

Making a Difference

Providing Affordable Homes in Strong Communities



LANARKSHIRE
HOUSING ASSOCIATION LTD

CAPITAL INVESTMENT PLAN 2016-2021

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CAPITAL
INVESTMENT
PLAN
2016-2021

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PREFACE TO STRATEGIC PLANS BY THE CHIEF EXECUTIVE

This PLAN identifies the key issues which are the most relevant to a specific departmental responsibility within the organisational structure of Lanarkshire Housing Association (LHA). Its specialist background is outlined in a Foreword by the Chairperson of the relevant Sub-Committee. It can be read as a standalone document in relation to the service priorities of the department, but it is important to acknowledge that its goals are integral to a wider planning framework which incorporates all THREE of LHA's departmental strategic documents, as follows :

1. The Corporate Plan
2. The Housing Plan
3. The Capital Investment Plan (formerly known as the Development Plan)

Each of the above PLANS is linked to LHA's desire to support people in achieving a better future for themselves and their families. This aspiration is summarised by our VISION of the social and economic benefits in providing affordable, sustainable homes within strong communities during the plan period of 2016-2021. This VISION is intended to set out fairly succinctly our desire to move forward by developing our corporate and social responsibilities in a realistic, appropriate, inspirational, ambitious and distinctive way, and it is plainly stated as being :

“To benefit communities in Lanarkshire by protecting the global environment and engaging with stakeholders to find better ways to invest scarce resources in providing affordable homes for the future and delivering greater social value in our housing related services.”

There are numerous resources and driving factors that have fed into the growth of our strategic thinking, including (but not limited to) the following :

- The Scottish Government's strategic priorities – the context of affordable housing provisions and the funding regime in Scotland
- The Scottish Social Housing Charter – the standards and outcomes expected of RSLs in Scotland by the Charter
- The Scottish Housing Regulator – registration requirements, regulation status (landlord performance report and official notices) and the Determination of Accounting Requirements (December 2014)
- Strategic Housing Investment Plans – Local Authorities' housing strategies

- LHA's Core Values (acronym, “ACCEPT”) :
 - Accountability
 - Customer satisfaction
 - Care for the environment
 - Ethical practice
 - Public service
 - Teamwork
- The Scottish Public Services Ombudsman – the principles of good practice in responsive complaints procedures
- The National Housing Federation (NHF) guidance on excellence in Governance
- The Office of the Scottish Charity Regulator – rules and regulations of charitable status
- Acts of Parliament relating to housing, welfare, planning, employment, environmental and building standards – all relevant UK and Scottish legislation such as (but not limited to) :
 - Welfare Reform Act 2012
 - Universal Credit (Waiting Days) (Amendment) Regulations 2015
 - Housing (Scotland) Acts (2014/2010/2006)
 - Equality Act 2010
 - Climate Change (Scotland) Act 2009
 - Co-operative and Community Benefit Societies Act 2014
 - Heat Network (Metering and Billing) Regulations 2014
 - Property Factors (Scotland) Act 2011
 - Antisocial Behaviour etc. (Scotland) Act 2004
 - Building (Scotland) Act 2003 and the Building (Procedure) (Scotland) Regulations 2004
 - Ethical Standards in Public Life etc. (Scotland) Act 2000
 - Environmental Protection Act 1990
 - Data Protection Act 1998
 - Health & Safety at Work etc Act (1974) and other Employment legislation
 - Human Rights Act 1998

As a valued stakeholder, I hope you will find our PLANS to be a useful insight into the Association's ambitions to play a pivotal role in securing the growth of much needed, high quality, affordable housing provisions in Lanarkshire as well as delivering more integrated housing related services that will help to strengthen our local communities, provide employment opportunities and improve people's lives.

James Stevenson
Chief Executive

FOREWORD BY CONVENER OF DEVELOPMENT & TECHNICAL SUB-COMMITTEE – JOHN MCNALLY

We are an Association with a history of new development and of contributing to the regeneration of local communities. However, while most of the previous Development Plan 2012–2015 was achieved, little was accomplished in terms of providing new housing. This reflected a period of very constrained subsidy for Registered Social Landlords (RSLs) combined with a strategic focus by public funders and partner agencies away from our traditional areas of operation. The launch of this plan in late 2015 sees economic recovery, but we nevertheless look ahead to continuing reductions in public spending which are forecast to lead to significantly decreased subsidies in the medium term.

In the past our development plan's primary aim was to provide housing for people in need and this remains one of our key aspirations. With this in mind, we recently carried out an internal review of our development function and have now revised the strategic direction by diversifying our growth plans. During the new plan period, sustainable growth will no longer be dependent on new build development alone and instead will be complimented by a purchasing strategy involving the acquisition of resale properties on the open market – particularly in times of little or no development. This will lead to the setting of what we expect to be modest growth targets, reflecting the options that are currently open to us.

Housing supply is addressed in external strategic and local plans that may be expected to evolve in the medium term. Our plan therefore reflects a need to respond to circumstances as they change; and the importance of maintaining and building links with local authorities, the private sector and the Scottish Government.

