



Pentland Housing Association
Business Plan
2019-2020 Updated February 2020

Section 1: Introduction

This business plan is our core strategic document and sets out our strategic direction for the next 3 years. We review and update our plan annually and this version of the plan was approved by our Board in March 2020.

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Purpose of the Business Plan

The plan is primarily an internal document, serving several functions:

- Helping us to understand the opportunities and threats inherent in our operating environment as well as our own internal strengths and weaknesses;
- Clarifying and communicating our strategic objectives and priorities and setting out the key actions we will take to achieve these objectives;
- Demonstrating that we have the resources necessary to carry out these actions and helping us to identify and mitigate any risks we face in delivering these actions;
- Providing a strategic overview for our other strategies and plans; and
- Providing a framework with which we can monitor our

progress and measure our success

Informing our Plan

In developing this business plan, we have taken account of the latest business planning guidance published by the Scottish Housing Regulator (December 2015) and the findings of:

- A review of the published plans of our key stakeholders with follow-up interviews with several key stakeholders (e.g. CEOs of neighbouring housing and community organisations, local and national government officers and specialist consultants);
- Interviews with our staff and a meeting with our Staff Action Group;
- A small focus group of tenants;
- A recent rent structure review and affordability assessment;
- Our most recent tenant satisfaction survey; and
- An intensive 2-day workshop with our Board.

Section 2: **About Us**

Pentland Housing Association (PHA) is the leading provider of social housing in Caithness and we currently manage almost 500 homes in Wick and Thurso. As a registered social landlord, we are regulated by the Scottish Housing Regulator to ensure we deliver good performance and fulfill our legal and regulatory duties. We are also a registered charity, and as such are regulated by the Office of the Scottish Charity Regulator to ensure we deliver on our charitable purposes and deliver public benefit. We currently employ 18 staff.

The Pentland Housing Group

PHA acts as the parent organisation in the Pentland Housing Group of companies. We currently have one subsidiary, Pentland Community Enterprises Ltd (PCE), which was established in 2006 to provide us with opportunities to enhance our social impact beyond core housing services. PCE is a social enterprise and provides a range of community and commercial services which currently include factoring services, managing a small portfolio of market rent properties, parking and storage facilities and energy advice projects. PCE also owns 332 garages and a small, but strategic, land bank. PCE currently employ 1 member of staff.

We have a formal intra-group agreement which sets out our relationship with our subsidiary and reinforces PHA's responsibility for overall strategic direction and control for the Group. We each employ our own staff and we also have a service-sharing agreement which allows our subsidiary to draw on PHA's staff in accordance with agreed work plans. Together with our subsidiary, we seek to make a positive contribution to the Group's agreed core purpose, namely:-

To enhance our social impact across our communities.

Our Track Record

PHA was first established in 1993 by a steering group of tenants and residents of the Pennyland and Mount Vernon Estates in Thurso when the then owners, the UK Atomic Energy Authority, decided to put the estates up for sale on the open market. The newly formed housing association took ownership of 350 homes on 24 January 1994.

Since then, we have grown the organisation through the continual investment in, and development of, our homes and services in response to changing local need and demand. We now own 492 homes across Caithness and invest around £1m each year to maintain these homes to a high standard. This does not come without challenges. Some of our homes were built using non-traditional building methods and, as a result, struggle to meet modern day energy-efficiency standards. Given these standards will soon be raised further we have begun to work on developing more sustainable, long-term solutions.

During the last 25 years we have also introduced a range of alternative tenures in response to changes in the local economy and employment patterns. This has included shared ownership, shared equity, a few properties which we manage on behalf of the Highland Small Communities Housing Trust, and a small portfolio of mid-market rent properties which we manage, via our subsidiary PCE.

As we have sought to widen our social impact beyond core housing services, we established a number of subsidiary companies, each with its own specific purpose and remit. Following a review in 2014 we took the decision to rationalise our structure and in 2015 we merged our two remaining subsidiaries into one (PCE) whilst being careful to maintain the brand and core activities of our previous Pentland Energy Advice subsidiary.

Today PCE delivers a range of services for the subsidiary – Garage Property Allocations, Factoring and Mid Market Rentals and as a Social Enterprise investigate new opportunities for the business.

Without a doubt, one of our most successful and enduring projects must be our Care & Repair service. We have a contract with Highland Council and the NHS to deliver and administer Care and Repair and Handy Person Services in Caithness. Through these services, we provide a technical and administrative service to assist people in private sector accommodation to remain living in their home in comfort and safety. We also provide services for Social Work, undertaking essential repairs and adaptations to allow hospital patients to return home. In 2019 we undertook an additional service for the NHS for Wheel Chair repairs, an important addition to our provision for the community. Understanding the financial pressures faced by our commissioners, we recently reviewed our Handy Person Service and are currently implementing recommendations to improve our contract management process.

We have a long history of working with other organisations including Highland Council, NHS, New Start, Ormlie Community Association, Pulteneytown People's Project, Albyn Housing Association, Cairn Housing Association and Orkney Housing Association. Through these partnerships we have shared resources, accessed expertise, attracted funding, delivered services and enhanced our social impact. Given our size, ambition and remote location, effective partnership has been key to our success and will continue to be so going forward.

Over the years we have also sought to strengthen the organisation, its people and its processes. Our achievements here have included securing the Scottish National Standards for Housing Options Information and Advice, silver level accreditation with the Tenant Participation and Advisory Service Scotland (TPAS) for the effectiveness of our tenant involvement service. In 2019 the Board of Directors approved introduction of a Trainee Scheme with a two year contract. We currently have 2 trainees in place working within all departments of the association to gain knowledge of our business operations.

