



Albyn Group Asset Management Strategy



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The Asset Management Strategy (Strategy) for Albyn Group captures all aspects of our stock investment plans over the next 5 years. It comes at a time as we look back on 50 years of service, our celebration is not only about honoring our past but innovating our future and how we go about making the greatest impact for the tenants and communities we support. There is no better way than setting out our plans around our financial investment and improvement in our homes.

Albyn's largest asset is its housing stock and property holdings. The development, repairs and maintenance of these assets is the largest financial liability; therefore, it is imperative that Albyn has a robust Strategy. The Strategy aligns with Albyn's business plan, vision and values and it highlights the strategic thread of specialist requirements relating to housing stock and property holdings.

The Strategy has been developed to set out Albyn's commitments to tenants and how we invest in our properties. The strategy links strategic business needs with the sustainable management and quality appraisal of its assets and its future investment needs through integrated cross-departmental delivery of services and engagement with tenants to understand their aspirations and needs.

The Strategy is effective from April 2023 to March 2028, and it identifies the required outputs and outcomes, whilst seeking improvements in the financial and physical performance of properties and achieving value for money.

The Strategy covers all rented properties which are either owned and/or managed by Albyn. The Strategy covers activities pertaining to all building components, engagement with tenants and other stakeholders and collaborative working across different teams in Albyn. The Strategy does not cover Albyn's offices or leased portfolio.

Albyn's Operational Directorate and Head of Service for repairs and maintenance leads on the delivery of the Strategy by working collaboratively with other teams in Albyn, the ELT, Board, tenants, and other key stakeholders.

Meeting the delivery of the Strategy over the next few years will be challenging due to the unknown scenarios and costs surrounding EESSH2, and Just Transition to Net Zero, however, Albyn will continue to invest in its properties, particularly in matters of safety and energy efficiency.

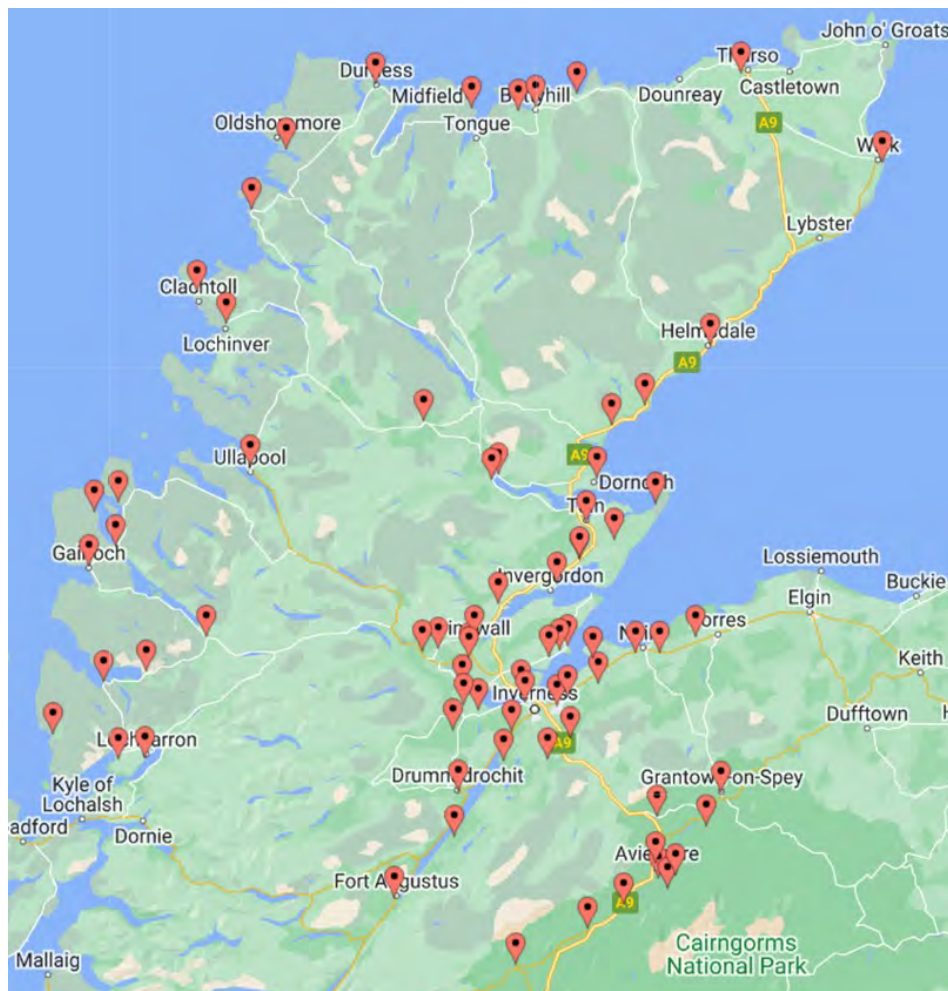
The strategy is written taking account the guidance from the Scottish Housing Regulator (SHR), Albyn recognises the importance of integrated asset management and follow recommended practice published in February 2023., which sets out five key practical principles and the principles align strongly with the 7 Regulatory Standards for Governance and Financial Management.



Background and context

About Albyn

Albyn was founded in 1973 and will celebrate a landmark 50th anniversary in 2023. Our properties are based in the Highlands. The map below identifies our locations, and we provide a service to over 70 communities across a vast and challenging geographical area. Albyn is one of 20 RSL's of systemic importance to the Scottish Housing Regulator (SHR). For Albyn this is due to our location, our size (3631 properties) and our debt profile (£94,401).



The first year of the strategy comes following an independent strategic options appraisal undertaken in 2021/22 to review options around our new build development programme. Albyn's Board reviewed its approach to stock growth with a decision to reduce the number of new homes being built and to focus on investing and maintaining existing homes. This sets our clear commitments to improve the quality of all homes that we provide for our tenants.

Our Strategy is directly linked to our updated Business Plan of March 2023 and outlines focusing on growing the business in a sustainable way by strengthening financial resilience to meet the challenges of the current economic climate, with a redesigned staff team to develop specialist knowledge and improve customer service. The Strategy should therefore be read in conjunction with the Business Plan.

