title refers to infrequency of replacement.
- 4.1.4. The delivery of the Major Repairs investment activity has been split into seven distinct areas:
- **External Works to pre-1919 Properties** ie Common stair internal works, roof coverings, chimneys, leadwork, elevation and stone repairs, rainwater goods, building curtilage including footpaths, boundary walls etc and external windows and doors.
 - **External Works to Newbuild Properties** ie Common stair internal works, roof coverings, leadwork, elevation and stone repairs, building curtilage including footpaths, boundary walls etc and external windows and doors.
 - **External Windows and Doors** including common area glazing and entrance areas.
 - **Internal Replacements** ie Kitchens, bathrooms, electrical systems, internal joinery, electrical and gas heating systems including renewables
 - **Passenger Lifts**
 - **Communal Mechanical and Electrical Items** ie fire detection and alarms, TV systems, warden call systems, door entry, stair lighting and adaptation equipment.
 - **Stock Surveying and Research** ie stock condition, asbestos surveying and energy monitoring.
- 4.1.5. The actual component valued used in the 30 year cost profile have been based on a number of sources:
- Current tender prices from PoLHA responsive and major repairs contracts.
 - Advice from F3 Building Surveyors, Keenan Consultancy and Movvéo Lift Consultants regarding current market costs.
 - Examination of new build tender pricing documentation.

- 4.1.6. All estimated levels of expenditure in the strategy are inclusive of the following additions: preliminaries, consultancy fees and contract administration, VAT at 20% and a contingency.

Table 10: Uplifts applied to actual component costs

pre-1919 Properties	Prelims	Fees	VAT	Contingency	Total
Common Stair Internal Works External Building Curtilage	1.1	1.12	1.2	1.15	1.70016
Elevation & Stone Repairs, Roof Coverings Chimneys, Leadwork and Rainwater goods	1.2	1.12	1.2	1.15	1.85472
Internal & Heating Replacements	1.05	1.12	1.2	1.1	1.55232
External Windows and Doors Passenger Lifts & Communal Mechanical & Electrical Items	1.1	1.12	1.2	1.1	1.62624
New Build Properties	Prelims	Fees	VAT	Contingency	Total
Internal & Heating Replacements	1.05	1.12	1.2	1.1	1.55232
All other works	1.1	1.12	1.2	1.1	1.62624

- 4.1.7. All values are only the Association's proportion of any works costs. The costs for factored and private owners have not been included in the headline figures but are given for information.
- 4.1.8. The expenditure allows for the upgrade of properties to meet the PoLHA Home Standard. These costs have been clearly identified within the seven areas.
- 4.1.9. Full details of the 30 year investment profile are given in Appendix 1. Unit costs have been calculated based on a total stock number of 2,434 and include eight properties currently in construction and will be handed over in early 2017/18.

4.2. External Works to pre-1919 Properties

- i) The stock condition survey in 2013 revealed that the condition of the pre-1919 properties has decreased at a greater rate than was predicted in the 2001 survey. Only nine of a potential 21 projects identified in the 2012 30 year profile have been undertaken successfully since creating a dedicated team in 2014. During this time we have discovered that projects are taking approximately 18 months to initially investigate and survey, gain owner agreement, tender and obtain funds to proceed to site start. Although we have obtained legal advice, developed good processes and communication methods there are still many difficulties in progressing works with private owners and enforcing the Tenement Scotland Act (2004). We continue to have a large number of properties which require urgent attention.
- ii) Properties approved for disposal in the next eight years will **not** be prioritised for projects taken forward by the Association; however we will continue to support and advise other owners wishing to manage works.

Costs attributed to PoLHA remain within the 30 year programme and will be removed at the time of sale.

- iii) A further group of 91 properties have been ringfenced for consideration under Tranche 2 of the disposal strategy and until approval for disposal is obtained these will continue to be considered for projects taken forward by the Association.
- iv) Of the remaining core stock approximately 80% of properties require major external works to be carried out over the next ten years, of which 48% relate to outstanding Statutory Notices, Catch-Up Repairs and Urgent Health & Safety related items requiring attention in the next three years. The cost estimates set out below summarise the expenditure requirements in five yearly bands over the next 30 years.