Where We Are Strong

We review our operational performance on a quarterly basis and report annually on whether we have met our business plan objectives. We have recently reviewed our current organisational strengths and have identified the following:

Business model – we have simplified our business model to a single subsidiary and have reviewed our business strategy. We have undertaken a strategic option appraisal and agreed the way forward. We have encouraged our subsidiary to re-prioritise and re-focus its activities, reducing risk and improving its alignment with PHA and the Group's goal. We know what we want to achieve over the next 3 years and are keen to move forward.

Financial position – we are in good financial health. We have reserves of over £8m and compared to many of our peers, a lower level of debt per unit. We recognise that at around 20% of turnover, our overheads remain relatively high (partly reflecting our limited capacity and our geographical remoteness) but we are working to bring these more in line with others.

Rent affordability – the findings from a recent review of our rent levels and an affordability assessment have confirmed that we have relatively low rent levels compared to our peers and that our rents largely remain affordable to local households. Our business plan assumes annual rent increases in line with the RPI +1% in year one and + 0.5% in years 2 and 3 of this plan. Given the fragility of the local economy and the implications of welfare reform and high energy prices, we will keep our rent structure and levels under review.

Our people – recent customer and stakeholder feedback continues to confirm the quality and commitment of our staff. Furthermore, over the past few years of challenge and change our staff have demonstrated their resilience and ability to focus. We invest heavily in training and developing our staff and have successfully attracted several new employees into key roles over the past year or so. Given these recent staffing changes, we are currently working to embed a culture of personal leadership, collaboration, and performance.

Our Boards – The Pentland Housing Group have strong Boards in place and carry out a recruitment process as dictated by our rules and SHR Standards.

Governance – we significantly strengthened our governance arrangements a few years ago and continue to benefit from this. Nonetheless, we are not complacent and continue to seek advice and support to maintain good practice. Despite our remoteness we remain successful at attracting new Board Members when vacancies arise, keeping our skills and ambitions fresh. Last year, our Board succession plan enabled the handover to our new Chair to progress smoothly.

Assurance Statement

In accordance with the requirements of the Scottish Housing Regulator, Pentland Housing Association provided a statement in respect of our assurance and compliance in October 2019. We confirmed that the Board of Directors of Pentland Housing Association had carried out a comprehensive review of our evidence base which had provided us with the satisfaction that to the best of our knowledge we comply fully with the Regulatory Standards of Governance and Financial Management as detailed under Chapter Three of the Regulatory Framework.

Details of our Assurance Statement and SHR Engagement Plan can both be found on the PHG website.

Where We Know We Can Improve

We have also reviewed the areas where we still consider we have some weaknesses and need to strengthen our organisation. These include:

Capacity – having all the strategic and operational skills we need, available when we need them, is an on-going challenge, particularly given our geographical remoteness, size and ambitions. We often rely on commissioning external support which puts pressure on our overheads. Regrettably, our limited capacity can affect our performance and the pace at which we can change. Finding a more sustainable solution to this will be critical for our future growth and success.

Asset management – whilst we continue to plan, resource and deliver our annual repair and maintenance programmes, we recognise that we have yet to put in place a comprehensive asset management strategy. With a significant level of non-traditional house types which do not meet quality or energy standards (25%), and recent evidence of an increase in the number of reactive repairs per property, we urgently need to find practical and affordable solutions. In 2019/20 we completed a full stock condition survey on our properties which will inform our asset management strategy.

Managing our stock and potential low demand is high on our agenda for the future. Assessing the community requirements with our partners is important and will allow for strategic changes in the stock profile within Caithness to ensure sustainable housing is met.

Performance management – we recognise that our performance in some business areas has fallen behind those of our peers (for example re-let times, non-emergency repair response times, and rent loss due to voids). We also know that our approach to performance management and in 2019/20 we carried out a full tenant global survey which will allow us to increase our evidence base. We are keen to learn from the experience of others so that we can fast-track our performance improvement programme.