The Strategy aims to deliver the following objectives:

Stock appraisal

- Further develop understanding of each home and its suitability to meet Albyn's short, medium, and long-term strategic objectives incorporating tenants' needs with sound stock appraisal measures for investment, disinvestment or reprovion

Tenant Safety

- Ensure the continued safety of our tenants by delivering a robust and pro-active approach to all areas of compliance

Develop with innovation

- Build 418 new homes and continue to be ambitious and sector leading on innovation and digitalisation Our FitHomes technology to support independent living for peoples' changing needs

Sustainable procurement

- Implement a robust procurement procedure that standardises procurement activities to include value for money, community benefits and supporting contractors to meet wider just transition targets

Delivering a greener future

- Develop a sustainability roadmap that encompasses just transition towards Net Zero, with targeted investment, an innovative approach to retrofit solutions to traditional and challenging stock types and be dynamic in our approach to seeking grant funding opportunities

Tackling fuel poverty

- Continue with investment to improve the energy efficiency of our homes and to work with partners to ensure that we provide sound energy advice and support to help tenants experiencing fuel poverty

We will achieve our strategic objectives by:

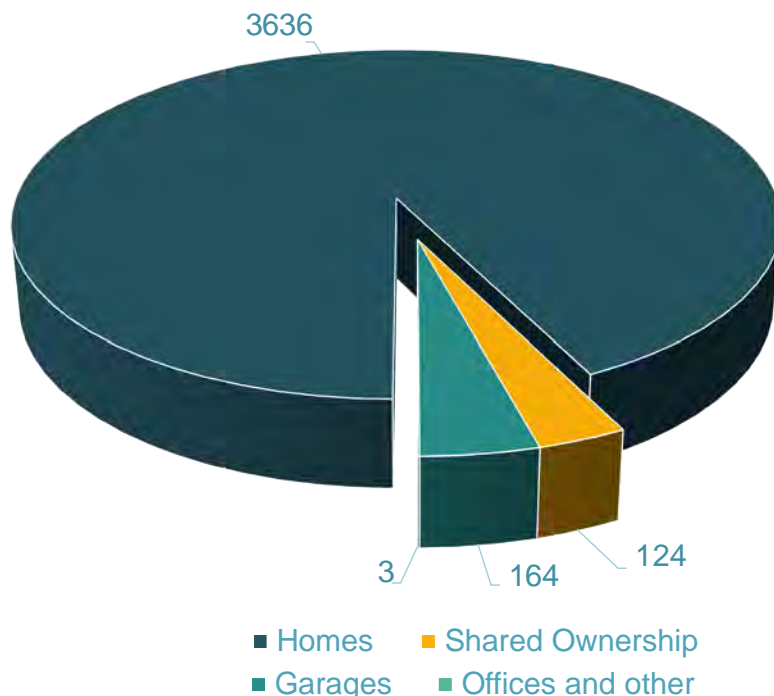
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- Carrying out regular stock condition surveys alongside robust long-term planning using analysis of stock condition and financial data, which enables us to project capital and revenue expenditure over a 30-year period
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- Establishing effective programmes for planned maintenance (including planned preventative maintenance), efficient planned property improvement work and other property safety-related works.
-
- Undertake collaborative, meaningful, and transparent engagement with tenants.
-
- Robust procurement- of services and goods from suitably qualified, financially stable, experienced, and accredited suppliers in a way that achieves best value for money. This will be about delivering a qualitative and cost-effective responsive repairs service that achieves high levels of tenant satisfaction.
-
- Actively seeking and optimising capital investment and funding opportunities for innovation and technology in both new build and retrofit. Completing and using the learning from pilot schemes that will inform our delivery to net zero..
-
- Regular benchmarking of performance of all activities and value for money against peers and always targeting high performance.
-
- Working with partners in Highland Council and Scottish Government to fund new homes that address the housing needs and demands of our region.
-
- Developing a roadmap to net zero carbon within the set timeframes. Seeking opportunities to employ a skilled sustainability officer to progress our ambitions across the group.
-
- Use, learn and develop from the valuable research from our innovation team and progress further the use technology to widen access to digital platforms to not only support independent living but to understand the impact across a number of areas of health and wellbeing

What we plan to do over the next five years takes account of being aware and being able to respond to the current challenges that the sector faces, in developing our Strategy these are the challenges Albyn face:

- Lack of investment in recent years on maintaining existing stock along with little external and fabric repair works. We will take a fabric first approach
- Damp and Mould, tenants not being able to afford to heat their homes
- Component Costs – Paying a premium in the Highlands a lack of value for money and limited options to reduce costs and there is uncertainty in global markets across supply chains
- Contractors in the Highlands have the ability to set their own rates with little to no competition to drive value for money
- Reactive repairs – For several years Albyn has operated without technical expertise which has impacted on the quality, delivery and value for money. We have been reactive in our approach and at times failed to address long-term issues on an area-by-area basis
- Data Management, our data is, contained across multiple platforms. The challenge will be how we use these systems in the short term whilst we invest and expand a combined in house system to transfer accurate property data into the future
- Fuel poverty we have a high number of properties with expensive electric heating and the need to ensure that energy-efficiency measures introduced for tenants provide actual savings to the household finances.
- EESSH2 and Net Zero – Ensuring our customers live in homes that are affordable to heat as well as achieving the specific demands of EESSH2 and decarbonisation with unknown criteria this places uncertainty around capacity to accurately plan for meeting the future financial investment.
- Services and support shortfall for our regions by other recognised providers that place pressures on our staff and resources.
- Possible change of direction politically with a new First Minister.

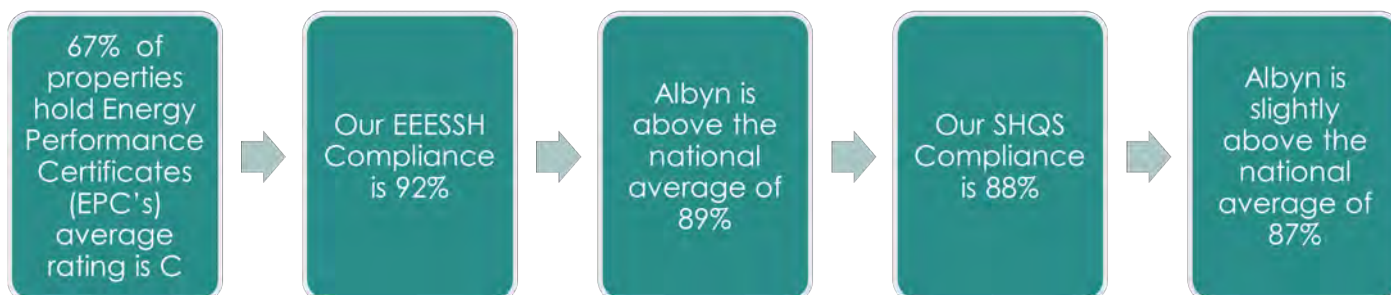
Where we are - Albyn's Current Position

As of March 2023, the Society currently owns 3,631 properties of mixed tenure. The stock is made up of a range of property types with a variety of management and maintenance issues including low demand stock and some complex repair needs. We spend approximately £xxx million a year on reactive repairs, cyclical maintenance, compliance works, void properties and component replacement. Albyn also has an additional 110 shared ownership properties, 164 garages, 2 offices and a biomass plant.