Table 11: Pre-1919 property external works indicative costs

Years	PoLHA Cost	Private Costs
1-5	£1,056,137	£700,673
6-10	£249,959	£230,184
11-15	£199,074	£2,161,715
16-20	£662,908	£435,576
21-25	£837,264	£728,306
26-30	£246,105	£2,658,212
Total	£3,251,445	£6,914,667

- v) The costs above detail both the Association's share of the project costs and that of the private owners. Projects will only proceed to site if the Association and co-owners are able to reach a majority agreement (>50%) allowing the Tenement Scotland powers to be invoked and the debt for non payers recovered. To achieve the anticipated spend the Association may have to incur court and administration costs to recover the debt.

4.3. External Works to Newbuild Properties

- i) Newbuild properties (ie properties built since 1979) are in relatively good condition externally and most works required over the next 30 years are scheduled in accordance with their original lifecycle calculations.

Table 12: External works indicative costs to Newbuild properties

Years	Total Cost
1-5	£656,088
6-10	£389,748
11-15	£644,203
16-20	£2,766,329
21-25	£749,652
26-30	£2,224,700
Total	£7,430,720

- ii) Minimal levels of catch up repairs are required within the first five years of the programme and most works can be carried out as part of the Cyclical Painterwork programme; however the programme will be revised in line with improvement work carried out to date.

4.4. Window Replacements

- i) The Association spent significant time and research developing a technical specification for replacement windows which was acceptable to the planning authority and meets their requirements for both listed buildings and properties within the Leith, Pilrig, Portobello and Colonies conservation areas. This resulted in not all of the works planned for delivery in the 2012-2017 window replacement programme being delivered and has resulted in carry over into this 30 year profile and five year plan.
- ii) These projects are however procured and will be delivered over the first two years of this plan.

Table 13: Window replacements indicative costs

Years	PoLHA
1-5	£3,340,818
6-10	£1,726,467
11-15	£1,295,185
16-20	£1,999,730
21-25	£963,920
26-30	£1,671,824
Total	£10,997,945

4.5. Internal Refurbishment and Heating Replacements

- i) The internal refurbishment and heating replacement programme is based on maintaining properties to ensure compliance with the Scottish Housing Quality Standard and the PoLHA Standard. The standard has not resulted in an increased level of investment for internal replacements.

Table 14: Internal and Heating replacements indicative costs

Years	Capital	Revenue	C%	R%	Total	Units
1-5	£2,568,104	£2,199,934	54%	46%	£4,768,038	501
6-10	£8,420,647	£11,969,103	41%	59%	£20,389,750	1004
11-15	£7,107,448	£4,657,088	60%	40%	£11,764,536	920
16-20	£4,178,022	£2,496,108	63%	37%	£6,674,130	509
21-25	£6,166,718	£3,800,082	62%	38%	£9,966,800	1004
26-30	£5,453,592	£3,712,284	59%	41%	£9,165,876	920
Total	£33,894,531	£28,834,600	54%	46%	£62,729,131	

- ii) The Association's heating systems continue to be in a very good condition. The continued installation of good quality, high efficiency combination boilers has led to increased life expectancy of the systems.

4.6. Passenger Lifts

- i) The Association now owns 54 passenger lifts which represent a significant asset value. Their lifecycles are based on a Partial Modernisation (Electronic Control Systems) at 15 years followed by a Full Replacement at 25 years. The costs are very much based on the size of the lift with modernisations per lift ranging from £16k to £88k and replacements from £65k to £155k. The number of lifts refurbished to date and an enhanced technical specification has resulted in a significant increase in the quality and life expectancy of the Association's passenger lifts.
- ii) We will continue to seek specialist technical advice to actively manage our portfolio.

Table 15: Passenger Lifts renewals indicative costs

Years	Total Cost	Lifts
1-5	£514,627	9
6-10	£551,407	8
11-15	£2,647,507	43
16-20	£536,147	7
21-25	£3,275,748	36
26-30	£357,260	7
Total	£7,882,697	

- iii) The level of investment required in Years 11-15 and also 21-25 is very significant; this is predominantly due to the number of handovers of new build properties in 2013 and the next phase of replacement of the older lifts refurbished in the same year.