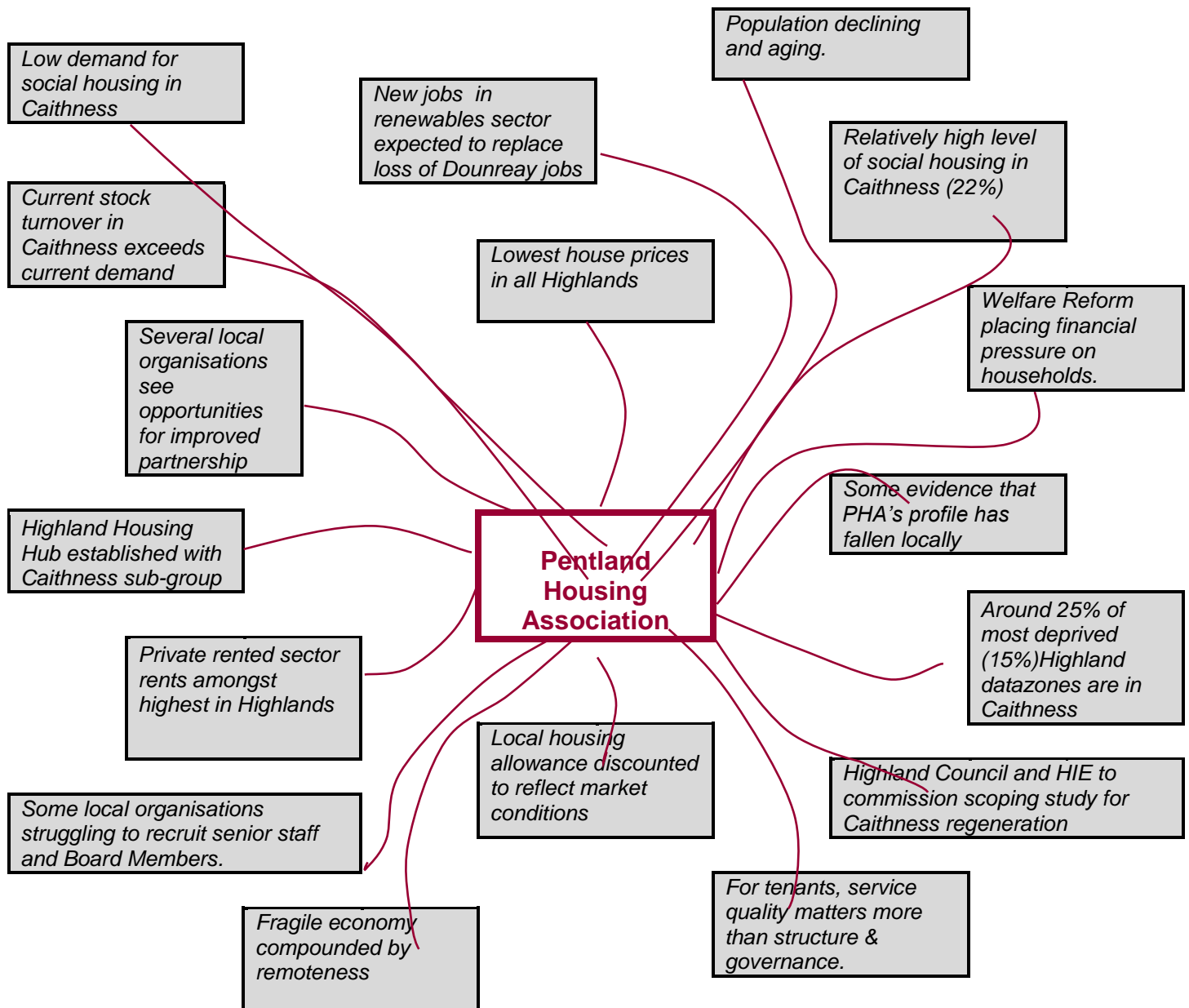
Stakeholder confidence – we continue to engage with our stakeholders and key networks and have appreciated the warm welcome we have received. We are working to regain stakeholder trust and respect and appreciate that we cannot afford to be complacent here and must continually demonstrate our value to our partners and other stakeholders.

Business infrastructure –we recognise the need to continue to modernise our infrastructure e.g. our ICT systems, our business processes and our management systems. We know there are some inefficiencies in our processes and some duplication across our systems and these are being addressed. We also recognised that for many of our customers our communication technologies seem slow to adapt to changing needs and expectations and have recently carried out a full upgrade of our website within the inclusion of facilities to allow for tenant engagement providing up to date information in various aspects of our business operations. It is important to us that our infrastructure is efficient, effective and meets the needs of our clientele.

Community Social Housing – the Pentland Housing Group are keen to work with our stakeholders to continue to contribute and meet the future needs of social housing in the county of Caithness.

Section 3: Context

In reviewing our business plan, we re-assessed our operating environment to ensure we remain responsive to the needs of all our stakeholders and the ever-changing context. We have identified the key external influences which will help to shape our strategy going forward. These are summarised below.



Some Potential Opportunities

When we look at our operating environment, these external influences reveal some potential opportunities for us. These include:

Making an impact

We are well-placed to improve our impact. We have rationalised our group structure over the last few years and have re-focused our local priorities, recognising that there has perhaps been a temptation to spread our interests too thinly. With our partners, we had identified gaps in local service provision and are keen to encourage and are proactive to support community-led solutions and we will target our resources to where we can make the biggest impact.

Social & economic regeneration

The Highland Housing Hub was established in 2016 to facilitate Highland Council's contribution to meeting Scottish Government's 50,000 affordable homes target. A Caithness sub-group was established in 2017 and agreed that while no additional social housing was required in Caithness, better use could be made of the existing housing provision. Recent indications suggest that a social and economic regeneration approach may be adopted here and this could include opportunities for re-provisioning where stock does not meet emerging needs or quality standards. We continue to engage with this sub-group and welcome this wider, strategic approach.

Collaboration & partnership

There are organisations already working in Caithness which share similar goals and challenges. We are now keen to continue to re-build our partnerships and encourage solutions to emerge from these collaborations. The challenge is that re-building trust and strong relationships, co-ordinating roles and activities, and co-developing ideas and solutions takes time, and we currently have limited capacity. Finding an efficient and effective partnership model will be a key factor in the process.

Access to grants and investment

Whilst there is admittedly greater competition for grants and investment, we know that there is also a greater willingness among funders to support ambitious social enterprises, asset-based community development and community empowerment programmes. The Community Empowerment Act 2015 has created new opportunities in this regard. As a locally-based, financially strong and community-run organisation with a 25-year track record, we are well-placed to access funding and investment. We are also well-placed to bid for, manage, co-ordinate and distribute funding on behalf of partnerships and consortia.