Proper management of our existing asset base, through both planned maintenance and successfully improving it to meet the Scottish Housing Quality Standard (SHQS) ahead of the 2015 target date, has been one of the keys to our current strong position. In the last 3 years we delivered a range of projects, meeting the plan set out in 2012; and we expect to continue with substantial investment in planned maintenance over the next 5 years. This new plan coincides with the start of work to meet the Scottish Government's Energy Efficiency Standard for Social Housing (EESH), which should help to reduce energy consumption, fuel poverty and the emission of greenhouse gases. However it is not yet clear to what extent we will be expected to fund the significant amount of improvement work needed to meet the new standard from our own resources, rather than from the originally anticipated subsidies. Putting all the necessary information in place to support robust planning to meet the new standard is a high priority that we will achieve in the first year.

In the context of an uncertain and challenging external environment, our capital investment function will continue to operate within our own strong asset management and financial frameworks, both protecting long term viability and using our inherent strengths appropriately to meet existing commitments along with new obligations and opportunities.

I am delighted to commend this plan for the future, and believe that it shows that we are prepared to make realistic and consistent responses to current and future drivers for change. It is important that we engage positively with the external environment, to ensure that we make the best of our asset base to meet the high expectations of customers, regulators, and government.

ACHIEVEMENTS AGAINST DEVELOPMENT PLAN 2012-2015

2012-2015 Strategic Plan Objectives	Current Position (July 2015)
<p>Short Term</p> <p>Review growth potential as a social housing provider, relative to identified levels of local housing need, levels of HAG subsidy available, and the Association's financial capacity.</p>	<p>The Association did not proceed with new build development as a result of the low prevailing level of subsidy, which varied from £40k to £58k per unit and compared poorly to the pre-2011 average of £67k. Development at these levels would have required us to bridge a significant funding gap with designated reserves or alternative higher risk forms of tenure. Furthermore, this radically reduced funding regime coincided with a new principle of development risk being transferred to Associations and together these changes ensured that development carried significantly more risk than ever before. Additionally, the Association's internal financial capacity was restricted due to the significant cost of defending a legal action, despite there being no allegation of wrongdoing aimed at the Association.</p>
<p>Examine potential for mid-market rent and other new models for affordable housing, relative to demand, market conditions, funding and risk.</p>	<p>There is substantial risk to any landlord providing mid-market rent properties and other new models involving housing for sale. Whilst such initiatives have apparently succeeded in specific areas, the market within our traditional areas of operation is somewhat untested. Concerns over affordability, housing benefit reforms, the reduced funding climate and the Association's aforementioned restricted financial capacity led to mid-market rent and alternative models for affordable housing not being progressed.</p>
<p>Complete an energy efficiency study on the existing stock at Bellshill Town Centre to include options for improvement to the highest feasible standard.</p>	<p>An energy efficiency study was carried out in conjunction with Edinburgh Napier University, and the results were presented in early 2012.</p>
<p>Update the life cycle costing programme, and integrate financial planning of the identified programme with the remaining tasks in the Standard Delivery Plan for the SHQS.</p>	<p>The life cycle costing programme was updated in March 2013, as part of the same exercise as a stock condition survey which included assessments of SHQS compliance. The financial outputs are being used to plan the future capital investment programme.</p>
<p>Continue to market the empty retail units at Mossend.</p>	<p>Full occupancy was achieved by September 2013</p>
<p>Put a procurement framework in place for the next 3 years' planned maintenance and SHQS improvements.</p>	<p>A balancing quality and price selection process was used to set up a framework for 2011/12–2013/14, and extended to 2014/15.</p>

2012-2015 Strategic Plan Objectives	Current Position (July 2015)
Medium Term Complete all SHQS improvement work by 2015.	All work was completed by the 2015 deadline.
Keep SHQS compliance under review as new guidance is published by the Scottish Government.	Compliance is reviewed annually in preparation for the Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR).
Respond to any proposals or requirements for higher physical standards for social housing after the SHQS programme is completed in 2015.	Responses were made to the Scottish Government's documents on its proposed Sustainable Housing Strategy and on Developing an Energy Efficiency Standard for Social Housing in 2012. Since the Energy Efficiency Standard for Social Housing was introduced in 2014 assessment of stock for compliance has been underway.
Increase the proportion of tender opportunities advertised on the Public Contracts Scotland website.	Tender opportunities are now routinely advertised on the Public Contracts Scotland website.
Keep the design brief up to date to address changing building standards.	The design brief is reviewed annually to ensure that it is consistent with changing building standards.
Review policy and procedures to comply with the Scottish Social Housing Charter (the Charter) when it is published.	Following the introduction of the Charter, the Association submitted its first ARC in 2014 to demonstrate how the Outcomes and Standards were being achieved. As part of this process, tenants and other service users were subsequently issued with a copy of the SHR's report outlining how the Association had performed in relation to the key indicators, which tenants said matter most to them. Additionally, customers were given a role in the assessment of our performance and this process will improve our future services.
Keep the role of Lanarkshire Initiatives Limited under review.	Lanarkshire Initiatives Limited's management agreement was renewed in June 2014.
Review departmental requirements to achieve externally accredited standards, and meet any relevant standard that is introduced.	A review was concluded in October 2013 with a decision not to proceed with any externally accredited quality system.
Review KPIs and development policies and the post completion review policy in particular.	Significant changes were made to the post completion review policy in September 2013.
Continue to involve tenants in decisions that affect them.	Project practice has been changed to place greater emphasis on consultation with individual tenants.
Continue to examine opportunities for Wider Role projects.	The main focus of the Scottish Government's People and Communities Fund has not been found to be aligned with the types of service and projects previously funded under the former Wider Role.