Our asset value is £362,529, Albyn is confident this is accurate, as the findings from our completed stock condition survey of over 20% of our homes in 2022 carried out by an independent consultant, found that our properties were in good condition and in some cases better than our data suggested. We hold full surveys for 78% of our properties from the period 2015-2022, all of this stock data forms our statistical analysis on how we report to the SHR, our Board and tenants.

The survey also provided assurances on important information relative to stock performance and compliance in areas of key importance to the SHR:



In March 2022, two aspects of SHQS compliance changed with a requirement for all homes to have an Electrical Installation Certification Report (EICR) carried out every 5 years and interlinked hard wired smoke and heat alarms fitted (LD2). We are predominately tackling Scottish Housing Quality Standard (SHQS) and EESSH compliance through a rigorous electrical programme, and energy performance reviews. Achieving 100% EESSH2 is currently contingent on being able to install either Air Source Heat Pumps or Ground Source Heat Pumps into our blocks of flats, for example. Replacing the heat source is likely to ease transition to net zero however it will not achieve it completely.

The strategy is formed at a time when we are in a constant permacrisis with ever emerging external factors to consider as we continue to recover from the COVID-19 pandemic that changed virtually everyone's lives and the world to some extent. Albyn along with others in the sector, had to work differently almost overnight by changing the way we delivered services to tenants, often remotely these changes have had a lasting effect as we had to adapt to new working regimes and we now operate a hybrid working model of Hub (office based), Home (from our home) and Roam (being community based).

The pandemic, Brexit, alongside the conflict in Ukraine has had an undeniable impact on supply and labour chains across the UK. This has meant that we have seen an increase in the cost of maintaining our homes, alongside the delays in obtaining some components, has increased this in turn has affected our outputs on planned programs, service delivery and supply of new homes.

Further, Scotland declared a Climate Emergency in 2018 and has committed to 'net zero' emissions of greenhouse gases by 2045. Much of what will be required is unknown and has created sector uncertainty. Housing has a key role in delivering this change and as we await the Scottish Government review findings in September 2023 we are unable to quantify the projected investment required to meet the Energy Efficiency Standard 2 (EESH2) as a regulatory requirement and eventual Net Zero but it does remain an area of concern not just for Albyn but for the sector, as to how it will be funded and when/if the infrastructure to support its delivery is also unknown.

Much of this has contributed to the current cost of living crisis and along with implications for possible rent caps or freezes have impacted on our ability to place accuracy on future forecast. Inflation is still rising, and it is unlikely that most prices will reduce. Energy prices continue to rise with the removal of price caps the average household can now expect to pay around £3k annually and more if they are on a pre-payment meter the figures are higher again.

Albyn has worked tirelessly over the last 2 years to ensure that we have a solid foundation of asset data that informs and enables sound decision making. The Strategy confirms where we want to be as an organisation as we progress from the fixing of the basics to now producing a high-level Strategy that commits financially to meet investment on the current and future business needs of our homes. Our stock data from the 2022 SCS has been incorporated along with us gearing up brand new technical teams to become familiar not only with our stock but the vast geographical areas we operate in. This stock and area knowledge is critical as many of our locations pose challenges in terms of service delivery, availability of skilled resources and high costs due to remote locations.

Everything we do in terms of our asset investment must be linked to achieving the best possible results for our tenants. By listening to them and we are, by using recent feedback from our rent consultation in December 2022, tenants told us reducing the amount of money they spend on energy is their main priority. We have already laid the foundations for this by securing grant funding for energy advisors for the next two years and by working with academia and partners to understand better our less energy efficient stock and how best we maximise their potential with retrofit solutions and that external funding opportunities are being explored.



Albyn's Tenants– their safety, our compliance, and their feedback

One of the key business plan's aims is that we create a truly brilliant customer experience. Keeping tenants safe is of paramount importance and we have a robust approach to cyclical maintenance and servicing obligations we undertake. It is based on statutory requirements and best practice. Albyn is compliant across key areas of tenant health and safety. All landlords have a duty to ensure that their assets provide a safe environment for the people who live and work in them. Albyn ensures that policies and procedures are in place and regularly reviewed to meet its duties.

Customer and resident safety are a key focus for the Scottish Housing Regulator (SHR), and they are seeking further assurance in 2023 that RSL's are compliant with Health and Safety requirements. The tragic death of a two-year-old child in 2020 from a respiratory disease caused by damp and mould has highlighted the need for all registered Social Landlords to review their approach to damp and mould and ensure that have appropriate pro-active systems in place and deal with any cases in an effective and timely manner. Albyn has put in place group wide actions to minimise the risk of exposure of damp and mould and we are focusing on sensor technology to monitor the fabric of our homes, for instance temperature, dampness etc. The Scottish Government and the Scottish Housing Regulator have set ambitious targets some of which will be enshrined in law.

Our landlord health and safety compliance are in the following areas:

Gas Safety

- » Albyn has over 1700 properties with gas boilers across our homes which need an annual safety check to fulfil the requirements of the Gas Safety (Installation and Use) Regulations 1998. The contract to carry this out has an overall value of circa £200K annually and is one of the largest cyclical maintenance costs incurred. Gas Safety is closely monitored by the Scottish Housing Regulator and forms part of the Annual Return to the Charter (ARC), Albyn has 100% compliance in this area, it also forms Albyn Board's Annual Assurance Statement. As we look towards EESSH2 compliance and installing renewable, net zero heating sources, the annual investment in gas safety checks has been earmarked in the Action Plan (AP) to support this transition.