Known Challenges That Lie Ahead

We recognise that there are also a number of known challenges, or external threats, that we will need to prepare for:

Economic & political uncertainty

Current uncertainty over the national and local economy, Brexit and the potential independence of Scotland all mean that business planning over the next 3 years is highly unlikely to be completely predictable. Whilst we can test difference scenarios, we cannot predict the future, not how it may impact on our organisation or our community of our stakeholders. It is because of this unusually high level of uncertainty that we have moved from our usual 5-year business plan to a 3 year plan.

Welfare reform

The roll-out of Universal Credit continues to have a detrimental impact on many of our tenants, although some of this is now being softened by the new social security powers in Scotland. Without constant monitoring and early action, the impact on households can also affect our own cash flow and

operational performance. Although we have managed to achieve a steady improvement in our level of arrears over the past 3 years or so, we cannot afford to be complacent as we know it can take time for the full impact of welfare reform to be experienced.

Affordability

The current economic climate, coupled with welfare reform, means that many householders are continuing to struggle to make ends meet. Increases in fuel prices have resulted in increased heating and transport costs. Pressure from tenants, especially those not receiving benefits, to keep our rents affordable is considerable. At the same time, increased operating costs due to increasing regulation, cyber security and the cost of materials all place pressure on our financial position.

Community health & wellbeing

Caithness has an increasingly aging population as well as a growing number of people who live with multiple and complex conditions. It is known that the current models of healthcare services are already severely stretched and recent plans to redesign service provision met with public outcry. While the future impact of these changes is not yet known, we have already seen increased demand for adaptations and our Care & Repair and Handy Person services.

Competition

The competition for investment, customers and partners has increased. We recognise the growth of the private rented sector locally as well as the ambitions of other housing providers and are keen that we do not lose out. Our commitment to collaborate with peer housing associations will be important in securing our position.

Section 4: Strategy

Our business strategy is set within the context of the Pentland Housing Group which provides an over-arching framework for both the housing association and our subsidiary.

OUR UNDERLYING PRINCIPLES

We have aligned our approach across the Group and share a set of principles which we apply to everything we do. These are:

- 1. Community engagement** – *embedding participation and customer engagement in our culture.*
- 2. Collaboration & partnership** – *seeking opportunities to build relationships and work with others.*
- 3. Social inclusion** – *tackling inequality and harnessing diversity.*
- 4. Value for money** – *maximising and demonstrating excellent*

Group Strategic Framework

Both organisations in our Group share the same goal:

“To enhance our social impact across our communities.”

Each organisation within the group structure will make its own unique contribution to achieving this goal and will do so at its own pace.

Strategic Direction

Like any organisation, PHA has gone through many different phases in our journey, where each phase is influenced by various internal and external factors. Our previous phase was one of consolidation.

However, we are acutely aware of the challenges faced every day in our communities, no more so in the current economic climate, and remain committed to serving our community to the best of our ability.

We recognise that change is important and have in place a programme designed to renew the organisation with a strong focus on performance, investment, engagement, partnership and modernisation. We apply our renewed sense of purpose, energy and professionalism to drive this through.

Consequently, our business plan reflects a phase of renewal.

Strategic Option Appraisal

We undertake a full strategic option appraisal at regular intervals to ensure we remain well-placed to deliver best value

for our tenants. The most recent exercise was carried out in autumn 2018 and after full consideration of all the options, associated risks, benefits and financial implications, our Board agreed to investigate appropriate partnership opportunities which would enhance our performance, maximise our impact, improve our value for money, provide access to new skills and expertise and protect the interests of our current and future tenants.

Our Board is fully committed to supporting and resourcing this option, wherever it leads, and our Chair will drive the process forward with the Board interim senior manager and staff to design and implement our renewal programme. Our Board has also approved a package of external specialist support to be sourced as the business requires to ensure. We are well-placed to deliver on this option with TPAS providing the independent advice to our tenants. During this period we will need technical support from our stakeholders to continue to strengthen the organisation and the decisions it makes during this period.

Strategic Objectives

We have recently reviewed our strategic objectives to ensure that we stay focused on our renewal over the next 3 years. All our activities will be aligned to delivering these specific objectives with agreed outcomes and targets to help us measure our performance. These six objectives are:

- 1. To be a well-respected and well-connected housing association.**
- 2. To deliver high-quality homes and services.**
- 3. To work with partners to enhance our effectiveness.**
- 4. To develop a skilled, professional and committed team.**
- 5. To be an efficient and modern organisation.**
- 6. To enhance our value for money.**

OUR CUSTOMER CARE CHARTER

We have embedded an approach to customer care which reflects our organisational values and informs our strategic objectives.

- *Professional services that are easy for you to use*
- *Information and support you need, when you need it*
- *High quality and affordable services*
- *A partnership approach with other organizations*
- *Courtesy and respect when dealing with your enquiries*
- *A fair service that provides equal access and treats all members of our community appropriately*
- *A confidential service and interview rooms if requested*
- *Choices on how and when to contact us*
- *A consultation process that listens to, and takes into account, your views*
- *An easy to understand complaints service when things go wrong*
- *Well trained and motivated staff*

Section 5: **Priorities**

We have identified our top 10 strategic and corporate-wide priorities for the 3 years of this plan, understanding that most of these will contribute to more than one of our strategic objectives. We have set out how we will deliver on these priorities together with our annual targets in a 3-year strategic delivery plan (see Appendix). This will flow down into team work plans and personal responsibilities and targets.

1. Partnership Working

Our stakeholders have alerted us to a number of possible opportunities which due to scale and complexity (and our own limited capacity) will require us to work in a more collaborative way. We are very keen to use these opportunities to re-connect with organisations that we have partnered with in the past (e.g. Pulteneytown People's Project) and to forge relationships with emerging organisations and those new to the area (e.g. the credit union). Over the next few months we plan to carry out a stakeholder mapping exercise and from this to develop new and old connections with those who appear to fit well with our values, ambitions and risk appetite.

