



**Scottish Housing
Regulator**

Advisory Guidance

Integrated Asset Management

February 2023

Recommended Practice

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1 Foreword

This recommended practice is advisory guidance and aims to support social landlords to review and develop their approach to integrated asset management, so that assets – tenants' homes – are sustainable and remain fit for purpose in the short, medium and long term. In this way landlords will protect the interests of current and future tenants and develop an integrated approach to asset management within the organisation.

This recommended practice is the latest version of advisory guidance on asset management originally published in 2012. It is principles-based, and we commissioned Arneil Johnston Ltd to produce an illustration of how these principles can be put into practice. They hosted two workshops with a group of Registered Social Landlords (RSLs) and local authorities to validate the recommended practice principles and to review current asset management issues and priorities to help inform the contents of this guide.

It is for each landlord to decide its approach to asset management. As this recommended practice is advisory guidance, landlords are not required to follow it, but they should consider applying its recommendations whether in full, in part or not at all. It refers to existing statutory and regulatory requirements and does not introduce any new duties for social landlords.

I would like to thank the landlords who participated in the workshops for their valuable contributions, and also Arneil Johnston for producing this practitioner's view of how to achieve an effective approach to integrated asset management.

Helen Shaw
Director of Regulation
Scottish Housing Regulator

2 Introduction

This recommended practice is intended primarily for decision makers in RSLs and local authority housing services. However, integrated asset management is most successful when a ‘whole organisation’ approach is applied as RSL governing bodies and local authority committees can then be assured that they have a robust process for managing their assets and get the information they need to make decisions and set the strategic direction for investment strategies.

An integrated approach to asset management focuses on every aspect of asset performance to establish if continued investment is sustainable.

If an asset is fit for purpose, it should be:

- 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.

To support social landlords to pursue and achieve an integrated approach to asset management, and to ensure their assets continue to meet the needs of tenants and residents, this recommended practice guide is based around five practical principles:

- Principle 1: Governing bodies and committees lead the strategic response to asset management and should be assured that assets are managed effectively
- Principle 2: Social landlords should have a comprehensive understanding of their assets
- Principle 3: Social landlords should develop an approach to understanding the value of their assets
- Principle 4: Integrated asset management outcomes should be understood and used as evidence to inform future investment decisions
- Principle 5: Social landlords should use the integrated asset management outcomes to inform their asset management strategies

We recognise the diverse range of organisations and operating contexts that exist across the Scottish social housing sector; therefore this framework of principles is not a prescriptive blueprint for integrated asset management.

As effective asset management should be seen as an integral part of business planning, it is recommended that this practice guide is read in conjunction with our [Recommended Practice on Business Planning](#).

The principles underpinning integrated asset management align strongly with the [Regulatory Standards of Governance and Financial Management](#), as shown below:

Regulatory standard	Principle 1 (assurance and strategic response)	Principle 2 (understand assets)	Principle 3 (valuing assets)	Principle 4 (understand and use outcomes)	Principle 5 (inform strategies)
Standard 1: The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users	✓			✓	✓
Standard 2: The RSL is open about and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities	✓	✓	✓	✓	✓
Standard 3: The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay	✓	✓	✓	✓	✓

Recommended Practice on Integrated Asset Management

Standard 4: The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose	✓	✓	✓	✓	✓
Standard 5: The RSL conducts its affairs with honesty and integrity	✓				
Standard 6: The governing body and senior officers have the skills and knowledge they need to be effective	✓	✓	✓	✓	✓
Standard 7: The RSL ensures that any organisational changes or disposals it makes safeguard the interests of, and benefit, current and future tenants	✓	✓	✓	✓	✓

An effective approach to integrated asset management should therefore enable social landlords to:

- place tenants and service users at the heart of assessing asset performance and value
- ensure that assets are fit for purpose with targeted interventions to maximise performance
- ensure that continued investment in assets provides value for money and is fundable
- make informed decisions on investment plans based on intelligence of asset performance
- use evidence to produce transparent options for investing in assets
- achieve a 'whole organisation' approach to asset management ensuring that the insight and opinions of all parts of the landlord's operations influence asset management strategy
- enable the long-term impact of asset investment and disinvestment scenarios to be tested and understood from a business and tenant and resident perspective.

It will also support social landlords' approach to keeping tenants and residents safe. **Social landlords must ensure they meet all duties on tenant and resident safety and that they obtain appropriate assurance about their compliance with all relevant safety requirements.**

3 Achieving a resilient approach to asset management

Social landlords in Scotland operate in a rapidly changing socio-economic, fiscal, legislative and policy environment, which shapes both asset management challenges and opportunities.

It is therefore essential that social landlords regularly assess and fully understand the risks arising from the external operating environment. This will allow them to update, refine and future proof asset management frameworks, whilst integrating the outcomes in their business plans and wider risk management processes.

An example of this horizon scanning approach is set out below. Whilst this analysis is a snapshot in time, it offers an insight on the external and emerging risks to social landlords' asset management strategies during a particularly challenging period.

Policy and strategy changes: Risk resilience measures



1

Policy & strategy drivers

- Housing to 2040
- Heat in Buildings Strategy
- Affordable Housing Investment Benchmarks

Strategic option appraisal of capital investment opportunities and the obligations associated with evolving national housing targets and policies is central to an effective approach to integrated asset management. It is also crucial in assessing the fundability of landlord business plans and corporate strategies. Cost benefit analysis of investment in existing stock balanced with the financial impact of new build investment will enable social landlords to make best use of emerging grant funding opportunities.

Changes to building standards: Risk resilience measures




2

Changes to building standards

- Building regulations
- Tolerable Standards
- Fire Safety Guidance
- Tenement Condition

Landlords should keep up to date with ongoing changes to health and safety or property standards by engaging with published information from the SHR, Health & Safety Executive (HSE) and Scottish Government. Ultimately, any integrated asset management strategy must ensure compliance with tenant and resident safety standards, such as those relating to fire safety. Landlords should fully cost and prioritise investment implications for ensuring compliance with updated standards within asset management investment programmes.

Energy efficiency and climate change targets: Risk resilience measures



3

New targets for energy efficiency & climate change

- Fabric first
- Net zero
- Climate change adaptation

Ongoing financial sensitivity analysis of changes to energy efficiency and carbon reduction standards, aligned to better insight on the cost implications should be a priority for social landlords across Scotland.

Landlords should carefully review asset management programmes to incorporate the costs arising from energy efficiency and net zero targets to test impacts on business plan viability. ¹

¹ The Scottish Government launched a review of EESSH2 in 2022. Interim guidance for social landlords has been published during the review, which is expected to be completed during 2023.

Economic & inflationary impacts: Risk resilience measures

4



Economic & inflationary impacts: Covid 19/Brexit

- Inflation rate volatility
- Interest rate uncertainty
- New financial products

Ongoing sensitivity analysis of interest rate/inflationary scenarios on the deliverability and affordability of asset investment plans is important in making informed asset management decisions. Alongside maintaining compliance with statutory property and health & safety standards, the impact of inflationary and interest rate cost pressures on the replanning and reprioritisation of asset investment programmes could be tested to support the fundability of 30-year financial business plans.

Construction industry impacts: Risk resilience measures

5



Construction industry impacts: Covid 19/Brexit

- Supply chain stress
- Construction inflation
- Skills shortage

Alignment between treasury management and asset investment programmes is central to managing the risks associated with programme disruption, as well as balancing decisions on investment prioritisation. Strengthening procurement frameworks and arrangements to offer contractor certainty within a competitive procurement environment, could also be considered by landlords as a risk mitigation action.

External operating environment impacts: Risk resilience measures

6



Sector and customer impacts: Covid 19/Brexit

- Voids and allocations
- Repairs and maintenance
- Capital investment

It is recommended that social landlords test the financial impact of reprofiling asset investment programmes to address repairs backlogs, maintenance and improvement works which may arise as a result of disruptions within the external operating environment. Social landlords should also consider whether improvement in stock insights (such as accurate stock condition information) and data management systems may be required to monitor the long-term impact of backlog investment.