Electrical Installations (EICR)

- » The cyclical programme for the inspection of electrical installations (EICR) is a requirement to SHQS compliance. Albyn has procured a contract for the 5 yearly inspection and certification of electrical installations and we are currently 91.6% compliant with a further 3.65% in abeyance due to no access however, we have a targeted to complete our outstanding certification by July 2023.

Asbestos Management

- » Albyn complies with the Control of Asbestos Regulations 2012 with a managed asbestos risk register. 55% of homes owned by Albyn were built after 2000 and contain no asbestos and we have Asbestos Refurbishment and Demolition Surveys carried out ahead of planned maintenance activity in properties built before 2000.

Fire Safety

- » Following the Grenfell Review, regulation and recommended practice has been enhanced adding to the Fire Safety (Scotland) Act 2006. Albyn continues to prioritise fire safety across its homes having carried out the fitting of interlinked smoke and fire alarms (LD2) throughout XX% of its homes with plans to complete 100% in MONTH 2023.

Legionella and Water Management

- » Albyn has very few residential properties that require legionella monitoring, having replaced tanks with combi-boilers and mains fed water supplies.

Radon

- » For properties in this category, we have a robust monitoring system in operation.

Tenant Satisfaction and Feedback

The recorded values for customer satisfaction are sourced from the last customer satisfaction survey which was carried out in November 2021 through a combination of digital and postal questionnaires. It highlights that there is room for improvement to increase our levels of engagement with our tenants amongst other things.

Over the next 18 months Albyn will seek to survey tenants moving away from digital surveys and using the professional

support of a research partner to carry out telephone and face to face surveys to maximise meaningful consultation and feedback.

We will be stepping up our routine survey of our customers following a request for repairs or maintenance to ensure they are satisfied with the outcome. An area where we improved our approach is our annual gas servicing contract by transferring customer feedback from postal to text surveys. This has led to an increased response rate with live time information. We will use this along with other feedback to meet our commitment to customers to create a truly brilliant customer experience by the aspirations of this strategy.

Albyn will continue to work with our customer groups (CISMG) to inform actions highlighted throughout the strategy, the action plan accompanying the Strategy will capture customer engagement and expectations. Looking to the future we will be introducing late in 2023 an interactive customer portal through our improved digitilisation, of our housing software. The portal is a dedicated hub empowering tenants to manage their relationship with Albyn especially for simple enquiries and quick fixes. This benefits the tenant considerably with improved visibility and access to real-time information 24/7, 365 days a year to manage various aspects of their rent and repair accounts.. It will boost staff productivity as it will take some of the pressure off and allows them to focus additional time by being active within the communities and meeting tenants in their homes and at local venues. This in turn should improve tenant satisfaction across several areas.



Strategic Context

National – Net Zero/EESSH2

Housing to 2040 sets out the commitment to adapt and retrofit existing homes to improve their energy efficiency and decarbonise their heating. - On 15th March 2021 the Scottish Government published the Housing to 2040 roadmap which sets out the vision for homes and communities. The Scottish Government will publish a draft Standard in 2023 and introduce legislation in 2024-25, for phased introduction between 2025 and 2030, recognising that different types of homes in different places may need more or less time to achieve compliance.

We will take an incremental approach replacing key components and upgrading insulation, utilising external initiatives which contribute to the overall aims and assist in progressing towards the overall objectives of the strategy and our investment plans

Energy Efficiency Standards for Social Housing (EESSH2) - On 31st October 2022 the Scottish Government informed the sector that they would undertake a review of the Energy Efficiency Standards for Social Housing (EESSH2) to bring it in line with Net Zero following recommendations from the independently chaired Zero Emissions Social Housing Taskforce. Compliance with EESSH2 means that landlords will need to make sure that all of their homes have an EPC rating of 'B'. The deadline for EESSH2 is currently 2032. However, this is under review following representation from the sector over the past 2 years and in response specifically to the Heat in Buildings Strategy published in October 2021.

This is primarily because some landlords maintain that EESSH 2 in its proposed form cannot be delivered without:

- » Funding from Scottish Government or other agencies.
- » A plan for keeping the cost of operating and maintaining renewable heating sources at least as low as current levels of gas supply.
- » Greater reliability and operability of renewable heating systems including installation and education on use.
- » Clarity on how EESSH2 fits with an overall drive to Net Zero emissions in Scotland by 2025.

This review is due to be completed in 2023 and its findings will inform any potential changes to investment scenarios, alongside capital programmes, as part of the Strategy's annual review. The zero-carbon targets are key challenges over the life of this strategy and beyond. Investment to achieve this will be required in addition to the routine component replacements referred to as well as other routine and cyclical maintenance activities.

To progress towards these goals, we are taking an approach with several strands, which will assist in developing an overall strategic route map. This will be developed further throughout the life of the strategy and will be updated accordingly, and we will seek funding opportunities which will contribute to the delivery of EESSH2 and zero-carbon objectives

Just transition

The Scottish Government published in January 2023 its draft Energy Strategy and Just Transition Plan. It's open for consultation until May 2023. It maps out the future of our energy sector and sets out an ambitious suite of actions for the Scottish Government. It states that "we are at a pivotal point in Scotland's transition to Net Zero and that the Strategy charts a clear course for the transformation of the energy sector, one of Scotland's most important industries, to 2030 and beyond." Coming at a time of unprecedented uncertainty in global and national energy markets, it is ambitious and as we witness first hand of how high energy prices are impacting our customers.

Whilst we understand the uncertainties it places pressures to deliver a decarbonised housing future and we are learning how we will meet our challenges not only in how these are funded but how stock will be capable of the investment required. To progress towards these goals and ensuring that our customers live in homes that are affordable to heat as well as achieving the specific demands we are working with academia to develop technology that can further our understanding of the effectiveness of retrofit additional insulation. We will embed this in how we procure contracts considering travel distance, specifying electric vehicles and looking at the toxicity of materials used, upskilling the labour market, this will involve partnership working also but it is essentially all about embedding transition on to support larger targets.

Local context

The Highland Housing strategic vision for housing is “Housing is one of life’s basic needs. Everyone should have a good quality home that they can afford to live in and heat. Good quality, affordable housing helps people to enjoy better health and achieve their full potential. Good housing also contributes to stronger communities that benefit everyone living in them.”