Following our recent strategic option appraisal, one of our key work strands over the next 12-18 months will be to investigate and implement collaborative partnerships which offer us opportunities to fast-track our performance improvement programme, access key skills wider experience to significantly enhance the value we offer our current and future tenants and improve our business efficiency. At this stage, we are not sure where this journey may take us, but we are open to exploring new ways of working and delivering vital services.

2. Service Quality

We are committed to improving our service quality and see this as an ongoing work stream which encompasses different elements. First and foremost, there is a performance dimension where we seek to deliver the Scottish Social Housing Charter and continually improve on our previous year's results. There is also a service development dimension where we seek to identify and embed good practice as we develop our services, responding to changes in legislation, national policy and the needs and expectations of our tenants.

One key dimension where we know we need to improve is how we consult and engage with our tenants. Currently we hold a list of "interested tenants" of around 30 people and a small Tenants Review Group of 8 people. Over the next year or so we will be working with to enhance how tenants can engage with us (particularly younger tenants) and how best we can offer opportunities for tenants to shape our services.

We welcome the opportunity that accreditations offer us to review and improve our services and processes and are therefore keen to renew and expand our existing accreditations. Over the next 3 years we will be working to review and renew our Care & Repair Agency Quality Mark and our tenant involvement accreditation with TPAS.

3. Strategic Asset Management

We are in the process of strengthening our approach to strategic asset management following completion of a stock condition survey of 100% of our homes and improve the accuracy of our information. An asbestos survey was also completed in 2019/20 and we will use the results from these surveys to update our life cycle cost model.

Alongside this, we are working on our first comprehensive asset management strategy which will introduce a more strategic and long-term approach to our management of, and investment in, our homes. This will help us to prepare for the new EESSH2 standards and address the outstanding SHQS issues which relate to our homes of non-traditional construction.

We are also aware that we have had some challenges in adapting our existing homes to suit the changing needs of our tenants. We are keen to find solutions to these financial and technical issues to ensure that our homes remain fit for purpose.

Whilst we accept that the potential for securing financial support for future new build in Caithness is highly unlikely for any RSL, we will continue to work with the Highland Housing Hub to explore opportunities for tackling our low demand house types (generally our flats) and the potential for appropriate re-provisioning.

In the meantime, we will continue to review and improve how we plan and deliver our repairs and capital investment programmes. Over the next three years, we will also continue to deliver our major replacement programmes of roofs, boilers and kitchens.

4. Procurement & Contract Management

Procurement legislation and practice has been overhauled over the past 2-3 years with some of the changes only coming into force in 2019/20. Defined as a public sector buyer under this new legislation, we recognise that our own practice would benefit from further strengthening to ensure we take a strategic and sustainable approach to procurement. Therefore we reviewed our processes for procurement during 2019/20 and have in place an approved Procurement Policy. Our staff have completed Procurement training and we are now addressing out in house procedures. We will be setting up specific training aimed for the processes that contractors require to have in place in April 2020/21.

We are committed to using procurement as a strategic tool to improve our performance, increase tenant satisfaction, offer community benefit and ultimately deliver value for money for our tenants. As part of our approach to procurement, we are keen to provide opportunities for tenants to inform service specifications and engage with us on contract management issues.

Like many other RSLs, we are also a supplier of services purchased by the public sector under contract or service level agreements. In this role, we are keen to strengthen how we manage and deliver contracts ensuring that we offer our commissioners high quality services and excellent value for money.

Over the period of this business plan, we will have the opportunity to review and strengthen several of our contracts. We will also be taking the opportunity to review our contract panel and the potential for joint procurement and call-off frameworks. We are also suppliers of care and repair and handy person services and anticipate that Highland Council and the NHS will openly advertise for a new contract for the period 2020 to 2025.

5. Performance Management

Whilst we are making good progress in improving our performance in some business areas (e.g. arrears are reducing, fewer housing offers are being refused, and adaptations are taking less time to be installed) this is not the case across all performance areas. In line with the introduction of annual assurance statements we recognize that we did not have the breadth of evidence we need and therefore carried out a global survey during 2019/20 to allow up to date analysis of tenant data.

Moving forward, we are working to instill a more corporate approach to performance management where responsibility is shared across all employees and staff feel empowered to take immediate and appropriate action to improve performance. We plan to build a performance dashboard to provide the senior management team with accurate, comprehensive and real-time performance data, allowing them to take early action and redirect resources as required.

Rather than spreading this work stream across the 3 years of this plan, we feel that our performance improvement programme would greatly benefit from taking a fast-track approach. We are therefore keen to continue our commitment to explore partnership opportunities as a means of accessing good practice, leveraging in appropriate skills and expertise and achieving rapid performance improvements.

6. Value for Money

Crucial to our future success is our ability to deliver value for money to our tenants and stakeholders. Whilst overall our tenants tell us that we deliver good value for money we know from some tenants that we can do more. We know that we need to review our opening hours, improve our engagement processes and deliver on our promised property upgrades. We also know that we need to do all of this whilst keeping our rents affordable and comparable with our peers. Operating in a housing market where house prices and mortgages are comparatively low means that, particularly for our younger tenants, we are also judged on how well we compare to owner occupation.

A key priority for us in terms of enhancing our value for money is to review our overheads. During 2020/21 we plan to review our current intercompany charges for PCE and our Care & Repair and Handy Person services, also together with systematically reviewing our contracts, including our office services and maintenance contracts as required.

