



ASSET MANAGEMENT STRATEGY

2023-2025



Contents

Introduction	3
Context	4
Corporate Strategy and Supporting Plans	6
Strategic Direction	7
Ambitions	8
Approach	9
Risks	11
Resources	12
Priorities	13
Delivery and Governance	14

Introduction

As a national Registered Social Landlord (RSL), we own and manage 4,740 social rented homes, arranged in 223 developments, and spread across Scotland from Dumfries to Fort William in the west and from Jedburgh to Inverness in the east.

Our mission is to provide excellent services to meet the housing needs of Scotland's older people and to support our customers to live as independently as possible. In order to do this well, we must make the most of our property assets – our homes – managing these in a strategic and integrated way and informed by a thorough understanding of our customers' current and future needs and expectations. Our Asset Management Strategy will set out how we intend to achieve this.

In terms of new homes, our focus going forward will be on providing many more of the homes that provide customers with the right combination of care and support to keep them active, independent, and engaged in their communities. We have a clear growth strategy, but this will be balanced with the need to invest in our existing homes. Our Treasury Management Plan will be regularly reviewed to ensure we can manage both ambitions effectively.

This document has been produced, primarily, to take account of our new strategic direction as set out in our Strategy & Business Plan (2022-2027), as well as some important changes in our operating context, not least the Scottish Housing Regulator's advisory guidance Integrated Asset Management published February 2023.

The document is also intended to signal forthcoming changes to our whole approach to asset management. A substantial work programme is set out in our Service Plan and is already underway. It is designed to better align and integrate asset management throughout our organisation, be more strategic in our planning and investment programmes, strengthen our data, analysis, and reporting functions, and most importantly, ensure our decisions are informed by customer feedback and insight. This work will culminate in a new, even more comprehensive, and robust asset management strategy being published in 24 months' time.

For this reason, this Asset Management Strategy (2023-2025) has been produced as an **interim strategy**. It is deliberately short-term in its focus and sets out our approach for the next two years.

Context

We own and manage 4,740 properties, arranged in 223 developments of 5 different models of housing provision. The majority of our properties were constructed between 1970 and 2022. Most were built between 1980 and 1996, with fewer than 400 properties built in the last 10 years.

Year of build	Number of developments	
Before 1960s	2	1%
1970s	11	5%
1980s	88	39%
1990s	57	26%
2000s	43	19%
2010s	18	8%
2020s	4	2%

We retain full ownership of most properties within each development. We also have a small number of shared ownership properties and scatter flats.

Housing Models	Number	
Sheltered	2,676	56%
Amenity	924	20%
General needs	468	10%
Very sheltered	376	8%
Housing with care	296	6%

We offer a range of different design types. We have no high-rise or non-traditional build properties.

Design Types	Number	
Bedsit	119	3%
Flats	3818	80%
Cottage	503	11%
House	300	6%

Our properties are scattered across most of Scotland and are located in 23 local authority areas including Aberdeenshire, Moray, Highland, Glasgow, Renfrewshire, Scottish Borders and South Ayrshire. We have no homes in 9 local authority areas which include the 3 island authorities.

We also own **three offices, 57 garages** and provide a **factoring service to 30+ owner-occupied developments**. Whilst these properties and services do not form part of this interim Asset Management Strategy, the future management of these properties and services will have a bearing on our new, longer term Asset Management Strategy.

There will be challenges as well as opportunities to uncover and explore as we work to develop our new longer term Asset Management Strategy, whilst continuing to manage our homes over the next two years. Some of these will be driven by the following factors:



Corporate Strategy and Supporting Plans

It is vital that our Asset Management Strategy reflects and supports our business goals as set out in our Strategy & Business Plan (2022-2027). It is implicit in this plan that strategy, business and financial planning and asset management processes are closely linked.

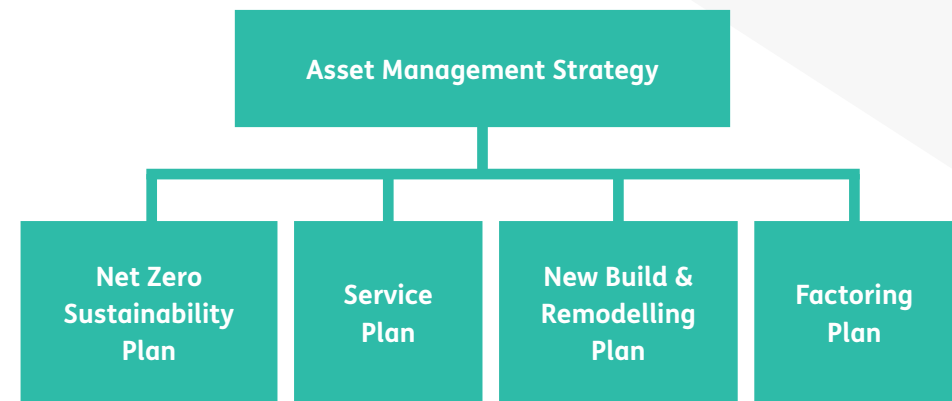
Our **5-year Corporate Vision** is described in five statements, each of which impacts directly or indirectly on our Asset Management Strategy. These statements reflect our ambition that by 2027:

- All our homes will be well-maintained, affordable, warm, safe and desirable
- We will have introduced a new customer service model
- We will have invested in new technology
- We will be recognised as a great employer
- We will have embedded sustainability in everything we do

Our three **Strategic Goals** drive our decisions and activities and represent what matters most to us. They are:



The Asset Management Strategy is one of 3 substrategies. It also supports a number of strategic plans that help to deliver our detailed objectives for the asset management service. These are set out in the diagram below.



Each plan sets out our objectives for these areas of our operations and provides a clear understanding of the integrated nature of these functions.

Modernising how we work, improving productivity and increasing customer satisfaction is a key theme throughout the plans. Adopting this approach will allow us to embrace new and improved ways of working, by shifting the focus to shift more fully onto developing our longer-term strategy for our assets.

Strategic Direction

A key element of our ongoing review and strengthening of our whole approach to asset management is to clarify the direction we wish to take and ensure this is integrated across Hanover. Here we mean not just the strategic direction, in terms of how we will invest in our homes and deliver our Strategy & Business Plan, but also at a more operational level, in terms of how we can improve our asset management service and customer experience.

Without pre-empting the findings of our fundamental review, we see our **long-term strategy** as one which:

- Builds on our expertise as a provider of housing and care for older people
- Creates desirable homes that are sector-leading in terms of sustainability are warm and comfortable to live in
- Sets clear standards designed to support independent living
- Modernises our homes and services to widen their appeal
- Supports our delivery across all three strategic goals – Happy Customers, Desirable Homes, and a Resilient Organisation
- Offers and honours clear commitments to our customers
- Provides value for money across all our contracts, including implementing our own reactive and void framework

We recognise that in order to commit to such an ambitious vision, some **important questions** need to be explored as part of preparing the longer-term strategy, for example:

- How do our customers define a “modern” and “desirable” home?
- How might these definitions change in the future?
- How can we widen the appeal of our homes to ensure people do not unnecessarily delay starting their tenancy?
- How do we want a fully integrated asset management approach to function and deliver across all three Strategic Goals?
- Where should we focus our investment decisions, e.g. at a component, home or whole development level?
- What do we need to do so that we can be completely confident about our ability to deliver on our commitments?
- What are our plans for building new homes?

Ambitions

Whilst we continue to work on our longer-term strategic direction, we have set out our ambitions for the next two years.

By 2025, we will have achieved the following:

- 1 Our asset management service will be strategic and proactive and a greater level of integration achieved
- 2 Our Asset Management Strategy will be aligned to our new customer service model (currently under development) and reflect our customers' needs
- 3 Our Asset Management Strategy and investment plans will have been informed by up-to-date property data, customer insight and feedback
- 4 Our planned maintenance programme will be comprehensive, robust and well-managed
- 5 The performance of our developments will have been assessed using a comprehensive scoring matrix that will include the analysis of several elements, including physical attributes, financial performance, asset management needs, area demographics, sustainability/net zero and specialist competition
- 6 The Hanover Standard will be updated and clearly understood and our offer to current and future customers will be clear and attractive
- 7 A robust resourcing plan will be in place (including finance, skills, capacity, systems, structure)
- 8 Created our own reactive and void framework, ensuring we provide value for money across all our properties

Approach

We endorse the definition of asset management used by the Scottish Housing Regulator in its latest guidance (Feb 2023), which is:

“an integrated approach to ensure that assets – tenants’ homes – are sustainable and remain fit for purpose in the short, medium and long term.”

The Regulator goes on to define an asset that is **fit for purpose** as one that is:

- Managed efficiently and generating demand
- In good condition with a costed, affordable maintenance programme
- Making a positive contribution to the landlord’s business plan
- Delivering value and amenity

Drawing from the Scottish Housing Regulator’s guidance, the **core principles** of our new approach to asset management will be:

- Our Board leads our strategic response to asset management and is assured that our assets are managed effectively
- We have a comprehensive understanding of our assets
- We have a clear approach to understanding the value of our assets
- We understand the outcomes from our asset management approach and use these to inform investment decisions
- We use these asset management outcomes to inform our Asset Management Strategy

For us, a **fully integrated** asset management approach, is one which is understood and owned by all employees, is embedded seamlessly into our service delivery model, is aligned to all three of our strategic goals, and is informed by and welcomed by current and future customers.