4 Principle 1: Governing bodies and committees lead the strategic response to asset management and should be assured that assets are managed effectively

An integrated approach to asset management is core business for the governing bodies of RSLs and local authority committees responsible for housing. As an asset-based organisation, the governance of assets is vitally important to ensure that current and future tenants and residents are safe and their interests are protected, asset value is maximised, future income streams are protected, and investment plans offer best value. Ultimately the governing body/committee should have assurance that all assets are fit for purpose both now and in the future and that continued investment is sustainable.

Senior managers should support governing body and elected members to ensure they understand their responsibilities and have the necessary information to enable them to perform their role from both a scrutiny and assurance perspective.

4.1 Agreeing the strategic direction

When directing the corporate strategy for the organisation, governing bodies and committees will approve strategic priorities to guide the partnership, activity or investment of the organisation. These priorities could include ambitions for new build housing, meeting national targets, achieving/improving compliance, regenerating neighbourhoods, as well as investment and disinvestment priorities. These strategic priorities offer direction to integrated asset management processes, guiding the definition of asset management choices or improvement options.

4.2 Understanding customers

Landlords will generally be routinely gathering and maintaining basic information on current tenants and service users and their levels of satisfaction. Measures such as housing turnover, refusals, waiting list demand and tenant satisfaction (on home, neighbourhood and asset quality), are all indicators that are readily available and can be used by the governing body/committee to gain a customer perspective on asset value and performance.

Governing bodies and committees may wish to have customer feedback segmented into property types and localities so that insight is aligned to groups of assets, enabling consistent and targeted performance benchmarking. In addition to standard customer measures, the governing body/committee may also seek assurance via tenant consultation and other research processes to identify issues that should inform asset management practices and/or investment priorities.

Landlords should be alert to whether customer feedback is representative of their entire tenant base, asking for example, whether the views of younger tenants or underrepresented groups are being captured. Governing bodies and committees should seek assurance that customer feedback features in the assessment of asset performance and the selection of key indicators. They may also wish to capture the views, needs and aspirations of future tenants (for example, waiting list applicants) on the appeal and amenity offered by existing homes.

4.3 Balancing investment and rent affordability priorities

Outcome 14 of the Scottish Social Housing Charter states that social landlords should “*set rents and service charges in consultation with their tenants and other customers so that a balance is*

struck between the level of services provided, the cost of the services, and how far current and prospective tenants and service users can afford them”.

Landlords should consider this Charter outcome when making decisions about investment plans for new and existing stock. Tenants’ views could be sought on investment priorities, component replacement standards and lifecycle replacement periods. This could result in more meaningful options being offered as part of annual rent consultation processes, including for example, alternative investment scenarios under consideration and their impact on rents. If pursuing this approach, governing bodies and committees should also assess the impact of proposed investment scenarios on rent affordability outcomes associated with proposed rent options.

4.4 Understanding asset performance

In order to base decisions on credible information and advice, governing bodies and committees should seek assurance that the evidence and insight used to assess performance has been validated and quality assured. In doing so, they could question whether the organisation has appropriate systems in place to holistically assess asset performance based on up to date, comprehensive and reliable information. They should assure themselves that they understand the assets that make a positive financial contribution to the business plan and corporate strategy of the organisation, and which do not.

4.5 Understanding the risks

Governing bodies and committees should have a clear understanding of the full range of risks that apply to their asset base, including those in the tenant and resident safety risk management elements detailed in section 5.1.2 of this recommended practice guide. They should seek assurance of the mitigating actions in place to ensure safety is maintained and assess the effectiveness and accuracy of the control measures implemented. Whilst risks will vary according to the operating context and specific asset profile of each landlord, this is a crucial area for ongoing scrutiny and assurance.

To achieve this, corporate risk maps or registers should reflect the highest tariff asset related risks so that governing body/committee members can routinely review changes to likelihood, impact and mitigating actions. Governing bodies and committees may also seek assurance from external support to validate/scrutinise asset risks and mitigation actions, particularly in highly technical or high-risk areas.

Managing asset-based risks will inevitably have financial implications. Governing bodies and committees should be assured that there is provision in budgets to deliver mitigation actions so that tenants and assets are protected.

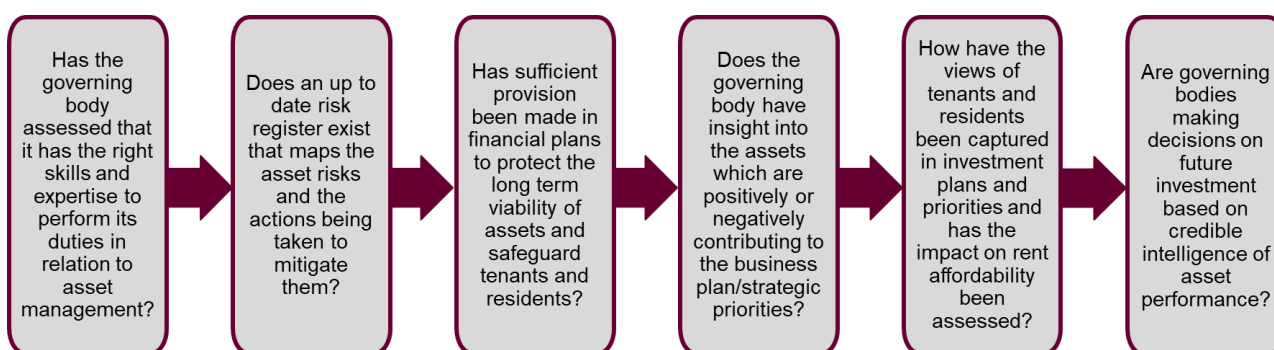
4.6 Assessing skills and expertise

Governing bodies and committees should satisfy themselves that they collectively have the necessary skills and expertise for their asset management responsibilities and take action if gaps arise. The annual appraisal process for RSL governing body members should be used to test the level of skills and expertise of the governing body have in asset management, so that training plans can be developed. The annual review process should also enable the governing body to reflect on whether there is adequate collective knowledge and expertise to offer challenge and support to senior officers on asset management practice, or if external and expert advice is needed.

4.7 Assessing the strategic response

The governing body/committee is responsible for providing direction on asset management objectives so that the overall sustainability of the asset base is achieved. This includes agreeing targets, approving resource plans and being assured of progress by regularly monitoring and reviewing asset management action plans. The governing body/committee should have the final approval on the organisation's asset management strategy and plans to achieve strategic objectives.

The flowchart below sets out one approach that governing bodies and committees may wish to assure themselves that the organisation's approach to asset management is both effective and integrated.



Principle 1: Governing bodies and committees lead the strategic response to asset management and should be assured that assets are managed effectively

Key considerations

It is essential that the governing body/committee oversees the organisation's assets effectively to safeguard the health and safety of tenants, maximise the value of the assets, protect future income streams, get best value out of investment plans, and protect the interests of current and future tenants. They should make sure that they have the skills and insight necessary to fulfil these responsibilities.

A key consideration for all social landlords is the need to balance investment in assets with the impact on tenants' rents.

Governing bodies and committees are responsible for directing and approving asset improvement and investment plans. This includes agreeing targets, approving resource plans and being assured of progress by regularly monitoring and reviewing action plans.

