

# Oak Tree Housing Association Ltd

## Asset Management Strategy (January 2017-20)

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## 1.0 Introduction

1.1 Our aim in developing our asset management strategy is outlined below:

*We take a strategic view of asset management to ensure we maintain sustainable neighbourhoods whilst providing value for money. We want to ensure the properties that we own and manage are in good condition, in the right location, of a design that is fit for purpose and meet current and future tenants' housing needs.*

1.2 OTHA's ability to deliver good services for customers and provide a solid platform for improvement depends on our ability to make the most of our property assets. Our main income and expenditure relate directly to our assets. Poor strategic asset management decisions will result in wasted resources in the short and longer term, but also means that our resources are not aligned to tenants' priorities. Our thinking on asset management must be developed alongside and complement our business planning process.

1.3 For asset management generally, we need to have:

- A whole organisation approach. Good asset management requires understanding and ownership right across the organisation. Our process in developing and reviewing plans will ensure involvement of staff members throughout the organisation. Responsibility & leadership will lie with the Chief Executive Officer supported by the Senior Management Team with governance of the overall strategic approach determined by the Management Committee.
- Understanding of our customers. We need to recognise that wants and preferences will be subject to change. Our customer intelligence will need to consider current and future customers and the local housing market.
- Good information which promotes a clear analysis of performance, value for money and highlight the value that our assets are bringing to OTHA.
- Joined up planning. A strategic asset management approach needs to complement, not duplicate, other strategies and plans.
- Compliance with standards. Our rigorous approach to statutory and regulatory obligations such as SHQS, EESSH, gas safety, asbestos, and legionella is an essential feature of our asset management.
- An approach which delivers value for money. Large sums of money flow through our assets, and we should seek to maximise the value of this expenditure. Strong procurement processes are important as is the fostering of a wider performance and value for money culture.

1.4 We need to develop an approach which recognises and looks after:

- Core stock. Our plans should ensure that core stock and neighbourhoods are well maintained and will stay that way. Efficient responsive repairs, effective planned and cyclical maintenance, carefully planned and fully funded life-cycle replacement and good estate management will also help to support demand. Even for high value stock, there are actions which can assist in sustaining the performance going forward. For example, consideration of energy performance; a plan to use responsive repairs to prolong component life & keep satisfaction high; how we set the void standard or approach void works; how we keep external areas and maintain the environment to affect the reputation of stock or neighbourhoods.
- 'Cause for concern' stock. This needs to respond to problems and promote sensible and proportionate measures in response. Cause for concern stock can be whole areas, construction types, smaller groupings of stock or specific types such as basement flats.
- New development to ensure new developments fit with business strategy, build value in the asset base and promote successful neighbourhoods as well as integrating with the Local Housing Strategy.
- Other assets such as non-housing stock including garages, shops, offices, & potential development land.

- 1.5 The asset management strategy is underpinned by good information. A significant amount of activity has been carried out to build on our information and to improve coherence, for example action to:
- Update our stock condition profile. A stock condition survey was carried out by David Adamson & Partners Ltd (reporting in November 2015) and follow up work was done to focus on areas where data was limited including structural, external & environmental areas; and energy efficiency for individual properties & common areas.
  - Build the capacity for our central database to hold information presently not held centrally such as SHQS compliance, asbestos plan, and details of adaptations.
  - Review planned investment.
  - Review the future of low demand stock at Maple Road.
  - Comprehensively review the rents and service charges to align performance/demand with rent levels.
- 1.6 The Asset Management Strategy (AMS) will be developed for 3-5 year cycles with annual review of key components.

## 2.0 Context

2.1 Our asset management approach is integrated with our Business Plan & Internal Management Plan which lays out the work programme going forward and identifies the resources needed to carry out our activities. Our budget setting process will reflect key elements to ensure resources are adequate and value for money is achieved. This linkage is well demonstrated below:



2.2 The relationship with other policies and plans is stated below:

- The asset management strategy must ensure compliance with standards. We have developed policies or procedures for the management of asbestos, legionella, gas safety for gas appliances. We have procedures in place for dealing with water tanks, lifts, emergency lighting, fire safety & electrical systems. We have developed a delivery plan for SHQS and are working on plans to meet the EESSH standard which will apply in 2020.
- Delivery of the AMS is achieved partly by investment decisions in the 30 year plans for planned and cyclical maintenance. The plans are drawn up after targeted stock inspections in advance of planned works and on a regular cycle. The information from inspections is a vital component in asset management planning.
- Our Procurement Policy must deliver value for money and identify contractors that are able to deliver work at the right time and of the right quality. Currently, OTHA is procuring a reactive maintenance contractor for the majority of the reactive repairs work.
- Policies in relation to reactive and void repairs must be regularly assessed to ensure they contribute to the good management of our assets. Details of the policy review programme are agreed annually by the Management Committee.
- Our policy and activity in relation to estate management have a part to play in maintaining and sustaining communities. Estate inspections, tenant engagement activities in estates/closes, good tenancy management and inter agency working all contribute to sustaining our neighbourhoods as good places to live.
- Our policies for setting rent levels and service charges are key to ensuring the flow of resources, but are also a tool to help rebalance demand. OTHA's Rent setting Policy was agreed in 2015 and restructuring of rents to match the new policy and reflect current demand levels and stock attributes is underway over the next 5 years.
- The association's consideration of future developments and disposal of assets will be based on the AMS as well as the Local Housing Strategy. These will be considered by committee and other strategic partners as strategic decisions, but are not subject to specific policies.

### 2.3 Risk Management

OTHA has developed a dynamic approach which is risk based and proportionate. We need to have an understanding of the full range of potential issues whilst focussing in on the most important for OTHA. The association monitors key risks at officer and management committee levels and takes action to reduce and manage risks. Asset management is a tool both to identify and remediate risks. Key risks in this context are:

- Mismatch between demand for housing and OTHA's stock profile
- Falling demand in Inverclyde
- Competition from other landlords in the context of a falling population
- Welfare reform affecting tenants' ability to meet rental obligations
- Lack of income for investment

- Increasing costs of works
- Changes to legal or regulatory standards regarding property condition & specification
- Drop in stock condition
- Unsustainable neighbourhoods
- Failure to meet legal standards causing loss or reputational damage (e.g. asbestos, legionella)
- Limited subsidy for development
- Cost of borrowing and the availability of security for borrowing.

2.4 Our policies in relation to Customer Engagement and Equality & Diversity determine how we will approach involving our customers in developing services and strategies including how we manage our assets.

#### 2.5 Scottish Social Housing Charter

The Scottish Social Housing Charter was enacted by the Housing (Scotland) Act 2010 and became effective from 1st April 2012. The Scottish Social Housing Charter sets out sixteen different “outcomes” and “standards” that landlords should be working to achieve. These outcomes and standards are the results that landlords should deliver to their tenants if they are providing a good housing service to tenants.

The Charter has seven sections covering:-

- equalities;
- the customer/landlord relationship;
- housing quality and maintenance;
- neighbourhood and community;
- access to housing and support;
- getting good value from rents and service charges; and
- other customers.

Several aspects of the Charter will be considered when developing our asset management approach. Some of the key indicators used in the Annual Report on the Charter are useful benchmarks to measure relative performance of stock groupings or types.

Tenant scrutiny and engagement will be at the heart of our activity in reviewing performance and setting asset management strategies.

### 3.0 Assessment

#### 3.11 General Property Information

The association holds information on a range of attributes against each property. It is possible to interrogate our databases to consider in detail a wealth of data at the property, scheme and area level. The data held, which may usefully contribute to asset management decisions, is being consolidated, added to and will be updated regularly. It is not proposed to give detailed property data in this document, but rather to focus on area specific information, trends and problem stock. The detailed data will underpin the discussions and decisions.

OTHA owns:

Self-Contained Rented Stock

- 1710 units

Non Self-contained Stock

- OTHA owns 4 shared units providing 8 bed spaces.

Non housing assets

- One office (41 High Street)
- Three shop premises – 1 Crown Street, 63 & 65 Nicolson Street
- One advertising board affixed to Crown Street premises

Other Assets

- 105 shared ownership properties. OTHA owns a share in each property ranging from 25% to 75%.