4.7. Communal Mechanical and Electrical Items

- i) The current requirements of planning are resulting in increasing complexity of the mechanical and electrical systems installed in our properties. A specialist stock condition survey was undertaken in 2013 to allow the Association to understand the life expectancy and replacement profile of this rapidly growing equipment portfolio.
- ii) This 30 year profile includes a multitude of highly technical equipment such as warden call systems, door entry systems, TV and satellite systems, domestic and laundry appliances, CCTV systems, fire protection and detection equipment, roof anchors and access equipment, stair lifts, cold water booster pumps, Clos-O-Mat toilets lightning protection and common area electrical systems including stair lighting car park ventilation extract systems, hoists, jacuzzi baths and specialist bathing equipment and car park gates systems.

Table 16: Mechanical and Electrical renewals indicative costs

Years	Total Cost
1-5	£1,086,351
6-10	£1,073,074
11-15	£1,445,917
16-20	£792,040
21-25	£1,080,563
26-30	£1,523,241
Total	£7,001,187

4.8. Stock Condition Surveying

- i) An allowance of £50,000 per year has been made to continue the regular condition surveying of the housing stock. This may be used in the development of in-house skills or the employment of external consultants.
- ii) Specialist consultants will be employed in Years 1-5 to carry out detailed asbestos surveys to common areas within tenement properties as recently some sites have been found to contain asbestos containing material which had not been previously recorded.

4.9. 30 Year Summary

- 4.9.1. The overall cost of maintaining and improving the stock over the next 30 years is estimated to be £1,380 per unit per annum as set out in Appendix 1.
- 4.9.2. The investment required over Years 1-5 of the 30 Year Major Repairs Plan has been broken down into annual delivery plans. Many projects which are contained within this have been procured recently and cover a 3-5 year period giving a greater certainty of cost. These include:
 - Internal and heating refurbishments
 - Pre-1919 and Post 1980s window replacements
 - Passenger lift replacement

4.10. Financial Implications

- 4.10.1. The 30 year investment profile graph shown in Appendix 3 highlights the peaks and troughs within the 30 year profile. Due to some spikes in expenditure it will be necessary to reprofile works in future years. This will allow for smoother spend, procurement and contract management activity. Although it is possible to delay works it is unadvisable to bring forward the schedule of replacements to capital items as this works would require a component write off in the accounts.
- 4.10.2. The spend over the first five year period of 2017-2020 is reasonably level and consistent; however there is a significant jump in the level of investment required from 2022 onwards.

- 4.10.3. The peaks of investment required in 2028 and 2038 relate largely to the number of lifts requiring refurbishment or replacement. These works will be smoothed across the five year periods to balance the programme and create a manageable delivery programme.
- 4.10.4. The level of investment required across the profile and particularly in years 2032 to 2041 will significantly reduce as the Association disposes of properties. The investment costs in relation to the properties disposed of will be removed from the profile on an annual basis.
- 4.10.5. The detailed financial implications of delivering the Association's Asset Management Strategy will be considered within the review of the Business Plan currently being undertaken.