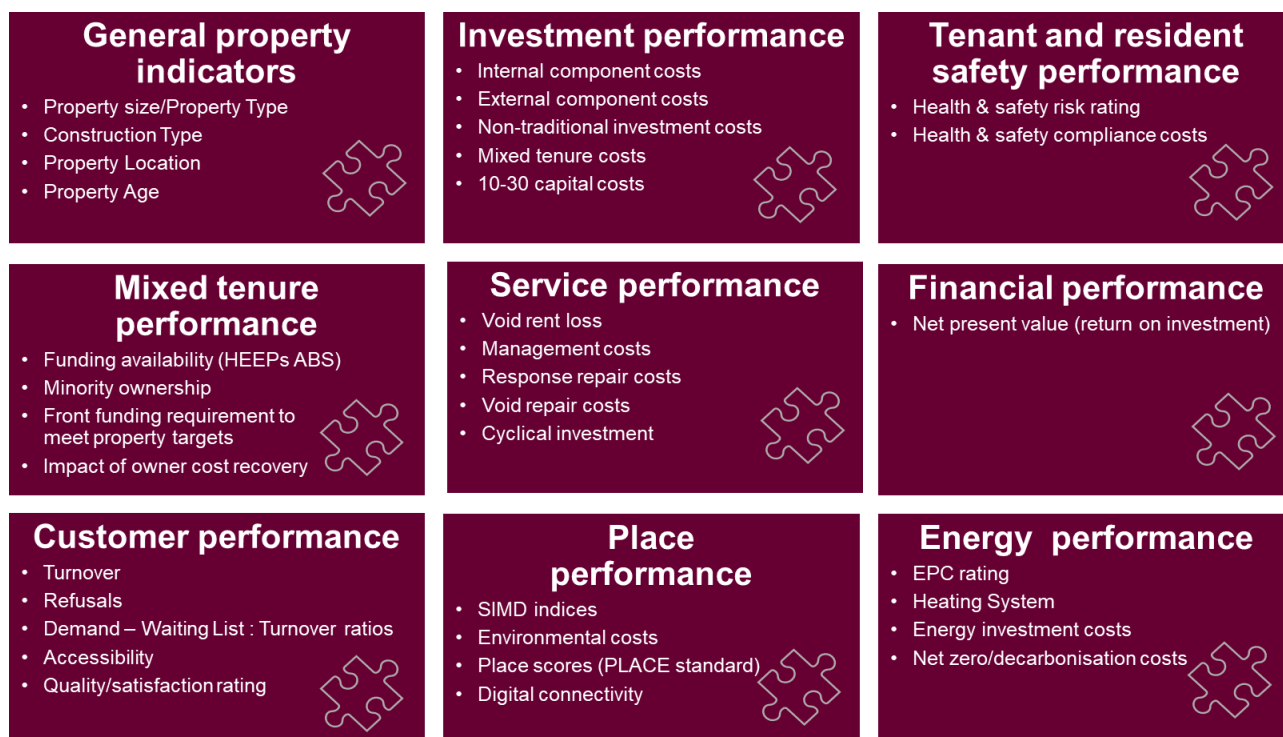
5 Principle 2: Social landlords should have a comprehensive understanding of their assets

The first stage in any integrated approach to asset management should involve social landlords comprehensively defining, measuring and classifying housing assets, as the cornerstone of understanding the performance of their asset portfolio.

The outcome of any asset management strategy is to establish a viable and sustainable housing portfolio that can deliver the strategic objectives of the organisation. Social landlords cannot make future decisions regarding the long-term viability and sustainability of their asset base unless they fully understand it.

To achieve this, social landlords will need to gather as much intelligence as possible to construct a comprehensive asset database, which details and classifies each property from a general, technical, operational, financial and customer perspective. This classification process can then be used to carry out a detailed performance comparison of assets.

The diagram below provides a suggested list of the asset performance elements and associated data indicators that could be gathered for each property, detailing attributes, performance and value measures, as well as current and future costs. Landlords are encouraged to select and prioritise performance drivers that reflect their own context and the unique characteristics of their housing portfolio and customer base. As asset management should be a dynamic process, reflecting shifts in the strategic priorities of landlords or changes in their operating environment; building a comprehensive asset database will offer maximum flexibility to select appropriate performance measures and indicators over a longer-term period.



5.1 Performance measures and suggested indicators

To establish a comprehensive asset database, information should be extracted from the full range of landlord data systems and assembled in one place. Organisations can then interrogate this database to compare assets and identify those which might need repairs or improvements. The following indicators could be used to benchmark performance.

5.1.1 General property indicators

General Property Indicators

- Property size/Property Type
- Construction Type
- Property Location
- Property Age



The first stage in developing a comprehensive asset database is to assemble a wide range of general property indicators which record the key attributes of each asset. This would normally include unique property reference number, location code/s (including, for example, data zone, management area, housing market area) property address, construction type, property size, property type and construction date.

Assembling as much detail as possible on general property indicators can help to group, compare and benchmark assets.

Some social landlords may have related assets (shops, garages, offices) within their asset portfolio. Landlords may want to consider including these non-housing assets within their asset database and applying a similar approach to assessing asset performance as they would with their housing stock.

5.1.2 Tenant and resident safety performance

Tenant and resident safety performance

- Tenant and resident safety risk rating
- Tenant and resident safety compliance costs

Tenant and resident safety compliance (including fire safety) should form a key asset performance indicator within any integrated asset management framework.

A landlord's Health & Safety Policy and associated documentation should identify and clearly set out the arrangements for ensuring tenant and resident safety, and should be tailored to the scope, complexity of operations, and asset age.

Ideally, social landlords should strive to map the tenant and resident safety risk rating of each housing asset, to compliance monitoring and risk management processes. Landlords are encouraged to benchmark the tenant and resident safety risk ratings of assets associated with:

- hazards (and associated risks)
- legal requirements
- approved Codes of Practice (for example, Health and Safety Executive Guidance).

Where investment is required to achieve or maintain tenant and resident safety compliance, landlords should also consider this factor as an asset performance indicator. This is particularly important where this investment may have an impact on the financial sustainability of the asset.

5.1.3 Investment performance

Investment performance

- Internal component costs
- External component costs
- Non-traditional investment costs
- Mixed tenure costs
- 10-30 capital costs



A key element of any asset management strategy will be a robust knowledge of stock condition. Many landlords will have stock condition data which is often based on the findings of a stock condition survey, estimating the cost and timing associated with the life-cycle replacement of building elements typically over a 30-year period. This is normally stored on a database which is then kept up to date by recording investment work carried out, as well as information

gathered from routine property inspections.

Depending on the nature of their asset profile, social landlords should also aim to have an evidence base detailing the structural condition and investment requirements of housing assets. This is normally based on structural condition and external surveys. Stock condition information should be held in a way that enables current compliance with various standards such as SHQS, EEESH/2, building standards and tenement condition to be recorded and monitored regularly.

Some social landlords may have their own investment or quality standards which go beyond national standards such as SHQS. These standards may relate to the quality/standard of materials, shorter lifecycle replacement periods and energy investment measures. Landlords may choose to develop these standards in consultation with tenants, testing whether customer expectations and aspirations are met. Landlords should assess the cost of enhanced investment standards through their 30-year financial business plan to determine the fundability of proposals and the extent to which they may necessitate an increase to tenants' rents. The rental impact of investment proposals is a key area for tenant consultation.

Furthermore, social landlords should aim to ensure that the stock condition data on both the internal and external condition of property elements is translated into a fully and accurately costed 30-year financial investment programme. A key aspect of achieving an integrated approach to asset management is to ensure that realistic investment requirements are aligned and accounted for within the landlord's business plan, to evaluate whether and how the maintenance and investment requirements of the stock can be funded over time. The following 3-step process would be one way to do this:

1. Fully understanding the investment requirements associated with enabling existing housing stock to meet quality, energy, carbon and place standards
2. Understanding the impact of this investment on the business plan rental strategy
3. Gauging headroom for investment in new build stock based on the outcomes of steps 1 and 2.

5.1.4 Mixed tenure performance

Mixed tenure performance

- Funding availability (HEEPS ABS)
- Minority ownership
- Front funding requirement to meet property targets
- Impact of owner cost recovery

For some social landlords, the ability to meet asset quality, carbon or energy standards may depend on the ability and willingness of co-owners in common blocks to fund repair, maintenance and improvement works.

Good intelligence on the performance of mixed tenure housing stock is fundamental to a landlord's ability to achieve and maintain compliance with property standards

and targets including SHQS, EESSH/2 and carbon emissions.

Understanding the ownership status within mixed tenure assets and the associated repair, maintenance and improvement costs for co-owners is central to devising investment options. This will include assessing funding pressures or grant funding opportunities which could influence the future strategy for mixed tenure investment, identifying the options that offer the most cost-effective solution from both a business planning and tenant benefit perspective.

5.1.5 Service performance

Service performance

- Void rent loss
- Management costs
- Response repair costs
- Void repair costs
- Cyclical investment



Information on the service performance (or current cost) of a landlord's asset portfolio is central to understanding asset performance. Many landlords will hold information at a property level on the current and historic cost of assets in housing management and repair data systems such as void rent loss, responsive repairs, plus cyclical investment requirements. Landlords should gather intelligence on service performance over a defined period (for example, three years)

to identify trends in the service performance of assets.