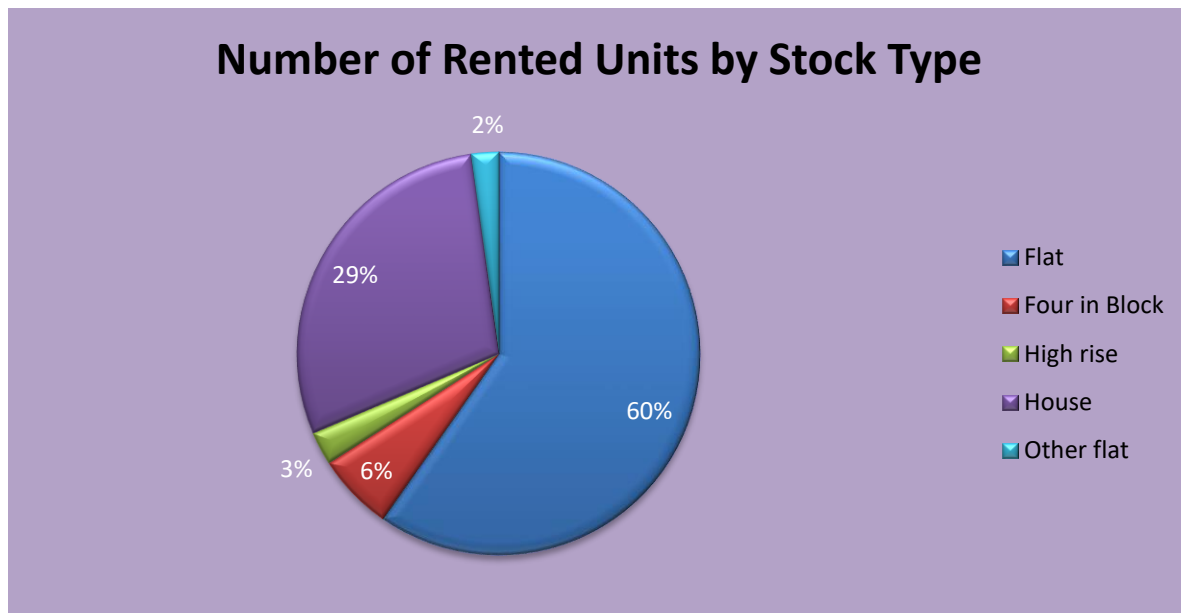
### 3.12 Self-Contained Stock Profile

The stock type & age profile of our self-contained rented stock by area (January 2017) is shown in the table below. As Right to Buy has now ended, stock should only increase in future unless disposals or demolitions are agreed.

AREA & TYPE	Pre 1919	1919-1944	1945-1964	1965-1982	1982-2002	Post 2002	Total
<b>BOW FARM</b>							
Flat					24		24
Four in Block		18			68		86
House		4			111		115
<b>BRANCHTON</b>							
House			59			92	151
<b>FANCY FARM</b>							
House			29				29
<b>GOUROCK</b>							
Flat					30		30
Four in Block			3				3
House			17				17
<b>GREENOCK</b>							
Flat	441		2		152	183	778
High rise					12	34	46
House		32	1			10	43
Other flat					12	12	24
<b>GRIEVE/WREN RD</b>							
Flat						12	12
Four in Block			16				16
House			8			70	78
Other flat						6	6
<b>LARKFIELD</b>							
House						29	29
Other flat						6	6
<b>OVERTON</b>							
House				7			7
<b>PENNYFERN</b>							
Flat			101				101
House			15				15
<b>RANKIN RISE</b>							
Four in Block					1		1
House					1	5	6
<b>WEMYSS BAY</b>							
House				8			8
<b>EAST GREENOCK</b>							
Flat	79						79
<b>Grand Total</b>	<b>520</b>	<b>54</b>	<b>251</b>	<b>15</b>	<b>411</b>	<b>459</b>	<b>1710</b>

### 3.13 Property Type

Our self-contained rented stock was acquired by stock transfer, rehabilitation and new build and is varied in location, construction, age and type. The variety in age, type, construction and location presents a challenge in managing the properties.



### 3.14 Key points:

- Tenement flats make up 60% of OTHA's stock with 30% of OTHA's total stock being flats which were built before 1919.
- The highest demand property type consists of main door houses which now comprises 29% of the stock. The majority of this house type was built after 1982 in Bow Farm, Branchton, Earnhill Gardens and Grieve/Wren Road.
- The remaining stock is made up of four-in-a-block flats (6%), high rise accommodation (3%) and other types of flats (2%).

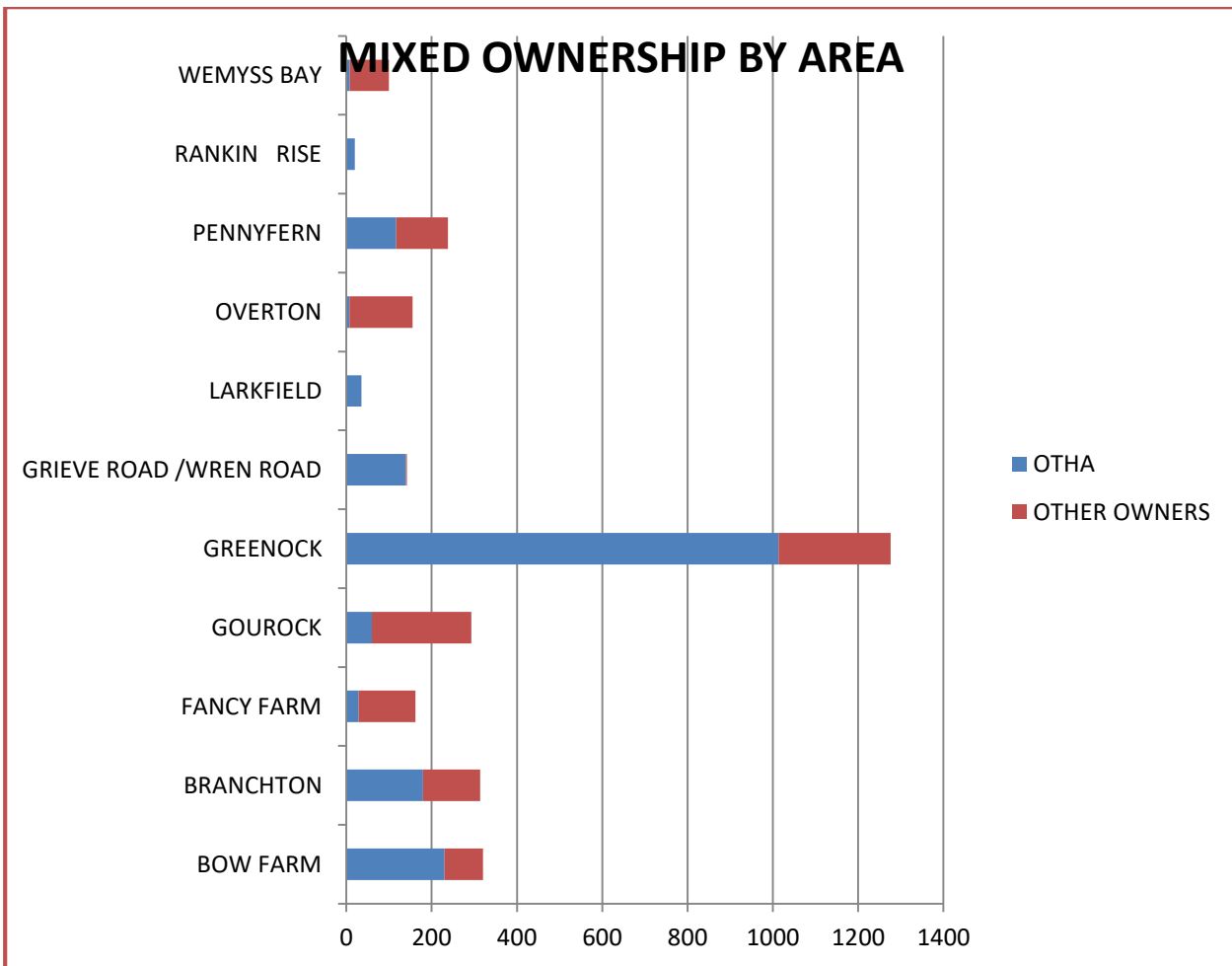
Type of Provision	General Needs	Ambulant disabled Standard	Amenity Standard	Wheelchair adapted Standard	Grand Total
Number	1371	7	294	38	1710
Percentage	80%	1%	17%	2%	100%

Most of the stock is classified as 'general needs' with 17% being built as 'amenity' standard. There are 32 units of 'supported' accommodation where the support is intrinsically linked to the stock. There are significant numbers of general needs properties in addition, which have had minor adaptations carried out with stage 3 funding to meet the needs of the residents.