We will also consider how partnership working, particularly with other housing associations in our sector, will benefit the organisation. This includes exploring partnerships with other institutions such as universities to ensure we attract funding to try new technologies.

Approach

A key element of our approach is embedding our new longer-term Asset Management Strategy across our organisation's four business functions – Asset Management, Customer Services, Strategic Finance and Business Support & Transformation. The diagram below illustrates how each function underpins the successful delivery of the strategy.



Ultimately, our approach will be designed to ensure all assets, their location, type and condition are what our customers need now and into the future, that they are also viable and affordable, and result in **Happy Customers, Desirable Homes** and a **Resilient Organisation**.

In preparing to launch the next longer-term integrated Asset Management Strategy, we intend to take a phased approach where these next two years will very much focus on the first three phases mirrored in our Corporate Strategy.



Risks

We have recently strengthened our approach to risk management, business planning, resource planning, performance management and assurance reporting. We have set clear operational objectives for each element of the function within a Service Plan. All of this will allow us to integrate and test the requirements, implications, and impact of the new longer term Asset Management Strategy more easily.

We take a proportionate approach to risk and classify our risks as strategic or operational. Currently, we have identified 9 strategic risks which cut across our whole business including our asset management service. They include, for example, failure to invest in our homes, failure to align our current model and services to the future aspirations of our customers, and failure to plan effectively for net zero. We have identified many more operational risks which include, for example, tenant and resident safety, performance failures, employee absences and health and safety.

We have a clear approach to managing risk and responding to the current unpredictable environment that we work in.

Inevitably, there will be unforeseeable and unavoidable events which may occur due to external factors outwith our control. These could include for example, further rises in the cost of building materials, extreme weather conditions due to climate change, or the collapse of a building contractor. To minimise the impact of these unforeseen risks, we have business continuity plans in place and use our networks to remain alert to changes in our operating environment.

Over these next two years, we will keep the implementation of this interim Asset Management Strategy and associated service plan under constant review, ensuring we remain agile and act early.

The strategy from 2025 onwards will build on these early phases by:

HARNESS

Launch our new strategy and realise the full potential of our homes, our employees and our integrated data management systems

ADVANCE

Demonstrate our impact and embed our innovative approaches to deliver desirable, affordable, sustainable energy-efficient homes

Resources

As we begin to develop our new longer term Asset Management Strategy, we will fully test the financial implications of our proposals to ensure they are affordable and offer value for money to our customers. By investing smartly, and with a new robust approach to assessing each business case, we will strengthen our investment decisions.

Our Asset Management Strategy will be funded from a range of sources and full details are set out in our Business Plan 2023-24. For example, our planned and cyclical maintenance programmes will be funded through our rental income, while improvement works will be funded through a combination of capital expenditure and grant income, where applicable. Around half of our assets are unsecured, and these could be used to secure additional finance to fund the cost of building new homes.

Our current Business Plan 2023-24, containing our 30-Year Projections and our 5-Year Projections, clearly set out our investment levels and assumptions in terms of delivery of our current ambition. The key messages in our Business Plan are set out in the table.

Day-to-day maintenance	Budgeted at an average of £4.17m per annum, including inflation over the period. There has been a significant increase in day-to-day maintenance costs in recent years. A new contractor's framework will be launched in 2023 which focuses on aggregating procurement activities to achieve efficiencies in day-to-day maintenance costs in our Northern areas of operations.
Cyclical and revenue planned expenditure	Estimated to average at £4.24m per annum, including inflation at CPI through the plan period. 2023/24 will see investment in new software to ensure we have a digital solution to support delivery of customer safety compliance.
Capital Investment	For 2023/24 £4.18m of capital investment has been provided for, with the average within the plan of £5.7m per annum. Other capital investment provided for in 2023/24 will include investment in digital technology of approximately £946k to support the implementation of our Digital Plan, which was approved by the Board in January and was launched in June 2023. This will include investment of almost £2.5m over the next five years and will include the replacement of our core applications.
Void Rent Loss	For current properties we have assumed 3.0% for 2023/24 reflecting the ongoing impact of Covid-19 and increasing service charge costs. For subsequent years, 2.5% has been included in the plan and there is a working group currently reviewing some of the developments that prove more challenging to let.
Interest rates	Rates have continued to increase in the past twelve months but with most of the loan portfolio fixed, Hanover's exposure is limited. This is provided for at 5% to the end of 2023/24 and then 3% over the term of the plan. A new treasury management framework will be introduced in 2023/24 which is aligned to the SFHA's recommended practice guidance.