1.0 INTRODUCTION

In February 2015 a review of our overall strategic aims was initiated and following an internal consultation process, a Corporate 'Vision' and Strategic Objectives were adopted to form the basis for reviewing our three key strategic documents – including this, the Capital Investment Plan (previously the Development Plan.) This new plan will identify and address the key priorities, risks and challenges we face over the next 5 years (formerly 3 years) in continuing to improve on the quality of services we provide.

The plan is put in place at a time of economic and political uncertainty, when we can foresee only very limited public resources being available to support many of the important types of work we have historically undertaken. In the medium term we therefore expect to invest carefully and sustainably, in a particularly challenging operating environment; always considering how to optimise outcomes.

In recent years there have been few new opportunities for RSLs in our traditional areas of operation; combined with constrained public subsidy this has severely restricted development. However we remain eager to consider fresh possibilities as they arise, and will put in place a stronger risk management framework, so that we can work more flexibly. Following publication of the Glasgow and Clyde Valley Strategic Development Plan and of North Lanarkshire Council's Local Plan in 2012, other key external policy documents to which we respond are expected to be revised and re-published during the period of this plan. These will include important partnership documents addressing complex issues. We endorse the June 2015 Commission for Housing and Wellbeing's Report, 'A blueprint for Scotland's future' – and agree that only by having a safe, secure and suitable home, can people fulfil their potential.

Our ambition to continue the growth of our stock base through development, with roles in the regeneration and transformation of local communities and in the supply of new housing, therefore faces continuing challenge and change.

As previously, the external environment is balanced to a great extent by a range of internal strengths. All improvement work required to bring existing stock up to the SHQS was completed on time by 2015, and concurrently we continued with significant investment in other planned maintenance projects. The EESSH came into force in 2014, requiring improved energy efficiency in social housing by 2020, and technical and financial planning is now underway to address it.

Our strategic approach to asset management will ensure that competing priorities are balanced, and that there are clear links between our Capital Investment Plan and wider business planning for the short, medium, and long terms.

It is anticipated that the development staff team will continue to deliver all of the Capital Investment functions, including property acquisition and delivery of the EESSH. As in the past, this will extend to responsibility for planned maintenance projects, regeneration/wider action, and management of the Mossend retail units. The remit of the Development and Technical Sub-Committee, to which staff report, is set out in the Association's Internal Management Plan (IMP), with delegated authority to the Sub-Committee and staff also outlined in the IMP. The Sub-Committee additionally deals with the Association's relationship with Lanarkshire Initiatives Limited, the wholly owned subsidiary company set up to carry forward initiatives that the Association itself is unable to because of its RSL status.

2.0 OPERATING CONTEXT

After the review of our overall corporate strategic objectives, these can be outlined as follows :

2.1 LHA's Overall Aims

Our vision.....

“To benefit communities in Lanarkshire by protecting the global environment and engaging with stakeholders to find better ways to invest scarce resources in providing affordable homes for the future and delivering greater social value in our housing related services”

OUR GUIDING PHILOSOPHY - “ACCEPT” CORE VALUES

ACCOUNTABILITY



- clearly defined duties and obligations for staff and committees
- benchmarks / targets for performance standards (KPIs)
- individual and collective responsibility
- rewards and sanctions
- regulatory guidance / control mechanisms

CUSTOMER SATISFACTION



- feedback from our customers by listening and responding to their concerns
- appropriate opportunities for tenant participation
- a performance culture that challenges us to exceed expectations and deliver more cost-effective and efficient services of a high standard
- the pursuit of excellence in the goods and services we provide

CARE FOR THE ENVIRONMENT



- the need to address the ‘climate change’ agenda
- the need to examine and review our impact on the environment
- the need to achieve lower carbon emissions, sustainable growth and continuous improvement

ETHICAL PRACTICE



- the need to be open and transparent about our actions and decisions
- rules on individual and commercial confidentiality
- our Corporate Social Responsibilities (CSRs)
- the need to be positive about disabled people and abide by the important principles of equality

PUBLIC SERVICE



- the ethos of serving the public to the best of our abilities
- the duty to promote a good corporate and personal reputation
- the need to work with partners in the public and private sectors
- the need to support and appreciate the spirit of voluntarism at the heart of the local housing association movement

TEAMWORK



- we must value individuals but work together as a team
- the need to motivate our people to collaborate effectively and work in harmony with a shared sense of purpose and achievement.
- the need to foster and develop our human resources and voluntary committee contribution by enriching people’s skills and encouraging them to reach their full potential

CORPORATE OBJECTIVES AND PRIORITIES 2016-2021

OBJECTIVE 1

To meet or exceed the requirements of the Scottish Social Housing Charter (the Charter) and deliver fair, accessible, and responsive customer services