### 3.15 Tenure

Tenure mix varies widely within areas. Having a greater tenure mix can be a positive (where the economic profile of the area is uplifted) or a negative (where difficulties arise with securing participation in improvement programmes).





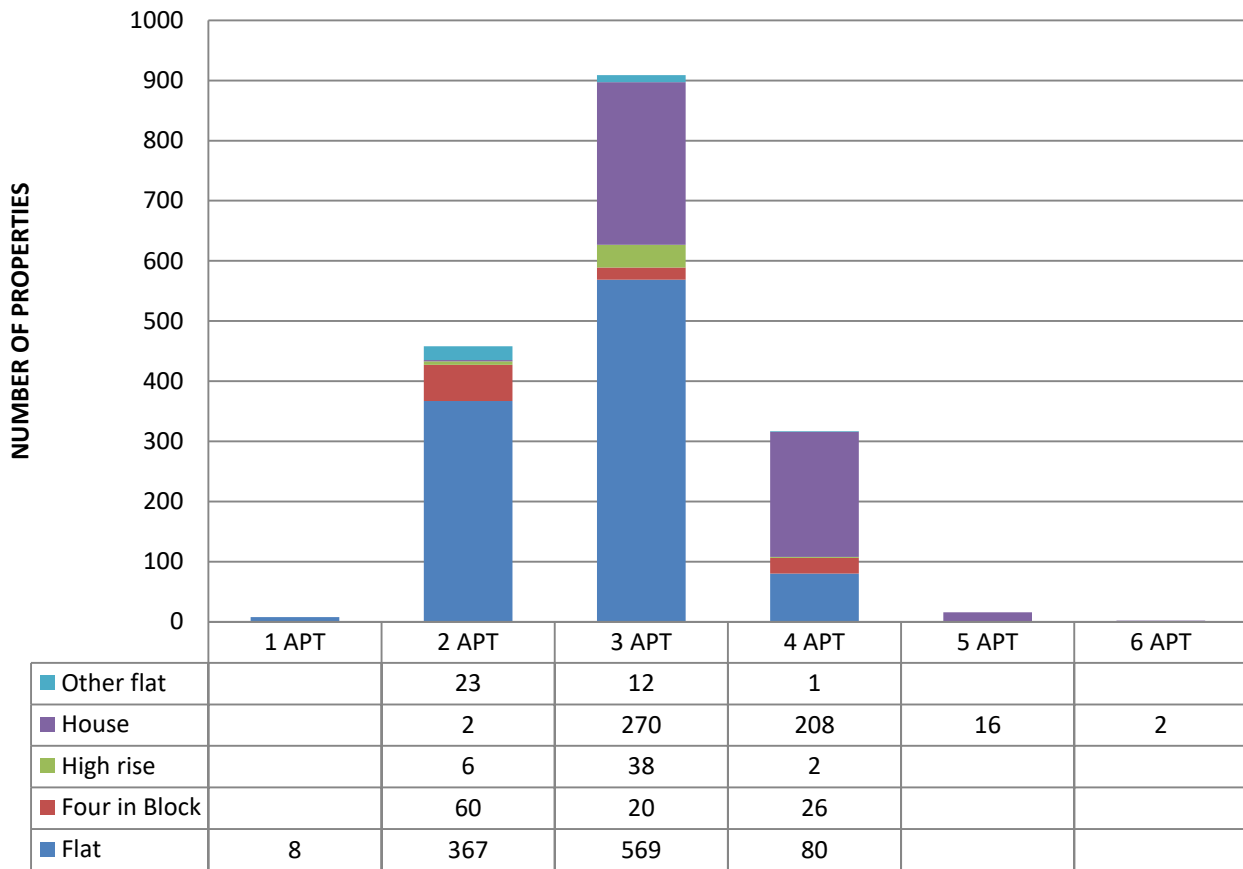
In most of the large scale stock transfer areas, OTHA owns a small minority of the properties. In the older traditional tenemental areas such as the West Station, West End and Wellpark, other owners account for around 20% of the profile. However, in properties built or developed by OTHA since 2002 in new build developments, OTHA generally is the sole owner with the exception of any shared ownership element.

In many areas, the flats owned by factored owners are let. Privately rented flats within OTHA's closes often add to management problems. The private rented sector generally provides low quality options in areas where social housing predominates particularly where unimproved tenemental stock is also present in the vicinity.

### 3.16 Size

Property size ranges from bedsit type accommodation (1 apartment) to 6 apartment properties. The introduction of welfare reform changes have affected demand levels for smaller properties (positively) and larger properties (negatively) as well as affecting the levels of under occupation and overcrowding. Single people make up the majority of applicants and their preference for an extra bedroom has effectively been removed even with mitigation measures in place unless they do not rely on welfare benefits.

## SELF CONTAINED PROPERTY SIZE BY HOUSE TYPE



There is a significant difference in demand levels for larger sized properties depending on whether they are houses (high demand) or flats (lower demand). OTHA owns 83 four apartment flats which are expected to be increasingly problematic to let if current conditions continue.

Small 1 bedroom properties have become more popular following welfare reform, but bedsits are hard to let and have a high turnover. Fortunately, OTHA owns only 8 properties of this size.

### 3.2 Stock Appraisal

3.21 Appraisal of all stock has been carried out using specialist software developed by IS4 and reported to the Management Committee in September 2016. The data will be updated annually and a new assessment carried out to measure changes in the baseline position as strategic action unwinds to change the stock performance.

The appraisal in 2016 included a review of:

- Stock condition survey information
- Financial assessment of net present value at the unit level based on historical void & repair costs and future investment plans
- Neighbourhood assessment
- Tenant feedback via the independent satisfaction survey
- Management costs

Stock was categorised into red/amber /green (sometimes called the RAG assessment) to highlight whether stock is performing (green) or not performing (red) or where there is cause for concern (amber). This gives a strategic baseline which reflects OTHA's existing approach to dealing with stock. Changes to how stock is dealt with can then be developed.

3.22 The full report is appended but the summary findings are below:

- Overall the majority of stock is assessed as green (74%) and this will be the "core stock". All things being equal, OTHA will continue to invest in this stock going forward.
- There are 277 units assessed as amber and 206 assessed as red. These are the "cause for concern stock" and have been the subject of detailed consideration on how they should be treated going forward.
- OTHA's stock is assessed as having a baseline valuation of £38.536m. This is an average of £20,955 per unit. The average valuation of green stock is £28.817, but the average for red stock is significantly negative.
- 198 units are assessed as negatively valued representing a future financial liability where the planned expenditure exceeds the income to be collected by more than £2.545m in net present value terms or negative £12,853 per unit on average.

### 3.3 Identification of Core Stock, Cause for Concern Stock & Other Assets

3.31 This section will cover identification of and key issues concerning:

- Core stock
- Cause for concern stock
- Other assets
- New development

The table below shows the breakdown of the outcome of the RAG assessment completed in September 2016. The total figures include all types of property (1839 in total) including

- self-contained social rented stock excluding leased property below (1701),
- non-self-contained social rented stock (8),
- leased property (20),
- commercial properties (5) and
- shared ownership units (105).

There are also a small number of properties (11) which have subsequently been sold under the Right to Buy or as shared ownership tranche purchases. Sold properties have been omitted from the analysis of social rented stock later in this document which accounts for small differences in the number of units.