The population in the Highlands is projected to remain static whilst Scotland will experience a decline over the next 20 years. The percentage of households aged 65+ tends to be above the national average and there will be a marked increase in older people living in the Highlands in the next 10-15 years, and therefore the demand for care and support services will increase. A key challenge is how this demand can be met given the very limited availability of affordable housing for key workers to meet the social care and support needs.

This will require Albyn to work closely with partners and other agencies to deliver innovative housing models for people with varying and additional needs as well as how demand can be met to house the keyworkers providing social care and support needs given the very limited availability of affordable housing.

There is a limited supply of private and social rented sector properties, with much of the social rented stock being in areas where fuel poverty is a major challenge. Households in the Highlands are more likely to be fuel poor, compared to households across Scotland as a whole.

The Local Housing Strategy and THC Corporate plan set out ambitions that align with our Strategic Objectives, it is imperative that we engage with all stakeholders and start to lay the foundations as a collective to establish a common approach to meet challenges and future need. During the life of this strategy Albyn will develop new homes that contribute to the significant challenges of fuel poverty and demand.

Housing in The Highlands

Albyn operates in a similar geographical area to the Highland Council, other than because we own a small number of homes in Moray, and no homes at all in the Islands. In the period from 2001 to 2021, the number of households in the area has increased from 89,618 to 110,743 (23.6% compared to 15.2% for Scotland overall).

Along with the Highland Council and the other mainland-based Highland RSL’s, Albyn are signatories to the Highland Housing Register (HHR), which is a point-based joint waiting list meaning that all housing applicants are only required to complete one application. There are currently some 8500 applications on the waiting list. This number has remained relatively stable over the last decade despite Albyn and most other partners having healthy development programmes.

After the Highland Council, Albyn is the second largest provider of social housing in the Highlands, with some 18% of the total social rented stock. Whilst our rent levels are on a par with our RSL partners, they are higher than those charged by the council.

For these to remain competitive, we are working at keeping our rent increases affordable for tenants whilst also ensuring sound financial investment in our existing stock.

Demand

Generally, demand is high and considerably exceeds supply in virtually all areas, the population of the Highlands has seen continued steady growth with this being particularly pronounced in the larger settlements of Inverness, Dingwall, Nairn, and Invergordon. The presence of local and seasonal employment opportunities is a huge determinate in the whether there is significant demand for our stock and is reflected in our turnover and refusal rates in areas such as Caithness and the west coast settlements where it tends to be lower and more sporadic.

In many areas, supply is not matching demand by size and type as demand is particularly high for one-bedroom and (4+ bedroom) properties but attempting to meet this varying level of need must be set against the need to create balanced communities within our new developments and we must build homes that are flexible for future need.

The policy, legislative and regulatory environment

Albyn operates in a highly regulated environment with a varied network of policies that are considered when developing its Strategy. The undernoted highlights key documents:

- » Energy Efficiency Standard for Social Housing (ESSH2)
- » Scottish Housing Quality Standards (SHQS)
- » Just Transition
- » Health and Safety at Work Act 1974
- » Fire Safety Scotland Act and Regulations
- » Housing Scotland Act 2014
- » Control of Asbestos Regulations 2012
- » Construction Design and Management Regulations 2015
- » Public Health Scotland Act 2008
- » The Gas Safety (Installation and Use) Regulations 1998
- » Building (Scotland) Act 2003
- » Planning (Scotland) Act 2019 and the National Planning Framework (4)



Related to this is the Strategic Housing Investment Plan (SHIP) – which sets out the delivery plan for new build affordable housing across the region. Albyn's role and how we play a central role in providing the opportunities that make up the SHIP and how we sit in the delivery of the plan over many year (delivering % of the new supply programme).

In recent years Albyn has consistently contributed to the delivery of high quality mixed tenure new affordable homes across the Highlands and for the life of this Strategy Albyn is committed to delivering 418 new homes. The capital programme will deliver general needs housing as well as FIT homes that enable people to live in their homes independently for longer with the use of technology. Through our development programme, we will actively seek to reflect and enhance the attributes of the local natural environment. We will work throughout the Highlands developing our landbanks and providing the right housing in the right places working with THC and other partners to achieve homes that meet Housing to 2040. We will seek to develop a range of effective partnerships with a range of organisations including Social Landlords and specialist agencies where they will aid the achievement of our ambitions and the delivery of this Strategy.

Innovation

Albyn is leading the sector in the provision of FitHomes and currently have 35 purpose-built homes, which have this integrated ambient sensor technology fitted and a further eight have been retrofitted. These original 'FIT' homes were enabled by the Assisted Living Highlands and Islands City Region Deal and a further 13 new build homes will be developed over the next 12 months. FitHomes are fitted with predictive behaviour pattern sensors and use artificial intelligence and machine learning. The sensors give valuable real-time information to family and medical experts. By investing in this we are committing to meeting the future and changing needs of tenants who will enjoy independent living previously not possible and that our FitHomes will have a transformational role to play in the care and support of people that need it most.

Our FitHomes will continue to integrate ambient sensor technology through our successful Knowledge Transfer Partnership award and we will develop this further with grant funding opportunities with our partners, leading to a customer-led, sustainable, affordable, replicable, cost-effective retrofit offering that will enable tenants to stay in their homes from cradle to grave, or as long as it is safe for them to do so, without the need for significant adaptation.

We are committed to ensuring our tenants can access the most advanced technology that will, in turn, help them to maintain their tenancies. As well as the new Civica CX system, we are focusing on sensor technology and Internet of Things (IoT). Like other RSL's we are looking to use this technology to monitor the fabric of our homes, for instance temperature, dampness, etc but unlike others, we are also developing systems that will focus on the wellness of our tenants and their ability to maintain their tenancies.

Additionally, we are working with Glasgow University to develop technology that can further our understanding of the effectiveness of retrofit additional insulation, new doors/windows and new heating systems on our older properties to ensure we are getting value for money and the best solution for our tenants.

Aids and Adaptations

We want to make sure that our tenants can live independently in their homes for as long as possible. We are proud to note that Albyn has invested over £1.5m in carrying out adaptations to homes across its portfolio in the last 10 years. This is largely funded through Stage 3 Adaptations funding from Scottish Government and has supported many tenants to live independently. Adaptations can range from simple grab rails, to installing full wet rooms. Albyn will continue to apply for and use Stage 3 funding to deliver adaptations in its homes and will assume a level of grant support throughout the plan while reviewing it annually.