To understand service performance, it is helpful to have an analysis of the true costs of managing properties. Social landlords should understand and apportion the direct costs of managing assets (for example wardens, grounds maintenance, cleaning or lighting) and where possible, apportion indirect costs. Properties with high management costs can therefore be measured and identified, with controllable and uncontrollable risk factors established. Housing management interventions can then be identified, tested and deployed to improve service performance and lower costs.

5.1.6 Financial performance

Financial performance

- Net present value (return on investment)



Insight on the financial performance of assets is instrumental in analysing asset performance and understanding asset sustainability. Measuring return on investment for housing assets is extremely informative in assessing repair, maintenance and improvement activity from a best value perspective.

Establishing the NPV (Net Present Value) of housing assets is a key component of assessing the long-term viability of assets. Eliminating or reducing the impact of stock with a negative NPV on a landlord's business plan could make a significant contribution to improving the long-term financial position of a housing asset portfolio and provide new financial headroom to invest in more sustainable assets.

Inherent within an integrated assessment of asset performance is the calculation of an NPV (or return on investment calculation) for each asset or grouping of assets. Ultimately, an NPV calculation will improve a landlord's insight into whether housing assets cost more to manage and maintain over time than they will collect in rent.

An NPV calculation will measure the financial contribution made by each asset/asset grouping by:

- calculating and projecting net rental income over a 30-year period (based on rental and inflationary assumptions)
- calculating and projecting net revenue expenditure over a 30-year period including reactive/planned maintenance and management costs per unit
- calculating the net revenue contribution made by each asset over 30 years
- deducting the projected 30-year capital investment from revenue to assess financial impact
- applying a discount rate to translate this 30-year financial projection into today's money, measuring whether each asset makes a positive or negative financial contribution to the landlord's business plan.

This calculation of financial performance could support landlords to drill down into each area of asset income and expenditure, establishing which aspects of asset performance contribute most to a negative NPV (for example, rental values, management costs, maintenance costs or future investment requirements). Furthermore, in understanding the NPV of an asset, landlords must monitor the risk of covenant breaches associated with peaks in investment spend within a 30-year business plan. The nature of some existing lending covenants ultimately dictates the level and timing of investment spend. It is therefore important that landlords ensure that there is a mechanism to monitor the impact of investment expenditure on meeting lender covenants.

5.1.7 Customer performance

Customer performance

- Turnover
- Refusals
- Demand – Waiting List : Turnover ratios
- Accessibility
- Quality/satisfaction rating



An integrated approach to asset management could also inform the effectiveness of assets in meeting housing need and satisfying tenant expectations. Ultimately the sustainability of housing assets will depend on whether long term demand can be generated, and rental income recovered. Performance indicators such as housing turnover, refusals and above or below average waiting list demand offer readily available and good insight into the ability of assets to

successfully meet housing need. The impact of housing assets from a suitability or accessibility perspective is also an important consideration in assessing if they are fit for purpose or if the poor amenity or design of some housing assets raise questions over their long-term role.

Landlords could also integrate tenant value measures into asset performance assessment. These could be assembled using customer insight research to gather ratings on place quality, investment priority, customer impact of investment decisions, and perceived value for money and aspirations.

5.1.8 Place performance

Place performance

- SIMD indices
- Environmental costs
- Place scores (PLACE standard)
- Digital connectivity



In selecting asset performance indicators, landlords could evidence and assess the placemaking potential of assets and neighbourhoods. In developing measures of place performance, landlords could consider developing place scoring tools such as the Place Standard or BREEAM in-use evaluation tools (which measure the quality of environmental and community facilities) or planned community infrastructure investment (for example, in transport, health or digital

connectivity). These tools can support landlords to assess the long-term sustainability of an area from a community and environmental perspective and provide good opportunities to involve tenants and customers in the place assessment process. In developing asset investment proposals, this insight could also help landlords to define and test neighbourhood investment options that could support a placemaking approach to housing improvement or regeneration scenarios.

5.1.9 Energy performance and fabric first

Energy performance

- EPC rating
- Heating System
- Energy investment costs
- Net zero/decarbonisation costs



The ongoing climate change agenda has emphasised the importance of asset management plans to include an assessment of energy performance and its impact on the overall asset portfolio. When defining energy performance indicators, landlords could record the SAP/EPC rating of housing assets, as well as heating system type, as a minimum expectation.

Aligned to the ambitious energy efficiency standards and net zero targets within the Heat in Buildings Strategy, the Scottish Government accepted the Zero Emission Social Housing Task Force's recommendation that social landlords consider a 'fabric first' approach to asset investment. A 'fabric first' approach maximises performance of the components/materials that make up the building fabric, before relying on energy saving products or renewable technology to meet energy standards. This can help to reduce capital and operational costs, improve energy efficiency and reduce carbon emissions whilst reducing ongoing maintenance costs. Whilst there has been a past tendency to pursue solutions such as solar PV on roofs to reduce a building's carbon footprint, fabric first aims to improve the material construction of assets to regulate temperature more effectively.

The pace of fabric first is likely to be incremental and landlords should carefully consider the impact of pursuing a fabric first approach on the cost and timing of asset improvement programmes. Landlords need to consider the following:

- the impact on business plan viability and engagement with lenders to negotiate covenants which could not cope with front loading investment
- the extent of likely savings in energy and carbon (from both an asset and customer perspective) relative to capital expenditure and consequent payback calculations
- how to understand property condition and enable a shift toward a comprehensive improvement approach, away from an elemental approach
- how to better understand the tenant appetite for this approach including engagement on rent affordability and running costs, and the level of disruption with more invasive works
- the business impact of comprehensive improvement programmes which could involve revolving decanting and void periods, particularly for common blocks

- mechanisms to manage the financial impact on owners who could face significant improvement costs in mixed tenure blocks
- evaluation of emerging approaches, solutions and technologies to improve building fabric.

5.2 Assembling asset performance information: how to group and classify assets

Following the assembly of a comprehensive asset database, social landlords should determine the most appropriate way of classifying, segmenting or grouping housing assets so that their performance can be compared in a meaningful way. Key determinants in classifying housing assets are typically construction type, property/house type and management area or locality.

The rationale for this type of classification system is that properties of a similar construction type, which are in a similar geography, are likely to perform on a similar basis and therefore might reasonably be grouped together (although this may not always be the case). Furthermore, where a landlord's asset portfolio is likely to feature a significant number of construction types, properties may require varying degrees of capital investment and revenue spend. Other key factors such as management issues could also be considered, where they make a material impact on the revenue costs of specific assets.

Social landlords could consider plotting asset classifications and the performance indicators of asset groupings in map format, using, for example, Google Maps, Microsoft Power BI or GIS (geographic information systems).

Principle 2: Social landlords should have a comprehensive understanding of their assets

Key considerations

Arneil Johnston recommends that social landlords gather as much intelligence on their asset portfolio as possible to construct a comprehensive asset database, which details and classifies each property from a general, technical, operational, financial and customer perspective. Health and safety compliance (including fire safety) should be a key asset performance indicator within any integrated asset management framework.

Social landlords should ensure that the stock condition data on both the internal and external condition of property elements is translated into a 30-year financial investment programme. An integrated approach to asset management could also be informed by customer impact and value measures, which offer intelligence on the effectiveness of assets in meeting housing need and satisfying tenant expectations.

6 Principle 3: Social landlords should develop an approach to understanding the value of their assets

Assembling a comprehensive asset database should result in social landlords identifying and assembling a helpful (and potentially extensive) suite of asset performance measures for every property or asset grouping.

From this comprehensive evidence base, a smaller number of key performance indicators can then be collectively agreed, perhaps somewhere in the region of 8-16 performance measures. Within an integrated approach, these key performance measures can then be used as the primary basis for assessing whether housing assets are fit for purpose, with wider indicators providing contextual information where integrated asset management outcomes require further clarification and scrutiny.

6.1 Defining key performance indicators and measures

As the housing portfolios, operating contexts and strategic priorities of social landlord will vary significantly across Scotland, landlords are encouraged to agree the key performance indicators 'which matter most' to their organisation and tenants. There are three main reasons for the split between key and general asset performance indicators:

1. Key performance indicators should centre on those factors that are more narrowly focused on asset performance, while general indicators ensure that wider social and economic factors can also be considered
2. Where decisions are being made which will have considerable strategic or resource implications, wider contextual information will ensure that decision-making on continued investment is as informed as possible
3. When plotting a wide range of performance indicators, the key messages can be lost in an overly complex presentation.