### 3.32 Distribution of Stock Assessed as Green, Amber and Red by Area

Ref	Total by key area (12)	Green		Amber		Red		Total	
		No	%	No	%	No	%	No	%
		1356	74%	277	14%	206	11%	1839	100%
1	BOW FARM	148	66%	52	23%	25	11%	225	100%
2	BRANCHTON	199	100%	1	1%		0%	200	100%
3	FANCY FARM	18	62%	11	38%		0%	29	100%
4	GOUROCK	60	100%		0%		0%	60	100%
5	GREENOCK	835	79%	166	16%	60	6%	1061	100%
6	GREENOCK EAST	19	24%	45	57%	15	19%	79	100%
7	LARKFIELD	34	97%	1	3%		0%	35	100%
8	OVERTON	7	100%		0%		0%	7	100%
9	PENNYFERN FLATS		0%		0%	101	100%	101	100%
10	PENNYFERN COTTAGES	11	69%		0%	5	31%	16	100%
11	RANKIN RISE	17	94%	1	6%		0%	18	100%
12	WEMYSS BAY	8	100%		0%		0%	8	100%

The main business of OTHA is the development and management of social sector housing. The main focus of the asset management strategy therefore, is to secure the future performance of this stock and as a result, less attention has been given to ancillary stock as long as it is performing positively.

### 3.33 Core Stock

Out of 1356 units assessed as green, 1248 are social sector rented properties let under a Scottish Secure Tenancy or similar arrangement. Broadly, new build flats and the majority of main door properties are securely assessed as green and these form 78% of the green stock. The remaining green stock is made up of rehabilitated flats. These groups together form the core stock.

### 3.34 Cause for Concern Stock

A detailed table of social rented stock which is categorised as amber or red is shown below.

RAG Assessment Outcome for Self-contained Social Housing Stock

AREA/SCHEME DETAILS	Location	Amber	Red	Average NPV
	Bow Farm	0	24	-15,620
	Bow Farm	38	0	5233
	Various	2	0	9022
	Pennyfern	0	101	-17,270
	Bow Farm	14	1	4769
	Fancy Farm	11	0	22793
	Pennyfern	0	5	-9783
	Rankin Rise	1	0	31659
	Greenock	5	2	£3,661
	Greenock	8	0	£10,719
	Greenock	15	2	£3,365
	Greenock	2	0	£718
	Greenock	9	0	£5,032
	Greenock	3	1	£4,526
	Greenock	11	1	£4,117
	Greenock	12	3	£5,278
	Greenock	18	7	£22
	Greenock	3	4	£1,389
	Greenock	6	3	£598
	Greenock	9	0	£5,519
	Greenock	4	0	£6,317
	Greenock	12	6	-£1,430
	Greenock	0	8	-£2,211
	Greenock East	2		£2,226
	Greenock East	11	1	£5,472
	Greenock East	7	7	-£530
	Greenock	4	0	£4,837
	Greenock	6	4	£1,490
	Greenock East	9	0	£2,526
	Greenock East	14	0	£4,141
	Greenock	1	0	£6,876
	Greenock	6	9	-£1,179
	Greenock	6	1	£1,464
	Greenock	2	0	£4,169
	Greenock	6	1	£3,263
	Greenock	6	0	£4,944
	Greenock	1	5	-£3,715
	Greenock	4	0	£2,827
	Greenock East	2	7	-£3,482

The “cause for concern” stock can be subdivided into groups:

- Group 1 Cause of Red/Amber status can be explained and a solution is available
- Group 2 Cause of Red/Amber status is associated with a range of factors and a more complex and nuanced approach is required
- Group 3 Serious “cause for concern” stock
- Group 4 Cause for concern due to size or flat position (basements/attics & bedsits)

### 3.35 **Group 1 Cause of Red/Amber status can be explained and solution available**

AREA/SCHEME DETAILS	Location	Amber	Red	Average NPV
<b>Ex BFHA Tenement Flats</b>	Bow Farm	0	24	-15,620
<b>Ex BFHA Main Door</b>	Bow Farm	38	0	5233
<b>Leased properties</b>	Various	2	0	9022
<b>LSVT Main Door</b>				
BOW FARM LSVT	Bow Farm	14	1	4769
FANCY FARM LSVT	Fancy Farm	11	0	22793
PENNYFERN COTTAGES LSVT	Pennyfern	0	5	-9783
<b>New Build Main Door</b>				
NEIL STREET NB	Rankin Rise	1	0	31659

The properties in Bow Farm have been subject to high historical costs, but the main factor affecting the NPV performance is the rents, which are set at very low levels. The rents are being adjusted upwards substantially over the next few years reflecting the association’s rent policy agreed in 2015. At the same time, historical factors affecting demand and turnover have eased and it is projected that this trend will continue making the future for these properties much brighter.

The leased properties and the property in Neil Street appear to show red/amber due to anomalies caused by unusual factors affecting costs, but which were subject to offsetting income (from an insurance claim or recharges to Inverclyde Council). No specific action is therefore required.

In the Bow Farm LSVT properties, work during 2016-17 to clad the buildings has inflated costs, but dealt with energy performance & condensation issues. The work is now complete so will not affect the assessment next year.

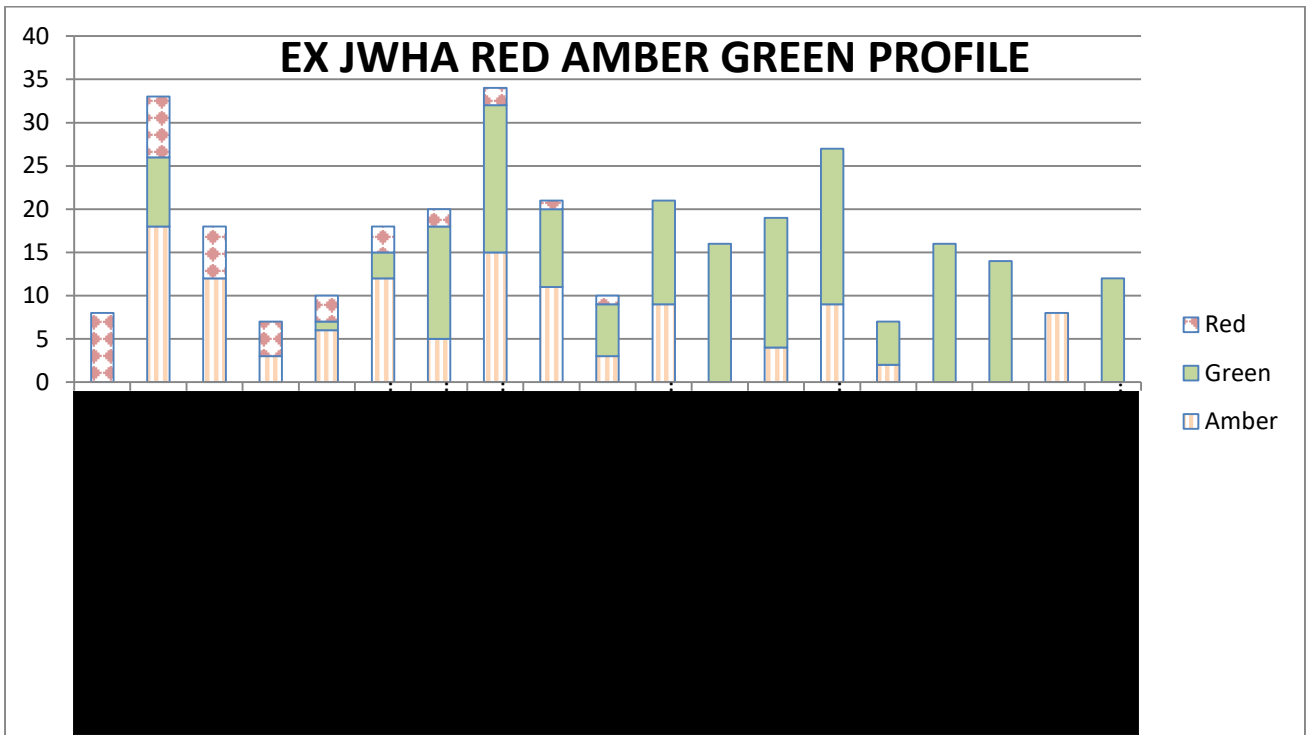
In Fancy Farm, strong overall financial performance for the scheme was offset by low tenant satisfaction ratings, high turnover and some properties with low rents which are currently being adjusted. Turnover and tenant satisfaction were both based on low numbers subject to potential high rates of error rather than showing reliable trend information.

In Pennyfern cottages, scheme costs from the low demand Pennyfern flats were averaged over the main door properties distorting the outcome. This will be amended in the analysis in 2016 and no further action is required.