Priorities

In order to deliver on our ambitions by 2025, we will focus on delivering these 14 priorities over the next two years:

DISCOVER

We will develop the **route map** to agreeing a new, longer-term Asset Management Strategy which takes into account recent guidance and good practice and builds on our own experience and learning. But which will also strengthen our plans to achieving net zero.

We will undertake further **research** to improve our understanding of how our customers and key partners define “modern” and “desirable” homes and what our future customers are likely to need, expect and be willing to pay for.

We will strengthen how we collect, manage, analyse and apply **data and information** (including stock condition surveys) to inform and improve our Asset Management Strategy and service performance.

We will introduce a new comprehensive **property scoring matrix** that will include the analysis of a range elements to allow an integrated new investment plan to be developed.

ENGAGE

We will strengthen our **communications** including how we engage with our current customers and market our ‘lifestyle’ offer to attract new customers.

We will extend our current **performance management** framework to allow our Board to evaluate the effectiveness of our new Asset Management Strategy and Service Plan.

STRENGTHEN

We will implement an Asset Management **Service Plan** designed to improve customer safety and satisfaction, as well as our own skills and efficiency.

We will design and apply a new **scoring system** which allows us to assess how each development performs against a comprehensive set of indicators and we will also explore the options for any developments which perform poorly (e.g. scattered individual properties).

We will review and update all our **property standards** to align with the new Hanover Standard (e.g. our lettable standard and design guide).

We will begin to implement our new **Net Zero Sustainability Plan**, and in particular exploring a Fabric First approach and innovative zero or low emission heating options.

We will continue to **digitise** our operating model, scoping a new and integrated housing and asset management system and completing our analogue to digital programme.

We will strengthen how we manage our **planned maintenance programmes**, including moving to and realising the benefits of moving to 3-year contracts.

We will review **our structure** to ensure we have the required management capability and capacity to successfully deliver these priorities.

We will ensure all our contracts provide **value for money**, this will include the creation of a reactive and void framework. This framework will allow all our customers to receive the same standard of service.

Delivery and Governance

The delivery of this interim Asset Management Strategy and Action Plan is the responsibility of Director of Asset Management with support from the full Leadership Team.

The senior team within Asset Management will be responsible for tracking progress of the Priority Actions and reporting to the Executive Team and the Board. Whilst it is the responsibility of the Assets Team to drive this forward, an integrated approach will be taken to ensure all Directorates are involved in delivering the goals set out in the table. A detailed Action Plan setting out these goals has been developed and will be used to track progress in greater detail.

Goal	Priority Actions
Our asset management service will be strategic and proactive	<ul style="list-style-type: none">• Implement an Asset Management Service Plan• Develop a new Asset Management Strategy• Begin to implement our new Sustainability Plan
Our Asset Management Strategy will be aligned to our new Customer Service Model	<ul style="list-style-type: none">• Continue to digitise our operating model• Complete our analogue to digital programme
Our Asset Management Strategy and investment plans will be informed by up-to-date property data and customer insight and feedback	<ul style="list-style-type: none">• Strengthen our data management processes• Scope a new and integrated housing and asset management system• Commission further research to understand future needs• Commission research to help define modern and desirable homes
Our planned maintenance programme will be comprehensive, robust and well-managed	<ul style="list-style-type: none">• Improve the management of our planned maintenance programmes• Explore the benefits of moving to 3-year contracts• Strengthen our internal and external communications

Goal	Priority Actions
The performance of our developments will be scored using a comprehensive scoring system	<ul style="list-style-type: none"> • Design a new scoring system • Design an option appraisal process
The Hanover Standard will be clearly understood and our offer to current and future customers will be clear and attractive	<ul style="list-style-type: none"> • Confirm the Hanover Standard • Review and update all our property standards • Define our 'lifestyle' offer to attract new customers
A resourcing plan will be in place (including finance, skills, capacity, systems, etc)	<ul style="list-style-type: none"> • Review our structure • Extend our current performance management framework

Assessing the impact of the Asset Management Strategy will be overseen by our Board. Our Board will have a clear focus on:

- How well the Asset Management Strategy helps us to deliver our corporate Strategy and Business Plan
- How well the Asset Management Strategy helps us to deliver the Scottish Housing Charter (2022) outcomes
- How well the Asset Management Strategy

helps us to deliver the Regulatory Standards of Governance and Financial Management

- How well the Asset Management Strategy helps us maintain full compliance with all relevant legislation and standards
- How the Asset Management Strategy impacts on our 30-year Financial Plan
- Any business case for disposing of properties
- Any business case for remodelling existing properties
- Any business case for building new homes



ONLINE

www.hanover.scot

PHONE

0800 111 4646

EMAIL

hello@hanover.scot

[facebook.com/hanoverscotland](https://www.facebook.com/hanoverscotland) [@hanoverscotland](https://twitter.com/hanoverscotland)

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