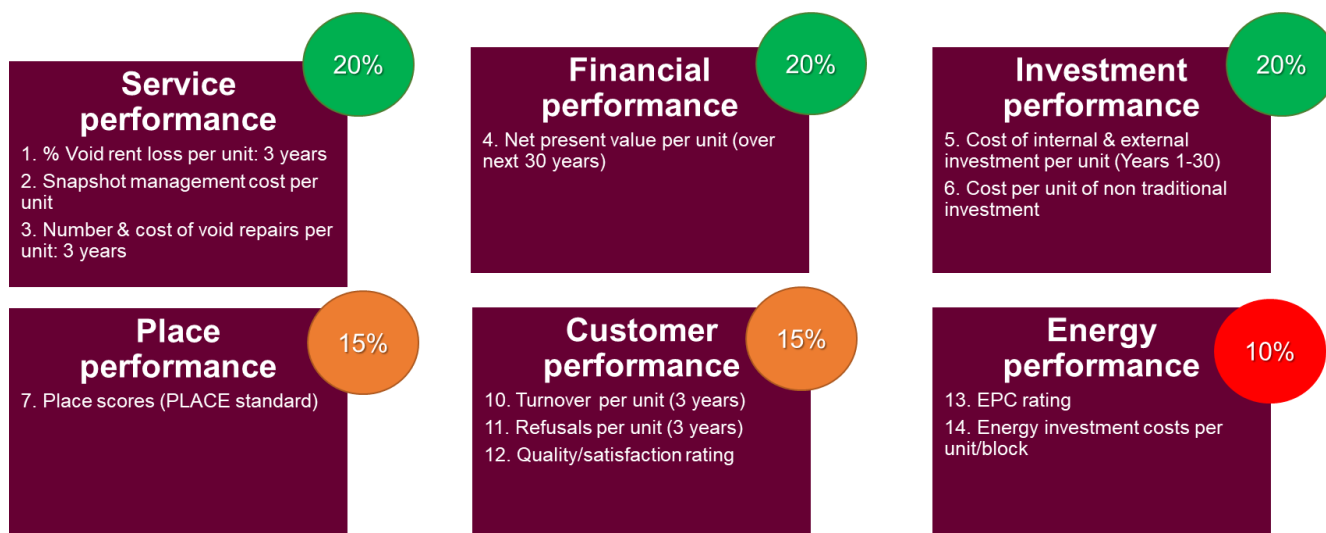
Key asset performance indicators can be selected on the basis of the factors that are most likely to drive stock performance given the extent and nature of the landlord operating context and asset portfolio. It is also important to include indicators that measure the ability of housing assets to deliver the organisation's strategic priorities.

The selection of the most important key performance indicators for each social landlord is a crucial aspect of an integrated approach to asset management. It is important to take account of the whole of the organisation's business when setting key performance indicators. Where possible, landlords should discuss key asset performance indicators with the full range of officers and teams across the organisation – maintenance, investment housing management, finance, strategy, business growth and development – and use their feedback to inform the final selection of indicators.

Landlords may also choose to rank key indicators in terms of relative importance in driving performance outcomes or in delivering investment or corporate priorities. For example, landlords with stock in areas which have pockets of low demand housing may choose to place a greater emphasis and weighting on place and customer performance scores.

Whilst it is for each landlord to select asset performance drivers and consider their relative importance, an example of how this might work in practice is provided below. **This is for illustrative purposes only.**

In this example, Landlord A has selected 14 key performance indicators tailored to its corporate strategy and operating context. The landlord has chosen to rank the importance of asset performance elements by placing a weighting on service, investment and financial performance, with a lower weighting applied to place, customer and energy performance outcomes.



Landlords should choose performance indicators and associated weightings relevant to their own unique operating environment and stock base.

6.2 Reviewing the importance of indicators

The value of key indicators should be reviewed at three-to-five-year intervals, as the importance of some performance measures may diminish whilst other indicators may become increasingly more important. As far as possible, the asset management processes should be real-time and dynamic to ensure that the indicators used to assess asset performance remain relevant and agile to future change.

6.3 Benchmarking asset performance

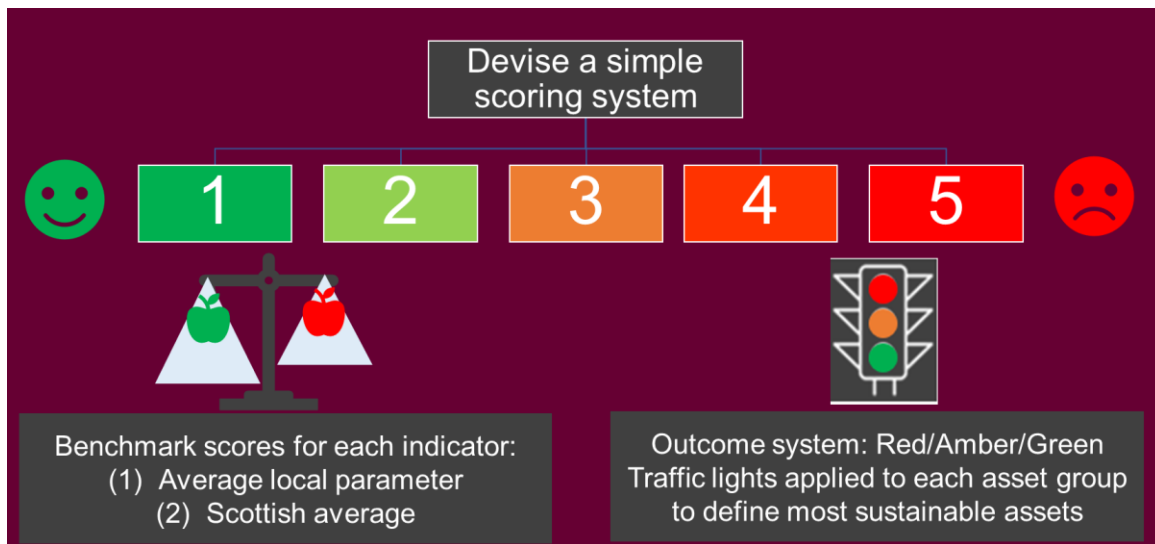
Once landlords have classified their housing stock within a comprehensive asset database and selected key performance indicators, they can use this data to systematically compare the performance of the entire housing asset base, providing a scoring system to guide decision making on continued investment.

It is important that the scoring methodology applied should enable social landlords to distinguish between the best and worst performing assets or asset groups, placing those not falling into one of these categories into a reasonable scale in between.

Scoring benchmarks and parameters should be agreed for each of the key indicators, informed by considering a range of measures including maximum, minimum, average and quartile performance benchmarks. Scoring parameters could also refer to wider national or peer group performance

benchmarks where these would add value to the analysis, for example, Scottish average repairs spend per unit.

An example of a five-point scoring system is outlined in the diagram below (and summarised underneath) to demonstrate how a simple assessment framework could support social landlords to benchmark the performance of assets in a consistent, integrated manner.



Within the **illustrative example**, asset performance is benchmarked against an average performance score on the following basis:

- Top performing assets which exceed the average benchmark score **1**
- Assets which exceed the average benchmark score **2**
- Assets which hit the average benchmark score **3**
- Assets which fall short of the average benchmark score **4**
- Worst performing assets which do not meet the average benchmark score **5**

When each of the indicators have been scored, combining them will give a score for each performance category and an overall score for each asset or asset grouping. If a weighting is to be applied to any of the performance categories, it should be applied to the overall score in each category.

These scores could then be further categorised into a traffic light colour coding system. A traffic light system means landlords can quickly identify the assets which may not be fit for purpose and to assess what's driving poor performance. The processes of assessing the performance of a whole asset base can be overwhelming, with a complex range of factors influencing and driving asset performance. Providing outcomes in a simple traffic light format, offers landlords a place to start this process, as well as the insight and intelligence to pose the following questions:



When integrated asset performance scores are established for every asset, landlords can use the insights offered by performance benchmarking to define the indicators which are driving asset performance.