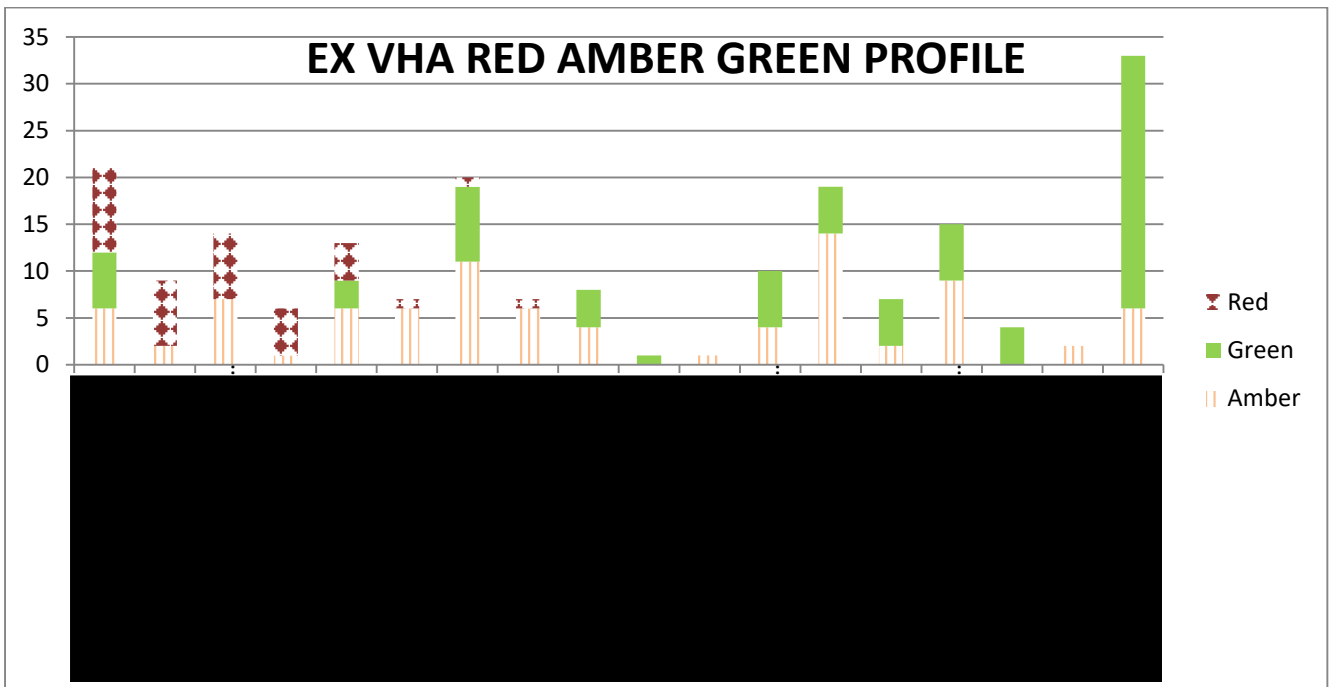
### 3.36 **Group 2 Cause of Red/Amber status is associated with a range of factors and a more complex nuanced approach is required**

Cause for concern stock is mainly concentrated in traditional tenement rehab flats in stock previously owned by the James Watt and Victoria Housing Associations. This stock is located in Central Greenock, East Greenock and the West Station. Due to high stock numbers (this group accounts for 30% of OTHA’s rented stock) and the rate of red/amber assessments (only 52% and 38% was assessed as green respectively) these two groups of traditional rehab flats represent a significant risk to the association if further deterioration in performance occurs.

The charts below give the overall profile of all schemes in the two areas.



For ex JWHA schemes, around half have some red properties, but there is a higher volume of green properties overall. There are a small number of schemes which are all green denoting higher overall performance.



For ex VHA stock, the proportion of amber stock is higher and the proportion of green stock is lower.

A number of factors are thought to have adversely affected the RAG assessment in relation to ex JWhA & VHA stock:

- Handover date – some flats are more than 25 years from the rehabilitation date.
- Condition – although work has been carried out to components, some elements affecting internal or external appearance have not been in the programme. Appearance can appear shabby as a result.
- Flat position – basements and attics are generally less popular. There are examples above where only the basement flats within a scheme are cause for concern.
- Location – there are significant differences in demand for different areas with flats in the east of Greenock, West Blackhall Street and some parts of the West Station being less popular. Some properties are on steep hills or surrounded by unimproved private sector properties.
- Flat design and size – bedsits are subject to high turnover, some larger sized flats are less popular particularly if on a higher floor.
- Density – some closes have three flats to a landing. Some locations have a high volume of flats in a small area.

Further detailed analysis has been carried out involving feedback from tenants and staff. The overall performance and the underlying reasons have been assessed which has led to a shorter list of priority schemes and groups of stock for attention. Where the factor leading to red performance is easily explained and has been dealt with, the schemes have been removed from the priority list.

AREA/SCHEME DETAILS	Location	Amber	Red	Average NPV
<b>Rehab Flats ex JWhA</b>				
	Greenock	5	2	£3,661
	Greenock	8	0	£10,719
	Greenock	15	2	£3,365
	Greenock	2	0	£718
	Greenock	9	0	£5,032
	Greenock	3	1	£4,526
	Greenock	11	1	£4,117
	Greenock	12	3	£5,278
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AREA/SCHEME DETAILS	Location	Amber	Red	Average NPV
<b>Rehab Flats ex VHA</b>				
	Greenock East	2		£2,226
	Greenock East	11	1	£5,472
	Greenock East	7	7	-£530
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	Greenock	6	9	-£1,179
	Greenock	6	1	£1,464
	Greenock	2	0	£4,169
	Greenock	6	1	£3,263
	Greenock	6	0	£4,944
	Greenock	1	5	-£3,715
	Greenock	4	0	£2,827
	Greenock East	2	7	-£3,482

### 3.37 Group 3 LSVT Maple Road Flats

AREA/SCHEME DETAILS	Location	Amber	Red	Average NPV
<b>LSVT Flats Maple Road</b>	Pennyfern	0	101	-17,270

Stock in the Maple Road flats has been identified as low demand for some years. Various strategies have already been implemented which have helped to stabilise the trend for falling demand and increasing voids. The flats remain the worst performing stock in ownership with a negative NPV for every property. A detailed option appraisal in December 2014 outlined a relatively cautious approach as follows:

- Continuing with the enhanced void works to sustain letting in all closes with additional expenditure of up to £2500 per void in addition to the normal void expenditure. It was agreed to stop reconfiguration which was no longer necessary.
- Commencing a review of the future planned and cyclical works programme with residents and to make it consistent with the investment plans.
- Investment in a full programme of works 1-5 Maple Road 31 – 35 Maple Road of this report to effect the upgrade of all common areas for 3 closes. Works included cladding to improve energy performance. This work is now complete in the 6 closes identified.
- Review impact of improvement, tenant satisfaction and effect on demand levels in 2016-17 and make a decision regarding works to any further blocks.

Lets have been made to asylum seekers in 2016 which has allowed letting of 3 bedroom properties where the demand was non-existent previously. Although these lets may not be sustained in the long term, there are likely to continue to be some new cases in the future.

The turnover in Maple Road has stabilised in 2016 which is a significant factor in reducing voids and void loss. Demand levels have improved to some extent and although void loss in 2016-17 was high due to long voids, sufficient progress has been made to let these properties, that the void rate now stands at 3% with good prospects of reducing further.

Although the SMT recognise that the good progress made could be subject to reversal, it is proposed to keep the positive momentum going by rolling out the improvement programme in a further 3 closes (18 flats). In addition, the Richmond Fellowship have expressed an interest in developing a supported project in up to 2 closes and this is being progressed by the working group.

The situation in Maple Road will be kept under review and reconsidered annually as part of the annual asset management review. A inter-section working party will continue to monitor and lead action in this area.

### 3.38 **Group 4 Cause for concern due to size or flat position**

In addition flats in the following categories are spread throughout the pre 1919 tenemental stock:

- Basement flats
- Attic flats
- Bedsits

For most of these types, sustainability of tenancies is short, increasing turnover. Demand levels are low and many are difficult to let. There are a number of factors including overall size, lack of light & high number of stairs which may be present. None of these can be changed.