- We have submitted our Annual Return on the Charter (ARC) for 2014/2015 to the Scottish Housing Regulator (SHR) and our Charter outcomes have improved in most key areas since last year
- We aim to produce a more detailed annual ARC Report starting from October 2015 to be circulated to all key stakeholders with appropriate feedback options
- We aim to improve on our achievements in meeting maintenance response times, especially in routine repairs
- We aim to improve communications with our tenants through a modernised website, quarterly newsletters, tenant focus groups/panels and extend our use of mobile technology and interactive social media
- Our new Corporate "Vision" for 2016–2021 will help us create more focused departmental strategic plans in consultation with key stakeholders

OBJECTIVE 2

To ensure all of our homes meet or exceed the Scottish Housing Quality Standard (SHQS) and the Energy Efficiency Standard for Social Housing (ESSH)

- During 2014/2015 we managed to ensure that 100% of our houses met the SHQS; we aim to ensure that we maintain our stock in such a way that we preserve our 100% record in this area
- A key challenge is to improve the energy efficiency of those houses that fall below the expected standards. We aim to do this through appropriate surveys, improved home insulation, delivering greater heating efficiency and the use of new technologies where feasible
- We will include a specific section in our annual ARC Report giving details of our achievements relating to the ESSH

OBJECTIVE 3

To improve our consultation opportunities to tenants on key measures to regularly maintain and improve the standard and quality of their homes

- We are pleased to have high levels of tenant satisfaction with our services and the facilities we make available for tenant participation (verified by our independent 2015 survey outcomes); however we are determined not to be complacent about this and will continue to pursue excellence in setting realistic and challenging performance targets in all operational areas
- We aim to improve our outcomes in reactive response times, communicate more clearly about tenant participation in those matters where tenants can be offered more choice and establish additional forums through which tenants can more readily express their concerns
- We will support and subscribe to the approved regulatory procedures for handling complaints and significant performance failures

OBJECTIVE 4

To improve the energy efficiency of our business operations and reduce associated carbon emissions

- We undertake to review the impact of every aspect of our business operations on the environment
- We aim to deliver savings in overheads by regularly assessing the potential for reducing business fuel charges by comparing energy suppliers, introducing energy saving technology, reducing waste and increasing our capacity to recycle material more effectively

OBJECTIVE 5

To examine prospects for organic growth of the business through affordable development and acquisition opportunities

- We will provide regular reports to the Governing Body on the financial strength of the business and its associated ability to source appropriate funding in the public and private sectors for the provision of additional affordable homes
- We will risk assess the prospects of entering into appropriate partnerships with other organisations with the aim of providing sustainable and affordable homes of mixed tenure (social rent, shared ownership, mid-market rent, etc.)

OBJECTIVE 6

Achieve our Corporate and Social Responsibilities (CSRs) through excellence in governance and financial management, linked to ethical codes of practice

- We aim to strengthen our internal audit functions and continue to employ strong and independent external auditors who can report directly to our governing body
- From 2016 our external auditors will be afforded at least one opportunity per year to report to the Management Committee without staff being present
- We will strengthen financial reporting to the Management Committee paying particular attention to clarity and transparency in key areas such as rent arrears, void properties, staff overheads including pension liabilities, loan covenants, etc.
- We will continue to report directly to the Management Committee on all matters pertaining to Employment Law and Health & Safety at work
- We will pursue appropriate policies that avoid the potential for any conflicts of interest

2.2 The External Environment

This departmental plan is based on an analysis of our external environment and the opportunities and threats it presents, and also of our internal strengths and weaknesses. A summary is given in section 5, in the form of a SWOT analysis.

2.2.1 The Policy Environment

The Glasgow and Clyde Valley Strategic Development Plan and North Lanarkshire Council's Local Plan, which sets out a 5–10 year strategy for physical development, were both published in 2012. North Lanarkshire Council's Draft Local Housing Strategy 2016–2021 (LHS) is expected in late 2015, with consultative events by the end of 2015. The LHS for 2016–2021 is looked forward to and might be expected to impact on us. Meanwhile the Council's Strategic Housing Investment Plan 2015/16–2019/20 (SHIP) has been in place since 2014, and while it identifies a very significant cut in the Affordable Housing Supply Programme's budget during that period, this indicated scale of reduction is not anticipated to be reflected in the more realistic resources that will actually be available.

The current LHS for 2011–2016 sets out 6 strategic housing outcomes :

- housing need is resolved as quickly as possible and people can meet their housing aspirations
- homelessness is reduced through the provision of high quality housing options and support services
- older people and those with particular housing needs can live independently through the provision of accessible homes and support services
- all people at risk of experiencing fuel poverty have a warm and affordable home
- the quality and energy efficiency of homes across all tenures in North Lanarkshire is improved and this contributes to meeting the climate change target
- people are able to live in good quality neighbourhoods

The LHS for 2011–2016 reflects the strategic planning process for housing across Scotland, including requirements to address fuel poverty and climate change. The local strategic context did not identify an overall shortage of housing in Motherwell or Bellshill, our core areas, but did note local mismatches of supply and demand, a projected growth in the older population in Bellshill, increasing demand for more accessible housing options, need for renewable technologies to improve energy efficiency and alleviate fuel poverty, and a role for housing in support of town centre regeneration. We await the LHS for 2016–2021 for any changed priorities.