In terms of a more general approach to achieving efficiencies, we are seeking to improve our processes for contractor invoicing, make considerable improvements to how quickly we deal with voids and allocations, maximize rent payments received in advance and carry out a review of our office accommodation.

Our current loans due for re-financing in 2020/21 and our asset management strategy will help us to identify any additional loan provision required to fund bringing all our homes up to SHQS and EESSH standards.

7. Governance

We carried out a major overhaul of our governance arrangements and continue to benefit from the improvements made at that time. In line with the Scottish Housing Regulator's updating of its Regulatory Standards and introducing the requirement for RSLs to submit an annual assurance

statement, we understand that the continual strengthening our governance is paramount and have carried our reviews of our standing orders, Board training plan, and delegated authority arrangements and now have clearer lines of responsibilities and less interfaces.

Freedom of Information legislation was introduced in November 2019 and training for this was carried out for the staff by our outsourced Data Protection Officer. In line with legislation all the required information is readily available for the public/tenants as required.

Over the term of this business plan we will continue to strengthen our internal and external audit process, embed our new disaster recovery procedures, review the effectiveness of our committee structure, re-confirm the purpose and priorities of our subsidiary, strengthen the relationship and alignment across our Group structure, review our use and management of external consultants.

As part of our governance structure PHG must ensure that our cash flow projections are reviewed to ensure we are meeting our scheduled level of investment and comply within our loan covenant remit. Information on scenario planning forms part of the reporting process to the Board to allow for understanding the decision making process.

8. Business Infrastructure

To our cost, we have found it too easy to fall behind in our use of new technologies. Perhaps as a consequence of our previously complex business structure, we have several different systems which are not always well-aligned. We are fully committed to modernising our working practices which includes making better use of technology. We have started to invest in smarter systems (e.g. using text messages to engage with our tenants) but recognise that much more is possible.

In 2019/20 PHA carried out a full review of their website and this was launched in September 2019, providing up to date information and access to our tenants and access on various aspects of our business operations.

Over the term of this business plan we will be making better use of mobile technology and apps, re-configuring SDM (our main housing and property software), developing a performance dashboard, and reducing our over-reliance on paper copies and forms.

Alongside this, we will also review, rationalise and improve our office accommodation in an effort to improve customer and employee experience, make more efficient use of the space available and encourage effective cross-team working.

9. Workforce Development

Despite our offer of interesting and rewarding work and generous terms and conditions, attracting new staff to come and live in a relatively remote part of Scotland can at times be a challenge. Consequently, we are committed to training and developing our current workforce so that they, and us, are well-placed to meet our future business needs. We already invest heavily in our staff and demonstrate our commitment to youth employment with the introduction of a trainee scheme. The scheme provides a fixed two year contract which includes day release learning towards an HNC qualification, currently we have two trainee placements employed.

Our priorities over the term of this business plan include leadership training for our managers, regular team-building to facilitate effective cross-organisational working, coaching to promote a culture of empowerment, achieving IIP Silver accreditation, strengthening our staff appraisal process, updating

our subject-specific training (e.g. Health and Safety, 2014 Housing Act, Housing First, EESSH 2, ICT systems etc), participating in regional and national networks and conferences, and taking part in intensive learning visits to other RSLs.

10. Succession Planning

We have benefitted from a relatively stable Board during our previous phases of improvement and then consolidation. However to take us forward into this next phase of renewal, recruitment of new Board members is currently being reviewed to ensure our membership falls in line with our rules. We are updating our Board training plan to ensure effective support is in place for new members and office bearers.

Succession planning is also an important strategic tool in terms of the continuity of our services given our relatively small size and the challenges we can face attracting potential employees to such a remote part of Scotland. Over the past 12 months we have perhaps underestimated the level of insight and challenge new employees bring to any organisation and the consequential potential for conflict. The opportunity that this has given us to review, learn and adapt has been overwhelmingly positive.

We have also agreed to take a phased approach to appointing a new CEO, preferring to appoint an interim to implement our programme of renewal and investigate the opportunities for partnership and will review the situation when the way forward is clearer.

Section 6: **Resources**

We are fully committed to making the best use of our resources - money, people and systems - to ensure we remain a strong, successful and sustainable organisation.

Financial Health

We are in a strong financial position, continue to be financially viable and reporting a strong balance sheet that shows a healthy bank balance and reserves. We expect to start this business plan 2020/21 with overall net assets of just over £8m. We anticipate achieving a surplus of around £129k in year 1, closing the year with cash reserves of around £600k.

Financial Planning

We take a robust and continuous approach to financial planning taking into account, for example: the results of annual rent consultations, updated stock condition survey and valuations, projected salary increases, regular reviews of overheads and intercompany charges, our pension deficit, etc. Our financial planning exercise includes setting an annual budget together with 5-year projections and 30-year forecasts. We also carry out our regular scenario planning, testing the impact on our viability and financial position.

Our long-term projections continue to demonstrate viability over the short, medium and long term. Based on reasonable assumptions, our financial projections show annual surpluses and confirm more than adequate liquidity in order to allow the full implementation of this business plan. No issues arise in respect of loan covenant compliance.

Our current business plan includes funding from the Nationwide and an interest-free loan from Highland Council with a total current loan facility of £4.3m. We will be reviewing our financial requirements as we prepare our asset management strategy and plan for re-financing in 2020/21.