Although disposal might seem like a positive option to avoid future negative impact on the business plan, there is a concern about purchase by private landlords adding to management problems in OTHA's closes. The need to avoid negative effects on adjacent properties defeats this option.

Strategies adopted to date have included extra investment in voids to enhance attractiveness to potential tenants including decoration, bringing forward planned maintenance, and adding facilities such as showers. Properties have been actively, but accurately marketed to maximise real demand.

### 3.39 **Non self-contained stock**

OTHA has 4 units with 8 bed spaces of shared accommodation currently let on occupancy agreements within 3 community care projects with 24 hour support. Each could be easily converted back to mainstream use if demand reduces or funding to sustain the projects is withdrawn. This type of provision will be retained as long as there is demand and willingness from partners to provide care. However, it is unlikely that numbers will be expanded in the future.

### 3.40 **Leased stock**

OTHA has a variable number of properties leased to provide temporary accommodation. Currently, 20 properties are leased. Properties can be converted back to mainstream use if required.

### 3.41 **Other Assets**

Shared ownership – OTHA has 105 units of shared ownership stock delivering a positive NPV and income to the association's business plan. This type of provision is no longer promoted so no further expansion in numbers is projected through development. Over time, units will be sold outright so numbers are likely to slowly reduce.

Occasionally, OTHA is offered the chance to purchase from a sharing owner, usually when the unit cannot be sold. Each case is considered on a case by case basis, but OTHA's social purpose is a key part of the consideration.

Commercial – OTHA currently has the following commercial units:

- Nelson Street Office – currently about to be void, this property has been successfully let for many years. Prospects of letting are good, but if this proves to be unsuccessful, the option of reconvertng back to residential accommodation will be considered.
- Crown Street shop – this property is to be subsumed into adjacent property and occupied by OTHA to extend the current office premises.
- High Street office – occupied by OTHA as current office premises.
- Nicolson Street shop – leased to a hairdresser. No significant void periods have been experienced.
- Nicolson Street shop - leased to a support agency. No significant void periods have been experienced.
- Advertising board – the board attached to the association’s office generates a small income, but at times has proved hard to let. No costs are associated with the board.

The general commercial units have either been acquired through the tenement rehabilitation process or to meet OTHA’s needs for office accommodation. The stock represents a minor part of OTHA’s business, but contributes in a small way, to the overall amenity of neighbourhoods. Whilst properties can be leased, this will be done at market value or as close as possible. If leasing becomes difficult it is likely the association will attempt to sell at the best price possible at the time.

In relation to OTHA’s own office needs, currently options to extend the High Street office are being considered. The Management Committee will continue to make decisions on this matter as appropriate.

### 3.42 **New Development**

OTHA operates in an unusual environment, where social rented housing is more readily available than in many areas where it is usually in short supply. The focus is therefore on the relative quality and demand level of social housing.

OTHA has chosen to remain a developing association. Internal analysis has shown that it takes more than two decades before new build housing adds a positive financial contribution to the business plan. Existing tenants have to subsidise development in the short to medium term. However, it is also recognised that there is potentially a long term risk in not pursuing development as OTHA’s stock ages and may fail to keep up with future tenants’ aspirations. In this context, OTHA will adopt a cautious approach and ensure development is in line with the Local Housing Strategy and the perceived needs of Inverclyde going forward.

Following the review of asset management performance, it is clear that the priority for new development is to build new main door properties rather than flats going forward. The Management Committee have agreed to develop the following schemes:

Scheme	Units
Garvald Street, East Greenock	45 houses
Shore Street, Gourock	8 flats
Auchmead Road, Greenock	38 houses
Upper Bow Farm, Greenock	54 houses
Killochend, Greenock	20 houses

## 4.0 Options Appraisal

4.1 This section will cover plans for the future including changes in or strategies for:

### Planned & Cyclical Maintenance Programmes

Planned maintenance of major stock elements is scheduled according to agreed cycles and laid out for every property. The detail is attached as per the 30 year plan appended. The programme is subject to annual review following inspections linked to the forward programme and feedback from tenants. The review of the programme will be considered in future by the asset management working group before being fed into the budget development process.

A review of schemes will be required as development schemes approach 30 years from comprehensive tenement refurbishment. Consideration needs to be given to whether provision needs to be made for elements not currently included in the elemental programme as an alternative to scheduling refurbishment at some stage. More detail on this is given below.

### 4.2 Energy efficiency measures

The Stock Condition Survey undertaken by David Adamson & Partners Ltd identified that concerns regarding EESSH priorities related mainly to the LSVT stock and the pre 1919 sandstone tenements in and around the West Station area. As a consequence of this, further detailed analysis of this stock is presently taking place and the outcome of this exercise will be used to finalise a Delivery Plan to ensure OTHA is able to meet its obligations regarding EESSH compliance by 2020.

4.21 LSVT STOCK - In summer 2016 an exercise was commenced to analyse 225 properties where the existing records held by OTHA indicated a SAP rating that would not meet the EESSH standard by 2020. The exercise entailed desktop analysis, carrying out new EPC surveys using the latest rdSAP version, (rdSAP 2012 v 9.92) and cloning properties from the new surveys. The analysis was concluded in November 2016 and the SAP ratings for all cloned and surveyed properties has been recorded on OTHA's SDM system and is subject to continuous update when voids are turned around and when planned maintenance or other energy efficiency related works take place.

#### ***In Summary***

No further detailed analysis is required regarding the LSVT stock as sufficient data now remains on record to determine requirements. The only area highlighted as a concern was Overton. External Wall Insulation (EWI) has now been factored into the 2017/18 planned maintenance programme of work as a means of bringing the Overton properties and subsequently the LSVT stock into line with regarding EESSH attainment.

4.22 West Station Pre-1919 STOCK – In November 2016 OTHA's Energy Assessors moved on to assessing the stock in the West station area, again focusing on the list of properties identified in David Adamson & Partners Ltd Stock Condition Survey as requiring consideration under EESSH. This analysis is still ongoing. The initial desktop exercise did identify a need to replace some of the older heating systems that had been installed in a number of tenements during the early phases of the West Station Housing Action Area Programme. Funding for a proportion of this work was secured and an additional 60 heating system replacements were added to the 2016/17 planned maintenance programme of works.

When the analysis of the West Station stock is finally concluded, OTHA will be also be in a position to finalise its Delivery Programme regarding EESSH compliance requirements.

#### 4.3 Tenancy & Neighbourhood Management

OTHA recognises the importance of using effective tenancy management to promote sustainable neighbourhoods. We have high concentrations of tenemental stock in high profile corridors in the Greenock. There are additional challenges posed by multi tenure closes and high density neighbourhoods. We have been working with residents in various problem areas to identify new approaches. OTHA has been piloting additional approaches building on our existing good tenancy management strategies. We plan to expand on this approach to build in flexibility for priority schemes. For example:

- We carry out quarterly inspections for most closes and neighbourhoods and already increase inspections where there is a need. We plan to target problem areas more often.
- We have rolled out targeted inspections in complex schemes where the physical environment is different from the norm. For example, areas with underground car parks, bin chutes, paladin bins, venting systems. This now means that issues which were not being identified are now being dealt with.
- We recognise the need to roll out additional services (such as bin management, close window cleaning, and bulk refuse removal) on more flexible basis. The services will be delivered on an ad hoc basis as required. They target areas where individual resident responsibility is hard to pin down (bulk refuse removal), where it isn't reasonable to expect tenants to take on the responsibility (close window cleaning where the windows are in difficult locations), or where no other strategy can be found and the environment/amenity is being affected (bin management).
- It is not proposed to introduce more close cleaning services as tenant consultation has ruled out this measure. It would be expensive, removes tenants' responsibilities and there is no general appetite for close cleaning to be introduced.
- We will continue our involvement in resilience initiatives working with partners to deal with neighbourhood issues.

#### 4.4 Rent & Service Charges

OTHA recognises the need to ensure rents and service charges meet future funding requirements and link the annual rent increase review to the business & budget planning process. This ensures the association's future viability.

A new rent policy was reviewed 2015 and this will be subject to a full review every 5 years. A detailed process of rent restructuring is underway and will continue to roll out over the next 5 years or so. Future rent policy reviews will involve assessment of costs in case alignment to higher costs needs to be achieved. The review has also linked demand levels and property attributes to the rent levels which should be more sustainable going forward.