5. Summary and Conclusions

- 5.1. The Scottish Housing Regulator has placed a greater emphasis on self regulation via the Social Housing Charter. Significant time is required to ensure accurate property as well as tenancy records are created and maintained. We will continue to develop and enhance the QL core business system and update it to include reporting compliance levels of SHQS and EESSH and recording and reporting property performance against the PoLHA Standard.
- 5.2. The Association currently owns a lot of well maintained high quality housing stock in an area which is in constant high demand for social rents. Although we have good knowledge of our existing tenant base we need to work with our customers to shape the services of the future.
- 5.3. Greater resources will need to be dedicated to maintaining the external fabric of many buildings, and assisting our co-owners in doing so. The Statutory Notice system remains in a period of flux, therefore the Association will continue to work with other private owners and housing associations to develop a cost effective way in delivering repair and upgrade works. This may require increasing the staffing levels dedicated to the management of these projects and the high levels of consultation required with co-owners.
- 5.4. A number of properties have been identified where it may not be in the Association's best interest to retain ownership. Although they are lettable, the needs for the Association to maintain the external fabric of the buildings in the long term may be out of our control. This will cause issue in our ability to be able to meet the Energy Efficiency Standard for Social Housing 2020 and any subsequent higher levels required for 2050.
- 5.5. We will continue to progress the Association's Stock Rationalisation Strategy and seek approval for the second tranche of properties identified for potential disposal.
- 5.6. Our current level of SHQS compliance in relation to internal property elements is very high and we have plans in place to carry out works to properties which are currently in abeyance. However the compliance level of the external elements for our older properties will decline if projects cannot be taken forward with mutual owners. Time will continue to be dedicated to ensure levels of compliance are accurately record and abeyances reported.
- 5.7. The current level of £1,142 per unit per annum investment (£2.64m per annum) calculated within the previous Asset Management Strategy is now thought to be insufficient and a figure of £1,380 per unit per annum (£3.359m per annum) over the next 30 years to 2046 is now thought necessary. This is £41,410 per unit over 30 years. This represents an additional £6,931 of investment per property over the period. To meet the requirements of the SHQS and structural catch up repairs, the first five years band require an investment level of £959 per unit per annum (£2.334m per annum)
- 5.8. It should be noted that the levels of investment required over the 30 year period are based on a worst case scenario. The quantity of planned maintenance work which has been identified to be carried out within the

next five to seven years may need to be further refined in line with staffing resources, co-operation levels of private owners and current tender prices.

- 5.9. The level of information now recorded in the Brixx financial planning software is at a much greater detail than was previously used. This will allow greater understanding of the financial resources available for major repairs.

6. Risk Assessment and Review

6.1. Main property asset investment risks and mitigation

- 6.1.1. The Asset Management Delivery Plan and Planned Maintenance Delivery Programme schedule all activity required to maintain the fabric and interior of property in good condition. This must allow for replacing components which are at the end of their useful life, ensuring compliance in the first instance with the Scottish Housing Quality Standard (SHQS), protecting the fabric from disrepair by regular cyclical works and work towards meeting the Energy Efficiency Standard for Social Housing by 2020.
- 6.1.2. The Association is committed to maintaining the long term health of the organisation in terms of financial stability, management of resources and the quality of service provision. The Association recognises that risk is an inevitable part of our work. However we will seek to proactively identify, understand and manage risk to encourage a responsible and informed approach to risk. Effective risk management optimises the balance between risk and control.
- 6.1.3. The following headings will be used to classify types of risks:
- Strategic risk – those risks that impact on the achievement of long term strategic objectives and may include the following sub categories:
 - o Diversification
 - o Regulation
 - o Reputational
 - o Growth
 - o Demand
 - o Competition
 - o Financial
 - Change / project risk – those risks that impact on the delivery of a project
 - Operational risk – those risks that impact on the achievement of annual objectives and may include the following sub categories:
 - o Health and safety
 - o Business Continuity
- 6.1.4. The Asset Management Strategy is a mitigation control against the following operational risks:

Table 17: Extract from Risk Register

Issue / Hazard Causing Risk	Risk Description	Risk Consequences	Mitigating Controls
O207- Poor or out of date Asset Information	POLHA may fail to effectively manage and invest in its assets	Decline in quality of assets	• SHQS, EESSH & other legal requirements compliance
			• Asset Management Strategy and action plan monitoring
			• Stock Rationalisation Strategy and disposal programme
O211- Economic uncertainty in the market place	Contractor/supplier may become Insolvent	Delivery of projects or services would be disrupted	• Performance Bond
			• Contractor and supplier financial checks (incl 3 rd party)
			• Procurement Strategy
			• Review partners

Issue / Hazard Causing Risk	Risk Description	Risk Consequences	Mitigating Controls
O252- Private owners not contributing to common repairs and maintenance.	POLHA fails to manage stock in blocks of multi ownership	Common areas in poor repair resulting in difficulty to let, not achieving statutory standards and incurring additional costs.	<ul style="list-style-type: none"> • Asset management strategy • Stock rationalisation policy • Tenement Scotland Act • Establishment of dedicated team

6.1.5. The continuation of the Stock Condition Surveys along with the ongoing review of the Asset Management Strategy, the implementation of the Strategy Delivery Plan and the development of the Association's future business plan will put into place a number of projects which will mitigate and manage the risks which have been identified.