Key Financial Assumptions

- No new build activity in the 3 years of this plan
- Annual rent increases are based on rent increases of + 1% in 2020/21, and thereafter RPI +0.5% to year 7 and RPI only through to year 30.
- Voids & Bad Debts start at 3.00% and reach 3.5% in year 3 and peak at 3.75% in year 5
- Inflation 2.5%
- Repairs and maintenance investment approx. £1m year on year

Our people

Our people are our voluntary Board members and our paid staff, who together have shown resilience and dedication throughout our recent changes. Over the past year we have had an interim senior manager whilst we have reviewed and confirmed our strategy for the term of this business plan.

Our structure includes:

- **Acting Chief Executive**
- **Housing Services** – Housing Manager and 3 Housing Officers
- **Estates and Ancillary Services** - Estates & Ancillary Services Manager, 1 Maintenance Officer and 1 Maintenance Administration Assistant. Also 2 Handy Person Officers and 1 Care and Repair Officer
- **Corporate Services** – Head of Corporate Services, 1 Finance Officer, 1 Finance Assistant, 1 Corporate Officer, 2 Customer Service Assistants, and 2 Trainees

Over the remaining term of this business plan we will continue to develop a strong team of talented and committed people. This will include a review and update of our Board training plan, introducing team building activities for Board and staff, strengthening our staff appraisal processes and enhancing the work of the Staff Action Group. We will embed regular staff training sessions as well as learning visits to other organisations and use these to introduce and support new procedures in service delivery.

Our Systems

We are committed to investing in our systems to improve our productivity, efficiency, response rates, and communication. Our focus in this business plan is on upgrades and improvements, including making better use of existing systems. e.g. using mobile apps and SMS and fully exploiting the capabilities of SDM, our housing management software.

Our current systems include key housing management, maintenance and finance processes:

- SDM Housing Software – module base and used for housing, rent and assets.
- ACT – software system used by Care & Repair to retain client information on projects
- ELMS – software used on behalf of NHS to record delivery and pickup of stock for clients
- PTIX – software used for direct debit collection

In addition, we are members of Highland Housing Register and use the associated system to manage applications and the allocations of our homes.

Section 7: Risk

Effective risk management is a core ingredient in any successful business. At a time when resources are limited, it is especially important to reduce the number of unwanted surprises. We understand the importance and value of managing risk and see our risk management policy and framework as an essential element of good governance, improving our decision-making and enhancing our outcomes and accountability.

Approach

We have adopted a comprehensive approach to risk management to ensure that we:

- are more flexible and responsive to new internal and external demands;
- are able to make informed decisions;
- can provide assurance to our Board;
- reduce incidents and control failures; and
- are able to achieve our key targets and priorities.

Risk Management Framework

A few years ago, we strengthened our risk management framework across the Group and introduced a process in which risks are identified, assessed, controlled, monitored and reviewed. The framework is designed to:

- integrate risk management into the culture of the Group;
- raise awareness of the need for risk management;
- encourage a positive approach to risk management;
- support improved decision-making, innovation and performance through a good understanding of risks and their likely impact; and
- manage risk in accordance with good practice.

Audit & Compliance Committee

Our Board is responsible for overseeing risk management in our organisation. It is assisted by the Group Audit & Compliance Committee, charged with monitoring the management of high-level risks, reviewing the risk appetite, ensuring proper controls are in place and annually reviewing the Group's approach to risk management.

The Audit & Compliance Committee also oversee the employed Health and Safety requirements of the association in line with guidelines in place.

We are committed to ensure the association addresses all aspects of health and safety legislation therefore during 2019/20 we by signing up under ACS for "Landlord Health & Safety" which promotes guidance and practices for a social landlord. Our current systems and procedures have been

reviewed and updated to ensure they met with the criteria required and our first audit will be carried out by ACS in March 2020

Section 8: **Monitoring & Review**

This business plan signals our intention to move towards a more outcome-based approach to business planning where we are able to measure our strategic performance as well as our operational performance. We know that this is not easy and will take some time to fully develop.

Performance Management

As our core strategic document, this business plan lies at the heart of our performance management framework and allows our strategic objectives and priorities to be cascaded down through the strategic delivery plan into team work plans and down to individual responsibilities. We will report our performance against our business plan strategic objectives to our Board on a quarterly basis and have set out our intended outcomes together with our key performance indicators and targets in the strategic delivery plan attached as an appendix to this business plan.

Evidence Base

As part of the preparations new annual assurance statements introduced in 2019/20 strengthened our evidence base and assurance levels. A Stock Condition Survey was commissioned in 2019/20 together with comprehensive Global Tenant Survey updating the information we hold on our tenants and the condition of our homes which will enable us to benchmark our performance management processes with other social landlords. These sources of information will be used to underpin future updates of this business plan.