Principle 3: Social landlords should develop an approach to understanding the value of their assets

Key considerations

Using the wider asset database assembled, landlords should select a lower number of key performance indicators to critically assess asset performance, using a whole organisation approach where possible.

The value of key indicators should be reviewed over time, as the importance of some performance measures may diminish whilst other indicators may become increasingly more important. Systematically comparing the performance of all housing assets can provide a basis for evidence-based decision making on continued investment.

It is important that the scoring methodology applied should enable social landlords to distinguish between the best and worst performing assets by applying a simple scoring system to benchmarking outcomes.

A traffic light system will allow landlords to quickly identify the assets which require further scrutiny as a priority.

7 Principle 4: Integrated asset management outcomes should be understood and used as evidence to inform future investment decisions

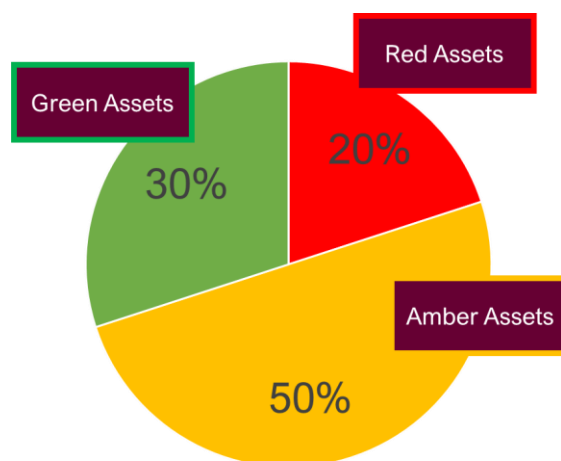
This section sets out how integrated asset scores can be used to understand what's driving asset performance, and how landlords could appraise improvement or investment interventions to inform future investment decisions.

A comprehensive asset database should provide information about a landlord's entire housing portfolio, which in some cases could mean performance scores for thousands of individual assets. It is likely to be overwhelming for landlords to know where to start processing this information or indeed to target scrutiny. Landlords may choose to interrogate asset scores at an individual property level or in asset groups. Grouping assets by property attributes or management areas is a common approach to enable landlords to compare asset performance outcomes consistently and systematically.

7.1 Interrogating integrated asset performance scores

Social landlords should use the outcomes of integrated performance scoring to assess whether housing assets are fit for purpose or whether improvement or investment options need to be considered.

Integrated asset performance scores should provide a starting point for landlords in understanding the proportion of housing assets which may require intervention to improve their performance. As outlined in section 6, using a traffic light system to code performance outcomes should allow landlords to interrogate the extent and nature of performance issues to be addressed.



7.1.1 Green assets

Integrated asset performance scores should identify the housing assets which are performing well, are fit for purpose and could be described as 'green stock'. These assets are likely to be well managed and maintained with strong demand and, all things remaining equal, are likely to stay that way in the future. Green assets are those most desired by tenants and as assets they make a positive financial contribution to the landlord's business plan.

To ensure that the high performance levels of green assets are maintained by future investment and management strategies, landlords should use integrated asset performance evidence to develop a long-term plan for 'green assets' programming ongoing investment and management oversight. To achieve this, landlords could:

1. identify and scrutinise the assets/asset groups which score green, establishing the service and customer performance scores of these assets as a benchmark for performance management

2. seek to annually review the proportion of stock in the core green category, tracking movements to and from the amber/red category with analysis of the performance drivers stimulating these changes
3. initiate internal control measures which monitor any shifts in the service, performance and investment scores of green stock.

7.1.2 Red assets

At the other end of the scale, integrated asset management outcomes should clearly identify housing assets that do not score positively against key performance indicators and could therefore be described as 'red assets'. This suggests these assets may not currently be fit for purpose and raise questions over whether continued investment is sustainable. Using the evidence from integrated asset performance scores to define the drivers of poor performance, social landlords should identify improvement and investment options, which could be targeted to address performance failure. To achieve this, landlords could:

1. critically review the characteristics of red stock, developing clear intelligence on attributes or patterns that drive poor performance
2. understand whether the factors driving red performance are controllable by posing questions such as:
 - is there evidence that red performance is driven by the investment requirements of the assets, such as disrepair, component replacement costs, lack of historic investment?
 - is there evidence that red performance is driven by poor service delivery or management outcomes, such as expensive voids, response repair or management costs?
 - is there evidence that red performance is driven by poor place outcomes or the customer impact of assets, such as low demand, poor place scores, limited digital connectivity?
3. develop and implement a performance management plan informed by insight from red assets with controllable performance scores for example,
 - identifying interventions for assets with high management costs, such as targeted operational performance activity, lettings initiatives/incentives or housing support services which may stabilise sustainment and community safety
 - accelerating investment in assets which have continuously high response repair costs
 - targeting interventions to improve placemaking including environmental maintenance, cleaning and security
4. understand the extent and nature of uncontrollable factors driving poor performance, for example,
 - defining where high investment costs are driven by the construction type of the property, for instance excessive external and structural investment costs
 - defining where a volume of mixed tenure assets is driving high investment costs or poor quality scores

Where red assets are of strategic importance (from a place or housing need perspective), social landlords may choose to continue investment even if these assets have a long-term negative impact on the financial business plan of the organisation. It is important that landlords understand the key performance drivers and impacts of these assets, ensuring that asset value is monitored over time with negative impacts kept to a minimum.

7.1.3 Amber assets

'Amber' scoring assets are unlikely to be performing at peak levels of performance but are also unlikely to be designated as a major cause for concern. These assets could however present future risks if performance is not managed effectively, potentially raising questions regarding the value of future investment. Social landlords could focus scrutiny on amber assets to ensure that improvement interventions are pursued before performance levels decline towards the red zone. Alternatively, amber assets could, through targeted improvement and investment interventions, shift towards green asset performance levels. To achieve this, landlords could:

1. scrutinise the portfolio of amber stock and identifying the proportion of assets which are vulnerable to becoming red. It is recommended that landlords determine whether the drivers of amber performance are controllable and therefore could be subject to management or investment interventions such as change of use, security measures, targeted management performance activity, lettings incentives and/or housing support services
2. develop and implement integrated asset management plans with on-going scrutiny of the relationship between management costs, response repairs and planned maintenance to improve the sustainability of the 'vulnerable amber assets'
3. target scrutiny towards amber assets with negative financial performance scores to identify potential management interventions to improve their financial performance, for example, rent or service charge options, service delivery efficiencies, reprofiling planned investment
4. identify the proportion of amber assets which have the potential to achieve green performance benchmarks and implement management interventions to improve the performance of this stock (where possible).

7.2 Interrogating the outcomes

After scrutinising the outcomes, social landlords should define the assets or asset groups to be prioritised for intervention and test asset improvement and investment options which target key performance failures. In scoping options, social landlords should consider a range of potential ideas and solutions, tailored to performance evidence and their unique operating context including:

- alternative investment proposals, for instance comprehensive improvement works
- disinvestment proposals including disposal or demolition
- asset remodelling or adaptation
- change of use or target client group
- housing management interventions
- placemaking interventions.

The following table provides an **illustrative example** suggesting asset interventions and investment options which could be considered and aligned to integrated performance outcomes:

Investment Option	Asset management performance assessment outcomes	Investment Option	Asset management performance assessment outcomes
Status Quo: Continue as current asset profile	Green Assets: On-going demand for current housing form Building is sustainable and fit for future	Change of Tenure:	Red Asset: Low demand for this form of housing but demand from owner occupiers
Remodel asset/ accommodation type	Green/Amber Asset: Ongoing demand for assets but lack of demand for the accommodation type Building can be remodelled and is financially viable	Demolition	Red Asset: Low demand for current form of housing, no demand for area High % of mixed tenure stock
Change use: Convert Client Group	Amber/Red Asset: lack of demand from current client group Building is in good condition and suitable for conversion	Demolition/New Build	Red Asset: Low demand for current form of housing, high demand area and new build development option more cost effective than remodelling High % of mixed tenure stock
Implement interventions for reducing management costs and improving efficiency	Green/Amber/Red Assets with high management cost and poor service and financial performance scores	Disposal/Market sale	Red Asset: Low demand for this form of housing /high value land or building Potential to reinvest in more sustainable options High % of mixed tenure stock