Partnership

Albyn is committed to working in partnership with a range of other organisations in the delivery of our shared objectives and we will continue to work together with them across an array of projects including the delivery of new homes along with exploring opportunities for capital contributions to be made to meet build costs and retrofit solutions that will enhance the energy performance of our homes. Partnership with other social housing providers can be a vehicle to facilitate better procurement, accessing wider supply chains and funding streams as well as sharing expertise and knowledge. Similarly working with external organisations who are experts in their field can unlock potential and assist particularly in relation to our transition to Zero Carbon ambitions.

Unique to Albyn is the Cromarty Firth is one of two Greenports in Scotland. The vision supports the Highland Council's Indicative Regional Spatial Strategy, the new Inner Moray Firth Local Development Plan, and the emerging vision for a net zero Highland. It capitalises upon and acts as a catalyst for the Highland's ongoing role as a renewable energy cluster and in enabling an efficient and effective hydrogen network. There will be a 12–24-month period of 'start-up' phase which will bring with it a grant of £1 million for Highland Council who will be the accountable body.

The Greenport is expected to "deliver a wide range of significant social, environmental and economic benefits to their surrounding areas and region". The overall aim is to maximise the unique economic and regeneration opportunities arising from a multibillion, 50-year pipeline of offshore wind energy projects planned for the North Sea.

In turn, Green Freeport status will unlock substantial sources of funding to the consortium to accelerate the development of the Green Freeport and deliver a wide range of benefits across the region. Albyn is well placed to unlock opportunities for our tenants but also the wider community with the Port of Cromarty Firth being on our doorstep in Invergordon.

As the Greenport is expected to be operation after the 12–24-month startup process has been completed, Albyn will be well into year 2 of our plan and we will have projects appraised that may enable us to capitalise on the opportunities that the substantive funding may bring.

Albyn have also been successful in securing grant funding of £262K from Energy savings Trust along with Changeworks and Cairn Housing this will bring 2 energy advisors over 2 years and will focus on providing support to Albyn tenants across a range of energy saving opportunities.

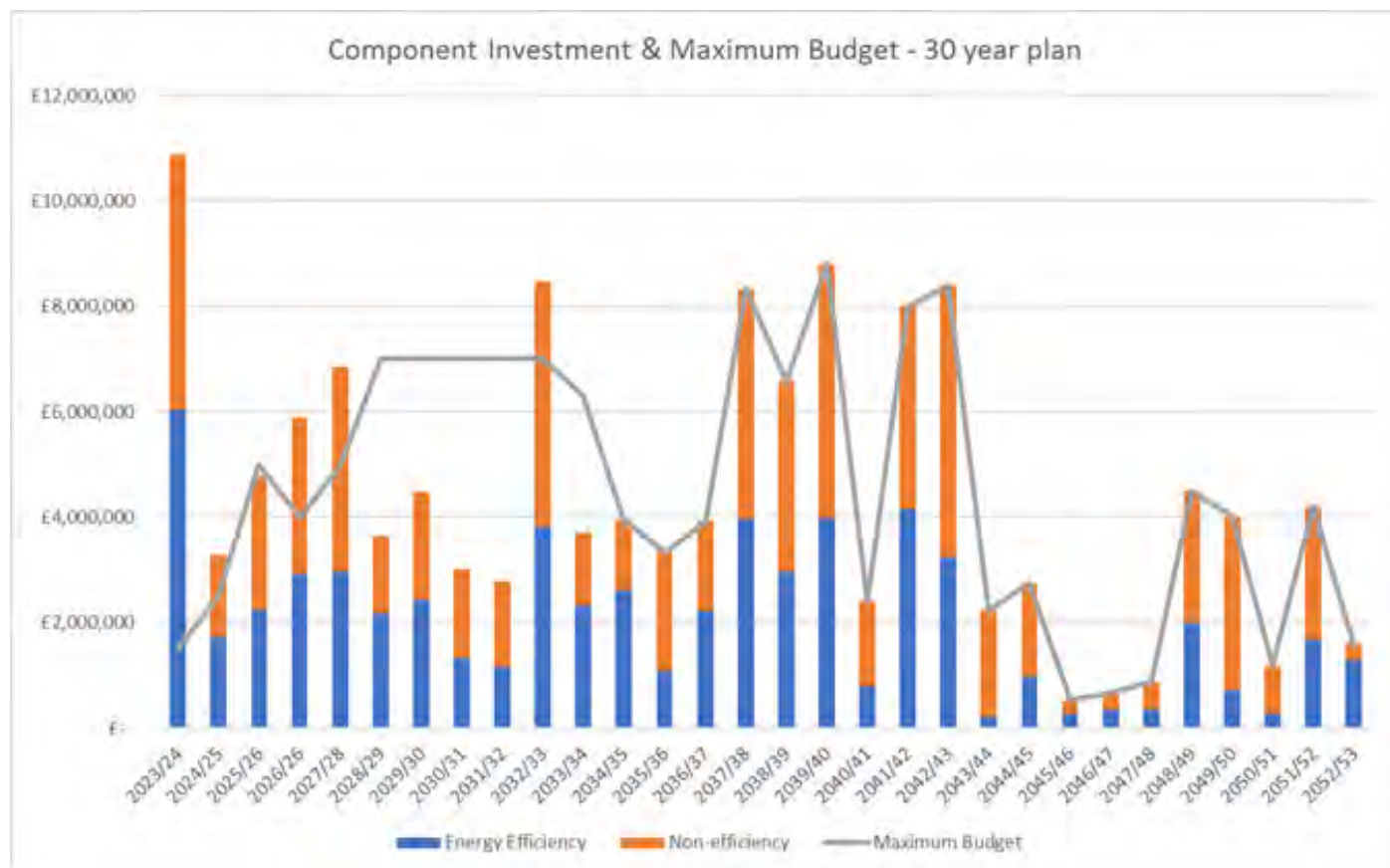
Stock and Performance

Accurate stock information and good data systems are key components to the delivery of sound asset management with the reliability of information critical to the operational delivery of improvements. Albyn are currently reviewing how this information is collated digitally and are looking to incorporate to the new housing software system Civica CX, not only will this ensure accuracy but will incorporate where the reactive repairs data is held for consistency. We must have good quality data about the performance of our assets to inform our decision making. Good quality data allows us to review the outcomes of any investment decisions over time.