Our role in and capacity to respond to local priorities will be influenced by a number of key external policy drivers. Scottish Government Affordable Housing Supply Programme subsidy levels for social rent remain low, and in recent years a significant proportion of available subsidy has been directed to local authorities, whose business models appear to allow lower levels of funding from the Scottish Government than RSLs. In the last 3 years approximately a third of completions in its area have been by North Lanarkshire Council. While we have seen moves to affordable housing models other than social rent in other parts of Scotland, the overwhelming majority of completions in North Lanarkshire have continued to be for social rent, suggesting that the alternatives are not necessarily appropriate or viable in all areas.

2.2.2 Legislation

In the last few years a continuing flow of new legislation from different levels of government has affected the delivery of our capital investment programme.

We have fully addressed all that is required of us at this stage by the Heat Network (Metering and Billing) Regulations 2014. As it was assessed that metering our combined heat and power scheme was not cost effective and technically viable, we must now carry out a further determination of this within 4 years. We are already complying with the Construction (Design and Management) Regulations 2015 in our professional appointments, and reviews to align our internal policies with the Regulations will be carried out in the short term.

Our policies and procedures will also be reviewed to ensure compliance with the Procurement Reform (Scotland) Act 2014 and new EU Procurement Directives.

In both the short and medium terms it is expected that there will be continuing changes to building standards to respond to, as the Scottish Government seeks to ensure that buildings are safe, efficient and sustainable.

2.2.3 Regulation

The regulatory environment in which the Association works has changed in recent years, following the introduction of the Scottish Housing Regulator and the Scottish Social Housing Charter.

Meeting the SHQS is a key regulatory requirement, and achieving this by the 2015 deadline was a significant success for us during the previous plan period.

Similarly, during the period of this plan meeting the EESSH will be an important priority. Scottish Government guidance, when the EESSH was introduced, anticipated RSLs obtaining funding for the necessary work from public and regulated energy funded programmes. However it acknowledged that the availability of expected funding streams in practice would be subject to review. In reality targets for 2015–2017 were reduced, and much funding is currently available only in specifically designated areas. The resulting potential consequences for RSLs and for achievability of the EESSH will therefore be subject to review in 2017. In terms of risk, this remains an uncertainty. Initially our priority to meet the regulatory requirements will be ensuring that we have robust information about the current performance of our stock; sufficient for the annual reporting of progress to the Scottish Housing Regulator that starts in 2016.

The role of Lanarkshire Initiatives Limited in our simple group structure, which was established primarily in response to regulatory requirements current at the time, has been reviewed periodically, and the subsidiary was retained when we changed to charitable status, so that different development opportunities can be explored.

2.2.4 Sustainability and Energy Efficiency

We have had a Sustainability Policy and Action Plan in place for more than 10 years, recognising the need to contribute to a sustainable future for all. These have successfully been translated into action, particularly in the fields of energy efficiency and resource conservation.

The Design Brief for new developments is reviewed annually and informed by the need to minimise pollution, waste and energy consumption alongside the promotion of natural sustainable resources. New build projects are assessed for housing quality throughout the development process, and the formalisation of this over several years has allowed a full understanding of strengths and weaknesses to be built up, and design priorities set as part of a cycle of continuous improvement.

Government thinking has concluded that relying on high quality new build will not be enough to meet longer term energy efficiency and environmental targets. As noted above, addressing this, through the EESSH initially, is an important part of our Investment Plan. Scottish Government proposals for further targets after 2020 should be expected during the plan period, and we expect to start considering them when they are published.

2.2.5 Procurement

Prior to the previous plan period, in 2009, we engaged with Scottish Government thinking on procurement at that time through our joint working feasibility study with Wishaw and District Housing Association. Since then there has been much speculation about structures for delivery, generally isolated from local context.

Scottish Housing Regulator Recommended Practice on Business Planning and on Strategic Asset Management, both published in 2012, emphasise the need for joined up planning and value for money in more specific terms.

The implications of the Procurement Reform (Scotland) Act 2014 and new EU Procurement Directives will need to be considered against a background in which those participating in procurement processes appear increasingly prepared to question and challenge procedures and decisions.

As noted above, a comprehensive review of our procurement policies and procedures will therefore be undertaken, to ensure compliance with both legislation and Recommended Practice.

2.3 The Internal Environment

2.3.1 Competence, Capabilities and Capacity

Our approach to asset management will be a foundation for our continuing success, and staff will maintain their responsibilities for ensuring that the information needed for strategic control of the various programmes is in place, particularly the stock condition information needed to plan work needed to meet the EESSH in the next 5 years.

We have much of the knowledge and skill required in-house, for example the ability to generate Energy Performance Certificates using suitably trained Housing Services staff. However this capability may well be qualified by insufficient capacity to carry out the necessary work in the time required. In such cases, and also when we lack expertise, we will procure the required services externally. It is not yet known what model or models will be used for contracting out of the works needed to achieve the EESSH, and what the corresponding demands on in-house resources will be.

With regard to the possibility of growth through new development, we have sufficient staff resources and expertise to carry out a conventional publicly subsidised programme. Were other forms of programme or project to be identified, different options would likely be considered as part of early risk assessments.