Appendix A: Our Delivery Plan

Outcome		Actions	Performance Targets	Timescales		
				2019/20	2020/21	2021/22
Strategic Objective 1: To be a well-respected and well-connected housing association.						
1	We are well known & respected.	Publish good practice stories & carry out regular stakeholder surveys.	% of stakeholders confirming we have a good reputation	65%	75%	85%
2	We are well governed.	Actively monitor, review & develop governance arrangements	% of recommendations implemented	100%	100%	100%
3	We fully participate in local & regional networks.	Commit to regular attendance & 2-way learning	% attendance at key networks	75%	80%	85%
Strategic Objective 2: To deliver high-quality homes and services.						
4	High overall tenant satisfaction with us as a landlord.	Carry our surveys to track and respond to changing views & priorities	% tenants reporting overall satisfaction	87%	90%	92%
5	More tenants happy with the standard of their home.	Implement approved asset management strategy	% of tenants satisfied with the standard of their home	83%	85%	87%
6	More tenants are satisfied with how we engage with them.	Maximise opportunities for tenants to meaningfully engage	% tenants satisfied with opportunities to participate	82%	85%	87%
Strategic Objective 3: To work with partners to enhance our effectiveness						
7	We have co-operative and productive relationships with all partners	Invest in partnership working across the organisation.	% of partners rating us as a good partner	90%	100%	100%
8	New partnerships are formed.	Implement results of stakeholder mapping exercise	Number of new partnerships established.	2	2	3
9	Partnerships bring tangible benefits to our tenants.	Improve expected benefits for tenants in each partnership.	Number of demonstrable benefits to tenants as a result of partnership working	1	3	2
Strategic Objective 4: To develop a skilled, professional and committed team.						
10	Our staff are highly skilled and committed	Continue to develop & improve staff appraisal, training, support & supervision.	Achieve IIP accreditation	Silver	Silver	Gold
11	Board members are well-informed, skilled and	Continue to develop and improve Board induction, assessment, and training	% of Board members participating in Board self-assessment, appraisal and	90%	95%	100%

	confident.		training			
12	Our workplace is healthy & supportive of staff's wellbeing	Continue to develop & improve the workplace environment	% of Staff Action Group recommendations implemented	70%	75%	80%
Strategic Objective 5: To be an efficient and modern organisation.						
13	We have removed inefficiency and waste from our processes	Steps taken to reduce overheads	Overheads against turnover (turnover less vehicles & depreciation)	17%	16%	15%
14	We have an integrated ICT system in place	Implement ICT strategy and action plan.	% of ICT action plan implemented	80%	90%	100%
15	We learn from others and embed good practice.	Undertake visits to other RSLs and reciprocate.	Number of tangible practice improvements embedded as result of learning	10	10	10
Strategic Objective 6: To enhance our value for money						
16	We are financially sound.	Monitor & review treasury management policy	Business plan remains affordable and full compliance with loan agreements	100%	100%	100%
		Ensure accurate and timely budget setting and forecasting	1yr, 5yr and 30yr budgets & forecasts submitted & approved on time	100%	100%	100%
		Robustly pursue rent arrears	Gross Rent Arrears as a % of Gross Income	4.25%	4.00%	3.75%
		Minimise void periods	% of rent lost through void properties	0.6%	0.5%	0.4%
17	Our homes are affordable to rent and live in.	Continue to test the affordability of rent levels	% of tenants agree rent offers VFM	80%	83%	85%
18	Tenants remain in their homes for longer.	Adapt homes to suit medical needs	No. of aids & adaptations	7	8	9

Appendix B: Our Projected Cash Flow

	2020/21 Year 1	2021/22 Year 2	2022/23 Year 3	2023/24 Year 4	2024/25 Year 5
<u>INCOME</u>					
Rental Income - Basic	2,328,912	2,387,368	2,447,291	2,508,718	2,571,686
Rental Income - Excess	-	-	-	-	-
Less : Voids & Bad Debts	232,891	238,737	244,729	137,979	115,726
	2,096,021	2,148,631	2,202,562	2,370,738	2,455,961
Shared Ownership Rents and All Service Charges Income	2,568	2,632	2,699	2,766	2,836
Total Rental Income	2,098,589	2,151,263	2,205,260	2,373,504	2,458,796
Right to Buy - Net Receipts	-	-	-	-	-
Other Income Per Unit	265,910	271,507	277,222	283,058	289,019
TOTAL INCOME	2,364,499	2,422,770	2,482,482	2,656,563	2,747,815
<u>EXPENDITURE</u>					
Planned Maintenance - Balance Sheet	246,654	340,353	514,392	707,685	632,854
Planned Maintenance - Income & Expenditure	294,490	16,274	0	0	83,620
Cyclical Maintenance - Income and Expenditure	114,780	157,385	124,342	217,060	141,542
Reactive Maintenance	380,000	407,457	417,684	428,168	438,915
	1,035,924	921,469	1,056,417	1,352,913	1,296,931
Management and Administration	680,538	636,667	614,290	595,345	607,139
Fixed Assets (Furniture, Fittings and Equip)	25,000	5,100	5,202	21,224	5,412
Pension Deficit Payment (Outflow)	107,509	110,734	114,056	0	0
Loan Repayments	272,032	301,609	312,969	323,894	334,348
Other Costs	274,046	256,379	247,368	239,740	244,489
TOTAL EXPENDITURE	2,395,049	2,231,958	2,350,303	2,533,116	2,488,320
NET SURPLUS / (DEFICIT) IN THE YEAR	-30,550	190,812	132,179	123,447	259,495
CUMULATIVE SURPLUS / (DEFICIT)	-30,550	160,262	292,441	415,888	675,383
<u>FUNDING</u>					
Opening Cash Balance - PHA	811,188	-	-	-	-
Movement in Loan Debtor (Subsidiary PCE) Per Conversion	20,000	20,000	20,000	20,000	20,000
Movement in Debtors	(72,096)	3,688	4,010	34,175	66,891
	759,092	23,688	24,010	54,175	86,891
Surplus Plus Funding	728,542	214,500	156,189	177,622	346,386
INTEREST RECEIVABLE	24,383	17,850	19,600	24,275	26,340
INTEREST PAYABLE ON OVERDRAFTS	-	-	-	-	-
CUMULATIVE SURPLUS / (DEFICIT)	752,925	985,275	1,161,065	1,362,961	1,735,688