6.1.6. However, the Asset Management Strategy and the 30 year investment profile is itself a operational risk. This is mitigated by the inclusion of the 30 year profiles within the Association's Brixx financial planning system allowing the investment requirements to be scenario planned.

6.2. References

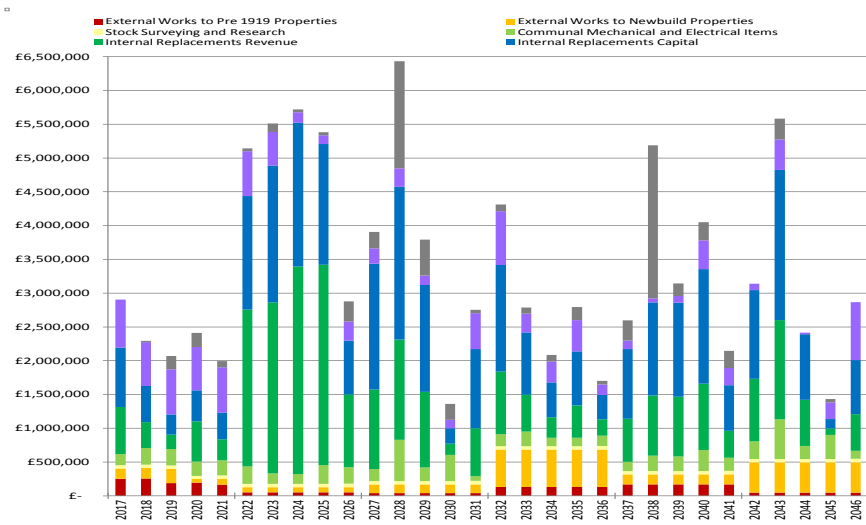
The Strategy has been informed by the following documents:

- The Housing (Scotland) Act 2001
- The Tenement of Scotland Act 2004
- Scottish Housing Quality Standard 2004
- The Disability Discrimination Act 2005
- The Charity and Trustees Investment Act (Scotland) 2005
- The Housing (Scotland) Act 2006
- The Equal Opportunities Act 2010
- The Property Factors (Scotland) Act 2011
- Health and Safety Legislation
- Regulation and inspection by the Care Commission
- Housing for Varying Needs Design Guide
- Sustainable Housing Design Guide

- PoLHA Asset Management Policy
- PoLHA Standard
- PoLHA Stock Rationalisation Strategy
- PoLHA - Strategic Plan 2015 – 2020 (Updated February 2016 – Year 2)
- PoLHA – Strengths, Weaknesses, Opportunities, and Strengths (SWOT) analysis – October 2015.
- PoLHA – Social, Technological, Economic/Environmental, Political (STEP) analysis – October 2015.
- PoLHA – Risk Register
- PoLHA F3 Stock Condition Survey - November 2011
- PoLHA Keenan Mechanical and Electrical Survey - October 2013
- PoLHA Movveo Passenger Lift Condition Survey - July 2016

- Scottish Housing Regulator: Strategic Asset Management Recommended Practice – August 2012
- Scottish Government, “Homes Fit for the 21st Century - The Scottish Government’s Strategy and Action Plan for housing in the next decade 2011-2020”, February 2011.
- Scottish Government “Achieving a Sustainable Future – Regeneration Strategy”, November 2011.
- Scottish Government “Age, Home and Community: Strategy for Housing Scotland’s Older People 2012-2021”, December 2011.
- City of Edinburgh Council, “City Housing Strategy 2012-2017”, Annual Review, June 2015.
- City of Edinburgh Council, “Strategic Housing Investment Plan 2015-2019”, November 2014.
- Scottish Housing Regulator, “Scottish Social Housing Charter, standards and outcomes”, April 2012.
- City of Edinburgh Council “Edinburgh Local Development Plan”, May 2015.
- City of Edinburgh Council, “Leith Economic Framework”, April 2015.
- Edinburgh Health and Social Care Partnership draft Strategic Plan 2016 - 2019
- Leith Neighbourhood Community Plan and Forth Neighbourhood Community Plan 2014-17.

Appendix 2 30 Year Investment Profile Graph



Appendix 3 pre-1919 timeline for EESSH