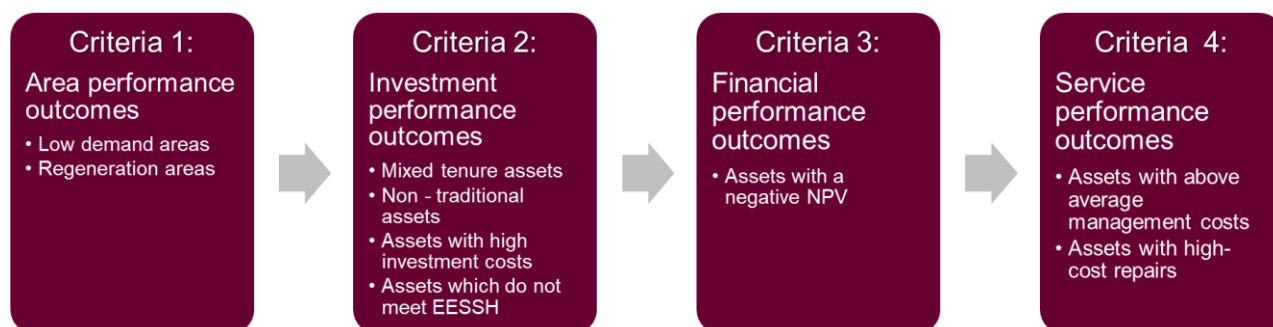
This worked example illustrates that the investment options and interventions for each asset performance category may not be the same. Social landlords can interrogate integrated performance outcomes for specific asset groups, using the evidence to understand what drives the performance of assets and tailoring interventions to target and address those failures.

Having a robust understanding of the performance driver(s) will provide a solid foundation for defining and testing investment and improvement options for each asset group, targeting interventions where they can contribute most impact to protecting and or improving the future value of the housing asset base and the fundability of future business plans.

7.3 Scoping interventions: targeting performance analysis

As well as interrogating integrated performance scores, landlords may also consider extracting specific performance indicators to provide targeted insights on the drivers of performance failure. This intelligence can also be used to define and test interventions and solutions tailored to the performance failures of asset groups.

The following diagram presents an **illustrative example** of criteria which landlords could use to identify key assets for review:

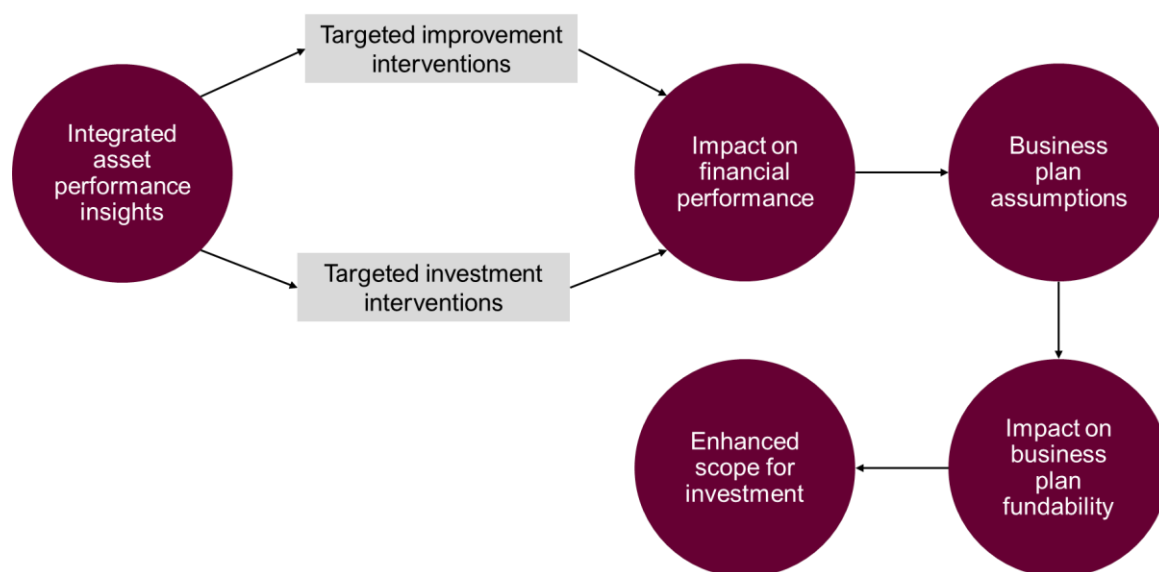


Landlords could consider a range of selection criteria which reflects their housing stock profile and operating context. For example, a landlord with pockets of low demand housing stock may choose to review those assets with low place and customer service scores, as well as investment scores. Equally, social landlords who maintain portfolios with a diverse range of construction types, may choose to isolate non-traditional properties with the highest cost of investment.

7.4 Understanding financial performance and appraising business plan impact

Social landlords can use NPVs to test the financial impact of asset investment and improvement interventions. This will enable landlords to define the asset interventions that could have most impact on sustainability of the housing asset base. This insight also provides invaluable evidence to assess strategic alternatives when doing an option appraisal.

The following diagram is an **illustrative example** of how asset management interventions could be used by a social landlord to inform business plans assumptions, test business plan fundability and the potential headroom to increase scope for asset investment.



This integrated approach to planning should allow social landlords to develop a set of asset management interventions which meets the needs and aspirations of existing and future tenants and builds a sustainable investment profile which is costed and funded over a 30-year time frame.

7.5 New development

An integrated approach to asset management is an important aspect of the decision-making framework guiding the delivery of new build housing for any social landlord. A landlord’s business plan should set out the extent and nature of investment that can be supported in new build properties based on an analysis of the landlord’s financial headroom moving forward.

An integrated approach to asset management could create opportunities to review whether additional headroom can be created to support borrowing for new development as a result of improvement interventions and/or disinvestment decisions in red scoring assets. Integrated asset management intelligence could also be used to determine the profile of new build housing that is most likely to be sustainable, given asset performance outcomes and evidence of housing need.

Landlords should ensure that they have the credible insight on the impact of investment choices to enable them to identify and test alternative strategic investment opportunities. This is central to integrated asset management and informed decision making on Housing to 2040 targets. To achieve this, landlords should consider the SHR’s [Development of affordable housing](#) thematic study.

7.6 Risk management

Integrated asset management outcomes will provide social landlords with a clear insight into the most pressing asset performance risks in their housing portfolios both now and in the future. Risk analysis together with proportionate risk management responses are central to integrated asset management planning. Landlords should align the on-going assessment of asset performance risks with business plan scenario testing whilst tailoring risk responses to suit prevailing conditions. The following principles can provide an effective approach to managing asset related risks:

- an asset risk map or register is created and debated at a senior level so that a shared awareness of the key risks is developed
- a limited number of key asset risks are identified, informed by integrated asset management evidence, including an assessment of their likelihood and severity
- actions are defined and in place to mitigate asset-based risks with control measures in place to ensure risks are monitored at appropriate intervals
- a review of the asset risk register is scheduled with asset management review cycles.

Landlords may benefit from developing a detailed housing asset management action plan which sets out a range of activity to address the risks identified in the housing asset base and to ensure that the overall sustainability of the housing portfolio is protected. Whilst social landlords will face risks to their asset base, their nature will vary widely depending on the nature of their housing profile.

7.7 Appraising the options

The option appraisal process provides a framework for systematically assessing the impact of asset management options, providing social landlords with the evidence to make informed decisions on future investment.

Option appraisal is well suited to tackling asset management problems as it helps make sense, not only of the very wide range of factors that may be encountered, but also of the very wide range of potential solutions. SHR's [recommended practice on business planning](#) summarises a basic options appraisal process for social landlords to follow.

At the outset of the option appraisal process, landlords should consider what they want to achieve, reflecting strategic objectives or specific asset management targets for the project in question. Defining objectives should then be used to set appraisal criteria that will be applied to each option. In setting criteria, landlords should be encouraged to create a good balance between financial and non-financial costs and benefits. Examples of criteria that could be applied in appraising asset management proposals could include:

- does the option improve the quality of housing assets and enable national targets to be met?
- does the option improve the organisation's ability to meet housing need and generate demand for housing assets?
- does the option improve the financial contribution of housing assets to the 30-year business plan?
- does the option improve tenant and resident safety and enhance the likelihood of future compliance?
- is the option likely to offer cost effective, affordable and positive outcomes for co-owners?
- does the option offer opportunities to improve neighbourhood quality and achieve a sense of place?
- does the option minimise tenant disruption and associated costs?
- realistically, is this option capable of being delivered?