#### 4.5 Financial Planning

SAMS software developed by IS4 is being used to assess the Net Present Value (NPV) of all stock units. This annual process will be done on an increasingly accurate basis and is able to project cash flow for 30 years ahead to allow for longer term planning based on good quality financial modelling.

Allocation of costs within the business plan will improve with planned changes to the nominal structure due in April 2017. The SAMS tool will allow asset management decisions to be made on a more informed basis. Although, some modelling and sensitivity analysis had previously been carried out, OTHA can now drill down to the unit, scheme and estate analysis that highlights the value of each asset to our business plan. This allows trends to be more easily identified and corrective action taken if required.

The SAMS analysis and modelling enables better risk management and makes sure that key priorities are identified and resourced. It is imperative that OTHA makes sure that we keep resources available for major works into the future and cover future contingencies.

#### 4.6 Identifying Need for Comprehensive Works

There is a high correlation between the timing of comprehensive refurbishment in tenement stock and a negative or low NPV. This points out the clear need for older problematic schemes to be reviewed from a maintenance and investment perspective. Some problems seen in older tenemental stock for example, include deterioration in the facade, damage to close doors, staining on brick, render & masonry surfaces from algae, lichens, efflorescence etc. and unstable coping stones externally. We need to recognise the importance of kerb appeal to potential and existing tenants and the contribution of well-maintained exteriors make to sustain the image of the neighbourhood.

Internally, electrical fittings or joinery work may look old fashioned and in poor condition. Some properties have uneven floors and timber windows that perform poorly. The effect of the tenants' ability or willingness to decorate over time has a major impact on the internal appearance of properties. These factors affect the attractiveness & level of comfort that a property offers. Although some tenants have the resources and skills to overcome them by decoration, many in the social housing sector do not.

A great deal of investment has been carried out in older properties in stock transfer estates (generally main door properties acquired through LSVT). In many cases, planned maintenance has been carried out at the void stage after being missed at the time of improvement. This process in relation to LSVT stock is largely complete with much of the main door stock being in good condition.

There is a need to consider how we approach stone repairs, joinery upgrades and any other significant elements not currently in the 30 year elemental programme with particular reference to pre 1919 tenemental stock. There are several options ranging from carrying out rehabilitation works, setting aside funding on a contingency basis for small scale works as identified or carrying out internal works when properties become void to deal with internal issues.

It is likely that a combination of measures may be required and the approach adopted will vary between development schemes depending on the resources available and how pressing the need is.

#### 4.7 Strategy for Maple Road

The Maple Road Group will continue to drive the following actions in line with the discussion in section 3.37 and 5.14 of this report.

- £15,000 being made available to continue work in enhanced voids
- Investment £230,000 in refurbishment of 3 further closes
- Continue exploring joint working with Richmond Fellowship to develop a supported housing scheme
- Continue to take asylum seekers in order to boost demand
- Close monitoring of key indicators such as turnover, demand levels and void loss by the Maple Road Group reporting to the SMT

#### 4.8 Identification of demolition/disposal strategies

The SMT believe that there is no case to reduce stock through disposals or demolitions at this time. However, as strategies are implemented and reviewed, this may change in the future. If overall demand levels drop in Inverclyde with continuing decreasing population and the climate becomes more hostile, some low demand properties may become increasingly difficult to let. This extreme

outcome is not likely, but properties at the lower end of the demand scale could potentially be affected in the future.

Disposal of stock could allow OTHA to concentrate resources on stock which delivers good performance financially and in terms of meeting tenants' aspirations. However, disposal can be difficult. In many cases, it could mean transfer to a private landlord adding to the problems of a difficult neighbourhood.

Demolition is an expensive option and could be considered as a last resort when the costs of keeping a property on a cash flow basis, outweigh the income and there is little prospect of change. At this time, there are no plans to consider this option.

#### 4.9 Guidance for future development/acquisitions

Development presents some risk for any association so needs to be considered carefully according to funding availability, impact on business plan and fit with Inverclyde Council's Strategic housing Investment Plan (the SHIP). The following principles are recommended:

- OTHA should concentrate efforts on developing main door properties rather than flats
- Flats can be built if there is a specific need identified in the SHIP, but this would be on a small scale.
- OTHA will continue to be cautious about acquiring shared ownership units and will only do so after consideration of each case on its specific merits.
- OTHA does not seek to buy properties off the open market. Without funding, this is an expensive option and causes problems with meeting the SHQS and in non-standard components.

#### 4.10 Changes to void standard

Improvements to void standard were introduced in 2013. The new standard has continued to improve tenant satisfaction since this point. OTHA is aware, however, of changes introduced to void standards in Broomhill by River Clyde Homes or by other local social landlords which may raise the expectations of prospective tenants even higher. For example introducing a range of high tech options, provision of white goods, showers in addition to baths, & floor coverings as standard or in targeted voids.

Discretionary void works in an 'enhanced void standard' has been piloted and adopted in lower demand or problematic stock for some years. These included more works to enhance appearance of the void, in addition to basic maintenance measures. This work has been done in Maple Road, bedsits, basements and properties where letting has failed on a reactive basis. Discretionary void works have been agreed on a case by case basis – works included provision of showers, carpets or other flooring, some decoration, bringing forward planned maintenance by replacing a kitchen or bathroom or any other minor works to deal with unattractive elements such as upgrading electrical fittings or a fan. These have demonstrated that such targeted investment can improve demand and tenancy sustainability. These effects mean the property can be let instead of lying empty, and the tenant is more likely to stay therefore avoiding or reducing future void costs.

In Maple Road flats, works have also been carried out to remodel to reduce the number of bedrooms. Although this was done as a direct response to the "bedroom tax" and to deal with a specific mismatch between the flat sizes and demand, the works were effective in improving demand levels and tenancy sustainment improved substantially from a very low level. Remodelling in this way has ceased, but the profile of the stock has been changed for future letting going forward. It is not proposed to reintroduce remodelling in Maple Road flats as a high proportion of flats have been remodelled and it is an expensive option.

As a well tried and tested strategy, investment in enhanced void standards in targeted voids will be a key part of future asset management plans. Provision of floor coverings is very successful in changing a property into a more homely environment and effectively targets the lack of resources of potential tenants. It is relatively cost effective at around £600 per unit. Carrying out investment in planned maintenance items is usually either carrying out works which have been missed, or bringing forward works that are due soon, which means there is a very limited financial outlay when viewed over the longer term. Decoration is expensive and needs to be rationed carefully, but if targeted at key areas within a property and done alongside a decoration allowance, the effect is maximised and well received by tenants.

#### 4.11 Changes to Allocations Policy, Lettings Practices or Strategies to Build Demand

Currently, OTHA uses choice based lettings through a common housing register which is believed to maximise access for applicants to OTHA's stock. The properties can be actively marketed to those applicants most likely to be interested in housing in any particular area. It is important to be clear about the good and bad points about a void property and the use of internal photographs increases the ability of an applicant to choose which properties they wish to live in. This in turn increases tenancy sustainability as tenants have chosen properties according to their features, to match their own requirements.

Choosing to allow under-occupation at the letting stage is a useful tool as it significantly increases the volume of potential tenants. Around half of applicants are single people or couples requiring one bedroom properties. There are many tenants who would wish to have spare rooms for visiting family members, access to their children or just for the space. Under-occupation can give an incentive for a tenant wanting more space to take a particular property. It helps to let properties with small rooms, cam ceilings or general lack of overall space.

Welfare reform impedes flexibility in letting to promote under-occupation. Although, many tenants do not rely on subsidy to pay their housing costs, the vast majority will over the course of their tenancy with 74.8% of OTHA tenants in 2015-16 receiving housing subsidy at some point in the year. Rules for calculating the subsidy rates under Universal Credit based on the household size are more draconian than under the "bedroom tax" and existing mitigation measures cannot be relied upon in the long term. Deliberately allowing under-occupation increases the risk that tenants will be left with a shortfall to pay at some point in the future which will affect their ability to pay their rent or sustain their tenancy.

It is therefore not recommended that to amend the Allocations Policy to allow flexibility in letting to allow under-occupation. This option was removed in 2014.