We routinely analyse and interrogate data to see what it is telling us about our properties; for example, reviewing high value spend items to see if there are patterns or underlying issues; monitoring the reasons for reactive repairs; and using repairs data to feed into our procurement exercises to help us get better value for money from our contracts and services. Understanding asset value and property performance will be undertaken as part of this strategy drawing on a range of financial and non-financial data which will inform option appraisals.

On an ongoing basis, we will continue to collate a comprehensive set of Strategic Performance Indicators and Key Performance Indicators, most of which are nationally benchmarked. By analysing a range of indicators, we can understand how our assets perform to support the Strategy and use the information to improve performance and outcomes. Analysis and evaluation enable us to position each asset relative to others and identify options for improving or maintaining viability such as redevelopment, reprovion or disposal.

Our approach and the levels of data intelligence we hold will continue to evolve during the lifetime of this strategy. In 2022, Albryn undertook a SCS, 78% of our stock has now had a full SCS within the past 6 years. We will ensure that every home has a full SCS at least once every 5 years. In addition to our in-house officers, we will procure the services of an external consultant to undertake a 10% SCS including a quality assessment of the data that we hold every 3 years. This provides the stock information required to fully inform the 30- year component replacement requirement.



Stock Investment and Financial Appraisals

(30-year plan attached Appendix 3)

We assess all investment, re-provision and disinvestment decisions through appraisal methodologies using discounted cash flow and net present value techniques. This ensures that decision making reflects the long-term affordability of maintaining stock to acceptable standards or asset disposal. We will actively seek to access additional funding sources to help support the delivery of our ambitious targets. We will do this through working with suppliers and energy suppliers, specialist agencies working to deliver zero carbon, government agencies and considering additional localised funding streams such as investment from wind farm providers or similar

Our assets have suffered from underinvestment for some time which has resulted in many of the challenges we now face, in terms of investing in and improving our existing housing stock. We have invested significantly in new homes and are now looking to invest in current stock that requires attention.

Whilst our increase in rents from April 2023 will be lower than inflation, our profiled investment expenditure will still meet the needs of our current programme over the long term, although this will require prioritisation and profiling during the earlier years of our plan. This is currently underway as we smooth out the findings from the SCS with a potential to defer replacements.

We currently expect to spend £16.5m on component replacement to year 5, and £53m to year 10. However, across the 30 years of the Financial Plan we will invest at least £135.6million as set out in our investment requirement from a recent SCS. However, the Financial Plan has significant capacity for further investment once greater clarity is provided around the targets for Net Zero, particularly in the later stages of the planning period.

The principal aims of stock investment in terms of planned programmes are to:

- Apply good practice ratios, usually 30/70 or 40/60 between Repairs & Planned expenditure. In 22/23 our ratio was 80/20 Repairs v Planned expenditure. Over the life of this strategy, we will seek to rebalance the ratio between Repairs and Planned through increased levels of investment in planned programmes with an anticipated subsequent reduction in responsive repairs requirements.
- Minimise spend on more expensive responsive repairs by having effective planned preventative maintenance programmes in place. Make sure maximum benefit is delivered through planned works by responding to the priorities identified through responsive maintenance work.
- Ensure that programmes can be procured more effectively by parcelling works together and over a longer timespan where possible. Review opportunities to procure in partnership with other RSL's.
- Ensure an adequate appraisal measure is in place for stock investment and disinvestment.
- Develop policies on sustainability and disposal.

Disposals

As our properties begin to age, Albyn recognises that careful assessment particularly in low demand and depopulating areas for any future investment needs to be taken on a property by property and development by development basis to demonstrate that the asset will outlive components that are being added to it and that the rental return of developments is a positive one.

Where developments are high risk, they will be considered for potential disposal. Disposal can mean several things and where developments requiring significant investments or properties are high risk, they will be considered by an appraisal measure (HAPE) for potential disposal or re-provision. Disposal can mean several things:

- » Open market sale.
- » The sale of a site or development where there are no sitting tenants.
- » Demolition.

Procurement

Albyn recognises the challenge it has had in the past procuring maintenance contracts in certain geographical areas. We are addressing this by undertaking a tender of all maintenance services by splitting areas of work into smaller 'lots' we are planning to procure 3+2 year contract lengths to give contractors advance certainty of works whilst retaining flexibility should we encounter poor performance.

Effective procurement processes are crucial in helping to deliver the main objectives of the strategy. Through procurement legislation, Albyn is committed to promoting enhanced social, environmental and economic values through its procurement of goods and services wherever possible. Full details on our approach are contained in the Procurement

Strategy approved in January 2022.

In seeking to deliver our planned investment it became apparent that Albyn is paying a premium, drawn from our experiences the Highlands does not have a fully developed supply chain or the skills mix to deliver these objectives at a reasonable price. With the appointment of a procurement co-ordinator in May 2023 we will address the imbalance and ensure that contracts are not so weighted to the suppliers and contractors and that community benefits are specifically designed to meet the needs of the wide range of communities served and in particular to employment and education. We will also support our contractors to move to electric vehicles and the use of sustainable and less toxic components. Ensuring that we can attract and retain locally based suppliers and contractors to our more remote areas to reduce travel distances will be addressed through the life of the Strategy.

Risk and Scenario Planning

The investment in Albyn's assets is significant and how we manage that investment, and maintain homes is the largest risk that Albyn faces from ensuring asset compliance, to keeping rents affordable. The homes our tenants live in form many of our strategic and operational decisions. Albyn has some specific risks related to our relative size we are of systemic importance to the SHR and we have challenging geographical locations in terms of service delivery.

Our organisational Strategic and Operational Risk Registers focus strongly on Asset Management. As part of our internal monitoring of asset management we have overall and task specific risk registers that are regularly updated. Additionally, as part of our annual review of our Business Plan we model scenarios where asset related costs change. To ensure that Leadership team (LT) and Extended Leadership Team (ELT) and Board are aware and monitoring the risks around aspects this, we report on key areas of risk regularly.

Review and Monitoring of the Strategy

Our Strategy's internal performance management framework is shown below:

Plan our objectives

- Produce a delivery and action plan with performance and efficiency targets
- Sound financial investment & development programmes

Deliver our services

- Communication
- Tenant Engagement
- Efficient systems

Review and improve what we do

- Assurance to Board
- Financial & budget monitoring
- Peer benchmarking
- Tenant Scrutiny
- Policy reviews
- Learning & development of specialist teams
- Improvement action plans

As outlined above, we have a clear Planning Framework that demonstrates how our operational and strategic measures combine and align to monitor the delivery and success of our Strategy. It is important to understand how and when we meet our objectives. This Strategy will be reviewed annually, or sooner if considered necessary in response to changing regulation or legislation.