Landlords should select a manageable number of criteria to support the systematic scoring of options and consider whether all criteria are of equal importance or whether some criteria should be weighted by importance. To enable options to be compared objectively, landlords are

encouraged to ensure that supporting information is available to show clearly the range of options appraised.

The option appraisal process should itself incorporate financial stress testing that reflects the pressures, changes and risks associated with each option. In assessing financial impact, landlords must consider lenders' covenants and the terms of lending agreements. If breaches are identified under certain options or sensitivities, landlords should be clear on the associated probability and how any breach would be dealt with.

An effective approach to option appraisal should deliver a clear and unambiguous outcome for each option, enabling social landlords to easily identify and back up the asset management solutions that will deliver most value. Informed by option appraisal outcomes, landlords can then identify the options that should be prioritised for implementation within a wider asset management strategy aiming at improving the performance of the whole asset base.

Principle 4: Integrated asset management outcomes should be understood and used as evidence to inform future investment decisions

Key considerations

Integrated asset performance outcomes should provide an important starting point for landlords in understanding the proportion of housing assets which require intervention.

In scoping asset improvement or investment options, social landlords should be encouraged to consider a range of ideas and solutions. Having a robust understanding of the asset performance driver(s) will provide a solid foundation for defining and testing investment and improvement options.

NPV analysis enables social landlords to test the financial impact of investment and improvement interventions. Asset management processes should be fully integrated and aligned with business plan sensitivity testing.

An integrated approach to asset management should create opportunities to review whether additional capacity can be created within an investment programme to support borrowing for new development.

The option appraisal process provides a framework for systematically assessing the impact of asset management options, providing social landlords with the evidence to make informed decisions on future investment.

8 Principle 5: Social landlords should use the integrated asset management outcomes to inform their asset management strategies

The aim of an asset management strategy is to improve the overall sustainability of the asset portfolio, creating a framework for social landlords to monitor and evaluate the impact of asset improvement and investment options. The strategy should also support the delivery of annual asset management plans through effective funding, procurement and contract management systems. The asset management strategy is therefore the culmination of all insight, analysis, option appraisal, resource planning and action planning.

8.1 Setting asset management strategy targets

As set out in the previous sections, integrated asset performance assessment and option appraisal will show landlords which housing assets are performing well and making positive contributions to the landlord's business plan. The evidence should also highlight where assets require intervention to tackle poor performance, financial contribution or value. Informed by this insight, landlords may wish to set targets within the asset management strategy such as:

- increasing or maintaining the proportion of green scoring assets which achieve peak performance
- reducing the proportion of amber scoring assets through movement into green performance scores
- reducing the proportion red scoring assets through movement into amber performance scores
- improving the financial performance of assets with negative NPVs

Setting specific targets will help to drive performance improvement activity and allow progress to be tracked. Whilst asset performance targets should be delivered over the life of an asset management strategy, they may need to be refined as new priorities for action emerge or legislation and regulation duties change. Key actions from the asset management strategy and performance measures can then also be included in the annual corporate planning and performance management framework.

8.2 Action planning

Landlords may find it helpful to develop an action plan for the life of the asset management strategy and then segment it into individual years based on the priority attached to each action. The action plan could detail the activity, targets and commitments that landlords and their partners have prioritised for implementation each year to improve the sustainability of the housing asset base.

The action plan could set out measures to ensure that the asset management evidence base is updated, validated, and reviewed at appropriate intervals in the planning cycle. Asset management plans are likely to focus on short term, immediate activity providing the basis for a dynamic approach to the ever-changing issues that affect asset performance. Whilst asset management plans may be subject to annual review, the asset management strategy should be subject to a regular although not frequent review cycle (usually no longer than every five years).

8.3 Developing the asset management strategy: Who to involve?

When considering who to involve in developing an asset management strategy, social landlords should not only involve those dealing with the planning and implementation of property maintenance and investment, but also include those responsible for:

- housing management
- business planning and financial management
- strategy and information
- business growth and new development
- compliance and governance

In small organisations, however, it may be as simple as involving the management team and a few key staff. However, in developing asset management priorities, social landlords also have to take full account of the views of tenants, lenders and other key stakeholders. This inclusive approach allows the impact of management, maintenance and improvement strategy actions to be maximised.

8.4 Resource planning, finance and funding considerations

An asset management strategy should review the outcomes of any option appraisal exercise and assess how the actions arising from it will fit with the investment plan for other assets, so that the overall sustainability of the asset base is improved. In developing an asset management strategy, landlords should consider the resources that are at their disposal and potential obstacles that may need to be overcome to enable and ease delivery. These can include financial and funding implications, mixed tenure or new housing development proposals as well as procurement and access to technical expertise.

As some options may involve significant financial investment, it is vital that landlords test the ability to fund these investment options through their business plan and perform risk assessment and scenario testing against each of the options. The identification of grant funding available or different financial instruments to support the implementation of investment strategies (such as sustainability linked lending products) may also be considered as part of this process.

8.4.1 Mixed tenure stock

There may be significant complications associated with investment in mixed tenure stock. Issues associated with investment in mixed tenure stock will vary widely depending on the nature of the properties and the level of ownership the landlord has in the stock.

In practice the most common problem with implementing investment programmes or interventions in mixed tenure assets is not being able to achieve funding or support from owners. Whilst this may result in short term savings to the business plan because budgeted expenditure does not take place, it can also lead to longer term asset performance and compliance risks that landlords should address. Understanding the ownership status within mixed tenure assets and the associated repair, maintenance and improvement costs for co-owners is central to devising investment options and choices which are deliverable.

8.4.2 Procurement

Underpinning any asset management strategy should be an effective approach to procurement that takes compliance considerations into account and is kept under review and tailored to the particular needs of each landlord. Landlords will also be mindful of their own Standing Orders and Scheme of Delegation when embarking on procurement activity.

The effective project management of investment and development plans needs to allow sufficient time for the procurement aspects of the plan. Timescales will be variable depending on the value and complexity of what is being procured. Resource planning needs careful consideration to take account of when spend is likely to be incurred. This can help landlords avoid penalties from undrawn facilities with lenders caused by delays in project expenditure. Landlords may wish to consider how they can achieve best value out of their procurement activity to drive economies of scale, increase competitiveness and gain added value from contracts. Some of these considerations may include:

- grouping and phasing of work
- contract length
- supply chain arrangements
- procurement methods and routes
- community benefit requirements.

Landlords may also wish to consider, where they are able to, using procurement frameworks, whereby an agreement is put in place with a provider or range of providers to place orders without the need for repeated full tender exercises.

8.4.3 Skills and specialist advice

Social landlords should ensure that they have access to the appropriate technical expertise to manage the repair, maintenance and improvement functions of their asset management strategy. To ensure they have the capacity and competence to support the delivery of the asset management strategy and manage any associated risk, social landlords should consider whether it is necessary to identify and appoint competent organisations or specialist advisors.

Even when landlords do have the necessary in-house skills and expertise, large scale investment and disinvestment programmes can absorb a substantial amount of senior management or technical skills, directing it away from other aspects of the business. Using other organisations as agents or 'working in consortia', are two potential options for dealing with skills shortage or lack of expertise. Social landlords still need to have a level of expertise within the organisation to be able to proceed with confidence.

Principle 5: Social landlords should use the integrated asset management outcomes to inform their asset management strategies

Key considerations

The aim of an asset management strategy is to improve the overall sustainability of the asset portfolio, creating a framework for social landlords to monitor and evaluate the impact of asset improvement and investment interventions. The strategy could support the delivery of annual asset management plans through effective funding, procurement and contract management systems. Setting specific targets should help to drive performance improvement activity and allow progress to be tracked.

In developing an asset management strategy landlords should consider the resources that are at their disposal and potential obstacles that may need to be overcome to enable and ease delivery. These can include financial and funding implications, mixed tenure or new housing development proposals as well as procurement and access to technical expertise. Social landlords should review the extent and nature of technical expertise required to manage the repair, maintenance and improvement functions of their asset base and manage the risks associated with this.