However, it is possible to review house sizes and use of rooms on a small scale where this is reasonable and reclassify the number of bedrooms at the time of reletting. Where as a precondition overall demand levels are low, the situations where this may be considered are as follows:

- Where a property has small rooms so that it is hard to accommodate all the normal furniture required for living such as beds, wardrobes and other necessary items.
- Where there are "cam" ceilings adversely affecting how furniture can be laid out.
- Where storage space is limited in relation to the potential number of occupants.
- Where the property is designed for special needs which require additional storage space to for example store specialist equipment.

Another way to build demand using allocations practices is to work with special needs agencies to try to link support to housing or create supported units where appropriate. In the current climate, it is unlikely that there will be sufficient funding for the support for tenants in any new schemes in any numbers, but two options are being pursued:

- Discussions with Richmond Fellowship are ongoing in Maple Road in relation to 2 closes.



- OTHA will remain open to approaches to house more asylum seekers via the funded programme.

## 5.0 Action Plan

This section will include key actions and programme of future reviews, decisions, and strategies.

### 5.11 Financial Provision for Asset Management

Budget provision in the 2017-18 budget and modelling of the future cash flow has been made to ensure the 30 year planned & cyclical maintenance plan can be delivered going forward and to deliver normal services. The specific details of additional planned spending agreed for 2017-18 and future years are as follows:

### 5.12 EESSH investment

The budget provision from 2017-18 till the 2020 implementation of the EESSH standard is £100,000 per annum. Expenditure will be as per the EESSH delivery plan.

### 5.13 Additional Investment in Voids

Building on existing funding levels which allows some enhanced investment in Maple Road voids (£15,000) and on a small scale for difficult to let stock (within existing void budget), a further £70,000 has been identified for a range of discretionary works in the priority schemes from group 2. This expenditure will be identified by key staff members in the housing services and maintenance teams on a property led basis and subject to strict budget control. It is anticipated that up to around £1,000 may be spent in up to 70 voids per annum in the group 2 priority schemes in addition to normal void works. The expenditure is likely to mainly be on floor coverings and void decoration, but other works may be carried out to enhance the property and improve lettable such as improving amenities or improving the general appearance.

### 5.14 Maple Road

Funding for improvement in a further 3 closes has been included in the budget as follows;

Kitchen carcasses	19,386
Kitchen doors etc	42,174
EWI	49,000
Close Floors/Décor	30,000
Externals	60,000
Other/Smart Technology	30,000
Totals	£230,560

### 5.16 Enhanced Estate Services

Additional funding has been agreed in the budget of £40,000 to cover the cost of flexible estate services in Group 2 priority schemes including periodic close window cleaning, bin services and removal of bulk refuse specifically to enhance amenity of the physical environment. This will be particularly targeted in key corridors in the town such as Nelson Street and South Street. Recharging of owners and tenants will be attempted only where there is a reasonable prospect of recovery in relation to the amount of work required to achieve payment.

### 5.17 Contingency for External Works

Additional funding of £30,000 has been set aside to cover the costs of works to improve the external environment in priority schemes over and above normal reactive and cyclical spend.

## 5.2 Strategies for Core Stock

Our plans will ensure that core stock and neighbourhoods are well maintained and will stay that way. This will be measured not only by stock surveys, but by regular and consistent reviews of tenant feedback and key performance indicators which may signal any movement off course.

OTHA will continue to deliver:

- Efficient responsive repairs and will plan to use responsive repairs to prolong component life & keep satisfaction high.
- Effective planned and cyclical maintenance, carefully planned and fully funded life-cycle replacement going forward.
- Good estate management will also help to support demand and tenant sustainability.
- Consideration of energy performance and securing funds for investment in lower performing stock will continue.
- Investment in voids will continue according to the normal void standard.
- Management of external areas and maintenance of the environment to affect the reputation of stock or neighbourhoods.

### 5.3 Strategies for “Cause for Concern” Stock

A range of actions have been identified against specific groups of stock in line with the options appraisal discussion above and the funding set aside earlier in this section. A summary is given in the table below.

Action point	Group1 Bow Farm Flats	Group 2 Priority Tenemental Schemes	Group 3 LSVT Maple Road flats	Group 4 DTL basements, attics & bedsits
Planned maintenance - review of existing plan against stock condition		•	•	
Energy efficiency measures in targeted schemes as per EESSH delivery plan		•	•	
Tenancy management – enhanced services delivered on reactive basis		•		•
Maintenance Review of external areas		•		
Rent Restructuring	•	•		
Refurbishment 2 closes Maple Road Review of need for refurbishment priority group 2 schemes		•	•	
Disposal or demolition				
Void standard – enhanced void standard, targeted improvements to voids		•	•	•
Letting initiatives – flexible letting, planned under- occupation, size recategorisation and active marketing		•	•	•

#### 5.4 Reviews

The asset management strategy is a developing and ongoing process. The first major review will follow the repopulation of the SAMS with 2016-17 data by June 2017 which should be complete by September 2017. It is proposed that all criteria will be held for the first year to allow for direct comparison with last year's outputs and assessment of how successful activity has been.

The asset management review group will review the outputs and review the outputs in October to December 2017 feeding into the action plan and budget development to be agreed by February 2018 for the following year.

## 6.0 Glossary

This section defines key words used in the document.

### ARC

Annual Report on the Charter

### Asset management

Ensuring that current and future assets (houses, land, garages, shops etc.) fully support the organisation's objectives – working towards having the right assets, of the right quality, in the right place, at the right time generating appropriate value to the business plan and 30 year cash flows.

### Business plan

A document setting out a landlord's aims and objectives and its financial plans and resources for a specific period.

### Cash flows

An accounting term that refers to the amounts of cash being received and spent by an organisation during a defined period of time.

### EESSH

Energy efficiency standard for social housing

### Financial forecast

A projection of the organisation's expected financial position based on expected conditions

### Housing Association Grant (HAG)

A grant that the Scottish Government or a local authority awards a RSL to acquire land or buildings and to build, convert or improve housing for rent or low-cost home-ownership.

### Internal management plan

A management plan defining operational targets which must be met in order for the overall strategy to be achieved.

### Key performance indicator

A measure of how an organisation is achieving its objectives or performing in particular activities. Performance indicators can be compared with a pre-set standard (a benchmark) or with other organisations.

### LSVT

Large scale voluntary transfer. For OTHA, this was from Scottish Homes in 1997.

### Net Present Value (NPV)

The value of stock based on a discounted cash flow. In the SAMS software this is over 30 years.

### Options appraisal

A structured process for considering alternative choices against appropriate evaluation criteria in order to optimise the achievement of strategic objectives.

### Private finance

Funding borrowed from a private sector lender such as a bank or building society.

### Procurement

The way an organisation obtains services or materials from other organisations or agents.

#### RAG Assessment

Red/amber/green rating highlighting how stock is performing according to the SAMS software.

#### Right to Buy (RTB)

The right of many Scottish tenants to buy their property at a discounted price, depending on length of tenancy.

#### Risk management

The process of defining and analysing risks, and then deciding on the appropriate course of action in order to minimise and mitigate these risks.

#### SAMS

Strategic asset management software developed by IS4 to carry out a comprehensive stock appraisal measuring the value of each stock unit to the business plan.

#### Scenario planning

A process of visualising and testing what might happen to affect the organisation's business, what the likelihood and impact would be and how to respond.

#### Scottish Housing Quality Standard (SHQS)

A minimum quality standard for all of Scotland's social homes. Landlords should achieve the standard by 2015.

#### Sensitivity analysis

Investigation into how projected performance varies along with changes in the key assumptions on which the projections are based.

#### Stakeholder

Any person or organisation using a landlord's service, affected by the landlord's actions or having an interest in the landlord's activities – an interested party.

#### Strategic Housing Authority

The local authority responsible for strategic housing planning in an area. In Inverclyde, this is Inverclyde Council.

#### Strategic Housing Investment Plan (SHIP)

Submitted by the Strategic Housing Authority to Scottish Ministers demonstrate how it will achieve its aims.

#### Strategic objective

A target that an organisation must achieve to make its strategy work.

#### Stress test

A test that looks at the impact on an organisation's business plan of a major change in one or more variables in order to see what effect this would have.

#### Treasury management

A policy governing the way an organisation manages borrowing and investments.

#### Value for money

Value for money is about obtaining the maximum benefit.