Although set out as a five-year plan, our Strategy will be reviewed annually to ensure that the priorities identified are correct and to reflect any changes required by changing circumstances throughout each financial year.

The delivery of the Action Plan will be monitored monthly by Albyn Head of Service and Directorate with an annual

report for Board approval in March every year. Because of the current economic climate, external environment, and the uncertainty around investment to achieve EESSH2 and net zero, Albyn will also bring the Action Plan for discussion to Performance Board in December and May each year.

Reactive repairs and maintenance will undertake a Value for Money (VFM) assessment in 2024/25 of the newly procured frameworks incorporating Schedule of Rates (SOR) to assure that we are delivering a cost effective and efficient service which results in high levels of tenant satisfaction. Following the VFM assessment of the SOR, we will consider options for extending this to include other maintenance activities such as voids, planned stock investment and cyclical programmes.


Appendices

Action Plan Example of HAPE/RAG Options Appraisal 30 Year Financial Projections



Appendix 2 - Example of HAPE/RAG – Options Appraisal

Housing Asset Performance Evaluation RAG

Address	1 The Street, Street Avenue, Street. ST01 1ST			
Property Type	3 bed mid terraced house			
Description	Built in 1978 and acquired by Albyn in 2008 under the Mortgage to rent scheme.			
Financial Overview				
Net Income 30 Yr	£117,758	Void Loss	6.3%	
Net Income 10 Yr	£11,998	Net Income 20 Yr	£48,911	
Comments	<p>Net Income:</p> <p>Net income over 30 years initially appears reasonable: it is a good performer amongst our stock.</p> <p>However:</p> <ul style="list-style-type: none">Planned upgrades and work required now: The 30 year plan for upgrades includes heating upgrade (2032), kitchen (2022), bathroom (2032), windows (2032) and doors (2032). These dates contrast with the Technical Officer's assessment this week that the kitchen, bathroom, windows and doors require immediate replacement, and that a significant further sum needs to be spent to bring the property to a basic standard. The small number of properties that Albyn has acquired through the MTR scheme are typically in poor repair when acquired and often little has been done to improve them since acquisition. Component review dates often appear to be based in acquisition dates rather than the dates components were installed. This appears to reflect the situation with this property. <p>The Technical Officer estimates costs of at least £37,800 (including VAT) required now. This is £15,863 more than the costs expected up to year 10. This would reduce the net income over 30 years to around £101,895.</p> <ul style="list-style-type: none">Roof replacement: The 30 year net income does not include roof replacement. However, the property will be 73 years old in 2051. Replacing the roof in 2048 (year 27) reduces the 30 year net income further to around £23,730.DTD and void repairs: As outlined above, these costs will further reduce the net income. Putting in an estimate of £500 per year (with inflation) reduces the 30 year net income further again to around £2,689. <p>In summary then, the net income over 30 years is likely to be around £2,689. This could easily fall into loss if more repair expenditure is required or if void loss increases.</p>			

	<p>The net income over 10 years will be around -£9,535, and the net income over 20 years will be around £20,451.</p> <p>Void loss:</p> <p>Void loss at 6.3% is in the worse 10% of our stock. As more new build properties are handed over, void loss is likely to increase further.</p> <p>Property Value:</p> <p>The property was acquired in 2008 for around £107,000. It is now worth around £100,000 in current condition. In good condition (ie after spending around £37,000), it would be worth around £120,000.</p> <p>Social Factors:</p> <p>The property is the only property we own in street avenue. However, it is in an area where we own other properties.</p> <p>The property is in Street, and is in the 6% most deprived postcodes in Scotland. There is a significant risk that demand for the property will fall in the future.</p> <p>Overall:</p> <p>The net income over 30 years is likely to be around £2,689. This is a low value that could fall below zero with fairly modest changes (higher DTD and void repairs costs or higher void loss).</p> <p>In addition, significant expenditure of £37,000 is required now to bring the property to a basic standard.</p> <p>Cumulative net income (based on net income of £2,689) between now and year 30 is shown below:</p> <div><p>Cumulative Income</p><table><caption>Cumulative Income Data (Estimated)</caption><thead><tr><th>Year</th><th>Cumulative Income (£)</th></tr></thead><tbody><tr><td>Y1</td><td>-35,000</td></tr><tr><td>Y3</td><td>-30,000</td></tr><tr><td>Y5</td><td>-25,000</td></tr><tr><td>Y7</td><td>-20,000</td></tr><tr><td>Y9</td><td>-15,000</td></tr><tr><td>Y11</td><td>-10,000</td></tr><tr><td>Y13</td><td>-5,000</td></tr><tr><td>Y15</td><td>0</td></tr><tr><td>Y17</td><td>10,000</td></tr><tr><td>Y19</td><td>15,000</td></tr><tr><td>Y21</td><td>20,000</td></tr><tr><td>Y23</td><td>25,000</td></tr><tr><td>Y25</td><td>30,000</td></tr><tr><td>Y26</td><td>55,000</td></tr><tr><td>Y27</td><td>-20,000</td></tr><tr><td>Y29</td><td>5,000</td></tr></tbody></table></div> <p>If we invest now, there is the potential to move into surplus around year 12 and then make quite a good surplus. However, significant expenditure (roof replacement) is needed in year 27, so we would need to evaluate in year 20 whether to keep the property in the long term or dispose of it before the roof was replaced.</p>			Year	Cumulative Income (£)	Y1	-35,000	Y3	-30,000	Y5	-25,000	Y7	-20,000	Y9	-15,000	Y11	-10,000	Y13	-5,000	Y15	0	Y17	10,000	Y19	15,000	Y21	20,000	Y23	25,000	Y25	30,000	Y26	55,000	Y27	-20,000	Y29	5,000
Year	Cumulative Income (£)																																				
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Y25	30,000																																				
Y26	55,000																																				
Y27	-20,000																																				
Y29	5,000																																				
Recommendation	The property in the Housing asset performance evaluation is red. The recommendation is for disposal.																																				
By	XXXXXXXXXX	Date	XXXXXXXXXX																																		