We aim to deliver continuous improvement and value for money. Key Performance Indicators (KPIs) are used at corporate level to set and monitor priorities in service delivery. A recently streamlined departmental level system of KPIs for projects is in place to measure performance, allow comparison with others' performance, and inform those affected by the Association's services whether value for money is being achieved.

2.3.2 Structures

Lanarkshire Initiatives Limited was originally established to carry out community regeneration through the provision of retail units within a residential project at Mossend. Its role has been reviewed since then, and while it is inactive at present agreement remains in place to allow it to carry out types of work that are proscribed to RSLs.

2.3.3 Customer Focus

We have continuously sought feedback on completed projects and used the results to drive improvement. Various techniques are used including: customer satisfaction surveys; consultation with tenants at conferences; public meetings and focus groups; and examination of the implications of any complaints. Customer satisfaction is a historic strength, and customer focus will continue to be a priority in the future.

In recent years the emphasis in our consultations has shifted towards contact with individual tenants, and clarifying the advice offered in advance of projects starting. This reflects a shift from new build projects to larger scale planned maintenance of occupied housing.

2.3.4 Procurement

As most of our services are outsourced to consultants and contractors, well run procurement is important to both obtaining and demonstrating value for money. It is also vital to comply with current and forthcoming legislation and directives, which will require early reviews of our relevant policies and procedures.

A strategic approach to procurement will underpin our strategic approach to asset management. We obtained significant gains in the past by modernising processes; grouping and bundling work to keep down procurement and management costs, and balancing quality and price to focus on value for money and continuous improvement. These achievements will again be protected and there will be a continuing pursuit of longer term arrangements with the supply chain, to allow a flow of work to contractors and consultants who deliver against clear and specific measurement frameworks.

With regard to development projects, we have an established policy in place to allow land banking and front funding, maximising the flexibility required to deliver a programme should the opportunity arise.

2.3.5 Regeneration and Wider Initiatives

Despite a past record and experience in delivering or helping partner agencies deliver projects aimed at tackling poverty, building communities, and supporting people back into work, we have not had the opportunity to deliver such initiatives recently. The Scottish Government's People and Communities Fund has not been aligned with the types of service and projects that we previously found funding for under Wider Role. However our commitment to community regeneration continues, and we expect to be in a position to react quickly when it is possible to take a role in meeting local needs.

3.0 DEPARTMENTAL OBJECTIVES

3.1 Development

In the past our key development objective was to plan and implement a programme of building and refurbishment in accordance with North Lanarkshire Council's and the Scottish Government's priorities for the supply of affordable housing. We have an extensive development background alongside effective risk assessment procedures and will therefore continue with new build development as a means of sustainable growth, as and when prevailing internal and external circumstances permit.

Notwithstanding the above, this strategy has not achieved growth in recent years as a result of low subsidy levels and our restricted financial capacity due to the Association defending a legal case. With this in mind, following the 2015 internal review of our capital investment strategy for 2016-2021, we decided that growth will no longer be dependent on new build development alone and instead will be complemented by a purchasing strategy of acquiring resale properties on the open market and Mortgage to Rent cases. In order to avoid a piecemeal approach; these acquisitions will be carried out in a comprehensive manner which ensures that selected properties meet future tenants' housing needs. Additionally, appropriate technical appraisals will be undertaken, prior to purchase, to ensure that required works will not be cost prohibitive when bringing properties to a tenable standard, whilst also taking account of planned maintenance and other asset management challenges relating to meeting the SHQS and EESSH.

In addition to the aforementioned actions, we will also actively seek and consider partnership opportunities, where appropriate, with other like-minded organisations wishing to provide sustainable and affordable homes.

3.2 Planned Maintenance and Meeting the EESSH

In contrast to the uncertainties surrounding growth plans and new development, we are confident that the our financial position will allow us to undertake all required planned maintenance and improvement work on existing stock for the next 5 years and beyond. This will require continuing close liaison and integration with the Association's Maintenance Policy and Procedures, as well as coordination with the Housing Plan (Maintenance).

We have been developing new housing and refurbishing acquired stock for more than 35 years, with the average age of our stock (after improvement) presently standing at approximately 17 years. Expenditure on major repairs has been estimated for 30 years from 2013, based on a life cycle costing exercise that was carried out along with our latest stock condition survey. The life cycle costing programme was developed using a forecast of expected life spans and elemental replacement costs for each development.

Projected major repairs starting each year form a complete costed programme. The level of planned maintenance expenditure identified has been reviewed to establish that it is affordable given the levels of contribution to the designated reserve that may be achieved.

The life cycle costing methodology is linked closely to our maintenance strategy. Both have been integrated into global financial planning, to ensure that planned maintenance funding decisions are made with reference to wider financial planning. The exercise completed and periodically reviewed shows that there is an appropriate strategy in place for identifying and funding the long term programme.

In the 3 years after 2015 it is anticipated that a range of building contracts will be entered into for planned maintenance work in as many as 8 separate areas, affecting approximately 300 dwellings. The procurement exercise for the first of this work, dealing with 200 of these, has almost been completed, with work due to start by the end of 2015.

We expect to carry out the next review of the programme in 2016–2017, to coincide with the next scheduled stock condition survey.

We achieved the SHQS by the 2015 target date, and the Scottish Government has now set the EESSH and the 2020 timetable for completion. Our immediate priorities are completing technical and financial plans showing that this target can be met, and getting all information in place to start reporting to the Scottish Housing Regulator on progress from 2016. However Scottish Government Guidance when the EESSH was introduced imagined that funding for the necessary work would be available from public and regulated energy funded programmes. In practice funding has to date only been available in specifically designated areas. A Scottish Government review of the EESSH's achievability is expected in 2017, but by 2020 it is expected that a further and yet higher standard will be set for following years. There is therefore considerable uncertainty about this important issue. This is compounded by doubt about different models for contracting out of the work, and the extent to which we, and possibly other RSLs, may be able to and will choose to work with local authorities to achieve the EESSH. In this regard it is still unclear what our role will be, what capacity we will need to fulfil any particular role, and how we will operate to achieve the required output.

3.3 Regeneration and Wider Action

For many years we delivered wider action initiatives in partnership with residents and other agencies, to maximise the social, economic, and environmental benefits of housing and regeneration. There were significant achievements from our broad approach to community regeneration. However in recent years identified local issues have fallen outwith the Scottish Government's funding priorities. This will be kept under review so that opportunities are taken up when they arise. We acknowledge that as a community owned and run organisation, wider action activities can be an integral part of our business strategy.

We will consider a broad range of funding options for any specific activity or project, including the possibility of an appropriate contribution. It is also possible that funding, including grant funding from external sources, may be directed towards other agencies or voluntary organisations, on the basis of partnership working.

As well as local knowledge, we will consider strategic priorities in developing any wider action activities, taking cognisance of partner agencies' objectives, particularly the themes in North Lanarkshire's Single Outcome Agreement 2013–2018.

3.4 Risk Management

Capital Investment is characterised by the sizeable budgets involved, the diverse range of activities and challenges, and the relative complexity of the funding and contractual arrangements.

The different strands to our work present distinct issues which will each be addressed.

With regard to development, major risks to our meeting the objective of providing more housing for people in need include: (1) future reductions in public subsidy; and (2) the nature of the brownfield sites likely to be available to meet local priorities, and the resulting contamination and cost issues.

For levels of subsidy, this will be carefully monitored as outlined within our Medium Term Objectives, in the context of our prevailing financial position.

In relation to brownfield site development, recent experience has shown that this can expose RSLs to significant legal and environmental risk – even when there is no suggestion of fault on their part. Indeed, there can be substantial financial costs to simply defend a legal case progressed on a ‘no win no fee’ basis. In the light of our experience, the Association will continue to obtain as much information as possible about the past use and current contamination of potential development sites and persist in placing strong emphasis on procuring full environmental studies and suitable warranties and indemnities, where required. Furthermore, when appropriate, lawyers who specialise in contamination issues will also be consulted, to enable as effective protection as possible from future claims. This will be addressed at the start of the plan period, as outlined within our Short Term objectives.

The most obvious risk facing the planned maintenance programme is that there may be inadequate funding from our own resources to meet the major repairs requirement. This could result from either or a combination of: (1) building cost inflation as the economy recovers; and (2) the programme having to be accelerated in the medium term to address faster than anticipated deterioration in particular elements such as windows, doors or roofs. This issue is regularly addressed by stock condition surveys linked to a life cycle costing programme, which informs overall financial planning. The next stock condition survey and update to the life cycle costing programme is due in 2016–2017.

The requirement to meet EESSH by 2020 presents a series of risks: (1) that stock condition information proves to be insufficiently robust and fails to identify non-compliant dwellings; (2) that the external subsidy for the work anticipated by the Scottish Government when it introduced the new standard does not become available in time or at all; (3) that in the absence of subsidy the works programme is unaffordable; and (4) that it is not possible to get the cooperation of tenants and other owners needed to carry out the work. The immediate priority to deal with these risks is to put robust information on our stock’s energy efficiency in place, in time for the start of reporting to the Scottish Housing Regulator in 2016. External consultants will be employed if necessary to achieve this.

A further risk facing the development staff team is the operational risk presented by void retail units at Mossend, which could potentially lead to a significant loss of income. This requires continuous attention, and as the relevant policies become due for review, consideration will be given to ensure that they support the actions needed to minimise void loss.

All capital programmes are carried out under a suite of departmental policies and procedures that aim to ensure that projects are well managed. These policies will be kept under review to make sure they are up to date, relevant, proportionate, and ensure legislative compliance.

4.0 DELIVERY OF OBJECTIVES

Over the next 5 years our development staff will continue to provide our development, planned maintenance and regeneration projects, alongside supporting Lanarkshire Initiatives Limited, closely linked with our partners' objectives. Fundamental to this will be our continuing drive to pursue best practice and the setting of challenging targets for the future.

Short Term Objectives during 2016 for the Development Department

- 4.1 Review risk assessment procedures in relation to site contamination to ensure a strong risk-conscious approach to new build development.
- 4.2 Set operational targets for sustainable growth through the purchasing strategy (resales on the open market and Mortgage to Rent) with an anticipated target of 0.5-1.0 % growth per annum, to be reviewed annually. This target can be increased as finances permit and reduced in times where funding is redirected to new build development or periods of other expense.
- 4.3 The new purchasing strategy will require a close understanding of the residential property market and we will refine and build on this knowledge.
- 4.4 Establish a framework of appropriate technical appraisals prior to the purchase of properties, whilst also taking account of the age of the fixtures and fittings at the same time as fully assessing planned maintenance and asset management challenges resulting from common areas and factoring issues.
- 4.5 Plans may involve a wider range of tenures and markets than traditional social rented, if relevant to identified local housing need. Opportunities such as mid-market renting and types of housing for sale will be examined for their relevance to local conditions and if appropriate, more detailed feasibility work undertaken.
- 4.6 Ensure all information is in place to commence reporting on the EESSH to the Scottish Housing Regulator in 2016, contracting out provision of EPCs if necessary.
- 4.7 Conclude the procurement exercise for the first 200 dwellings in the forthcoming planned maintenance programme.
- 4.8 Review internal policies to ensure compliance with the Construction (Design and Management) Regulations 2015.
- 4.9 Review policy and procedure to ensure compliance with the Procurement (Scotland) Act 2014 and EU Procurement Directives.
- 4.10 Continue to market any empty retail units at Mossend, and review the Commercial Leasing Policy to ensure that it supports the actions necessary to minimise void loss.
- 4.11 Keep policies up to date, consistent with changes to building standards.

Medium Term Objectives 2016-2021 for the Development Department

- 4.12 Continue to examine and risk assess development opportunities, including partnerships with other organisations, with the aim of providing sustainable and affordable homes.
- 4.13 Maintain and develop good relationships with local authorities, the private sector, and the Scottish Government to pursue options for growth.
- 4.14 Monitor and control progress against targets set for the purchasing strategy and regularly report to the Development & Technical Sub-Committee.
- 4.15 Complete the planned maintenance work already identified for 2015-2018 (approximately 300 dwellings).
- 4.16 Meet the EESSH by 2020.
- 4.17 Carry out a review of the life cycle costing programme in tandem with the next scheduled stock condition survey in 2016/2017, and integrate outputs with overall financial planning.

- 4.18 Carry out a further assessment for compliance under the Heat Networks (Metering and Billing) Regulations 2014, by 2019.
- 4.19 Continue to keep policies up to date, consistent with further changes to building standards.
- 4.20 Continue to market the empty retail units at Mossend as necessary.
- 4.21 Respond to proposals for a further, and higher, energy efficiency standard beyond 2020.
- 4.22 Keep the role of Lanarkshire Initiatives Limited under review, and put a further agreement in place, if necessary, when the current agreement expires in 2017.
- 4.23 Continue to consult with tenants and involve them in decisions that affect them.

5.0 SWOT ANALYSIS

We have carried out an analysis of the internal strengths and weaknesses and the external opportunities and threats facing the business. These are summarised as follows :

Strengths	<ul style="list-style-type: none"> > Skilled and experienced development staff > Proven track record of delivering a wide range of development projects in different contexts > Ability to build high quality sustainable housing and achieve excellent levels of customer satisfaction > SHQS compliance achieved > Well developed life cycle costing programme linked to overall financial planning > Good interdepartmental relations and consultation procedures > Clear departmental objectives which link to the Internal Management Plan > Track record of successful partnership working with a range of other agencies > Ability to develop regeneration and wider action activities with partners > Excellent record of formally recorded ongoing staff training and development to ensure that high standards are maintained > High quality, tried and tested policy and procedures in place, particularly for managing risk and dealing with building contract disputes
Weaknesses	<ul style="list-style-type: none"> > Lack of understanding about and market intelligence of types of initiatives being promoted by the Scottish Government as alternatives to publicly subsidised social rented housing > Restricted staff resources in the Development Department

Opportunities

- > Working with other agencies to deliver the aims, objectives and targets identified in the LHS, SHIP, and Single Outcome Agreement, particularly those relating to housing and environment
- > Thriving property market providing opportunities to allow realisation of the property acquisition strategy
- > Energy efficiency moving up agenda, both locally and at Scottish Government level
- > General trend to increased rents may help fund development
- > Mid-market and other initiatives being promoted by the Scottish Government
- > A consistent approach to modernised procurement practice and continuous improvement should provide customers with better quality and value in the planned maintenance and the EESSH programmes
- > Financial strength and long-term viability allow consideration of initiatives such as land-banking and front-funding of development projects. These are likely to be necessary to the competitiveness and flexibility required for a future development programme

Threats

- > Core areas of operation are not high priorities in key planning documents
- > Local Authorities continue to offer the Scottish Government social housing development for subsidy levels significantly lower than needed by RSLs
- > Reduced subsidy levels make development of social housing unsustainable
- > Push towards market rents conflicts with welfare reform's downward pressure on Housing Benefit
- > Lack of development funding, militating against a new supply programme and financial stability of the development department
- > Exposure to contractor insolvency, building contract and other claims and disputes, including adjudication, arbitration and court action
- > Tender price inflation as the economy recovers
- > Risk of poor performance by building contractors
- > Affordability of the EESSH in the absence of originally anticipated subsidy
- > Higher energy efficiency and environmental standards, following on from the EESSH, may increase financial pressure
- > End of public sector grant funding support for wider role and regeneration initiatives



LANARKSHIRE
HOUSING ASSOCIATION LTD

CAPITAL INVESTMENT PLAN 2016-2021

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