Lochaber Housing Association Business Plan 2025-26 / 2026-27

Providing Affordable Housing and Services Throughout Lochaber







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1. Introduction

This Business Plan provides a strategic framework for managing our services and overall business for the period 2025-26 to 2026-27. It also informs our relationships with our customers, funders, regulators, and partner organisations.

The plan reflects our belief that the wellbeing and stability of Lochaber Housing Association (LHA) is crucial and will be underpinned by good governance, robust financial modelling, and strategic risk mitigation. This is achieved by effective leadership of the Association by the Board of Management, supported by the senior staff team. The strategic context and direction of our plan continue to be informed by our Board, staff, and the views of our tenants.

The global economic outlook remains challenging. Rising tariffs between major economies, disruption to shipping routes and political tensions in energy-producing regions are likely to keep prices and interest rates higher for longer, increasing financial pressure. Careful financial management is essential to balance affordable rents with long-term business sustainability. We are working to:

- keep rent increases for our services as low as possible;
- maintain our commitment to tenants' safety and wellbeing; and
- provide high-quality services that improve life for our tenants.

Despite these challenges, we remain an ambitious, financially resilient organisation.



2. Our Journey so Far

2.1 Lochaber Housing Association is a Scottish Charity (SCO 30951), a registered Society under the Co-operative and Community Benefits Act 2014 and is registered with The Scottish Housing Regulator (Registered Social Landlord No.151).

2.2 The Association is a non-profit making organisation, established in 1988 to address an identified chronic housing need in Lochaber's rural communities and to contribute to meeting the perpetual and considerable housing need in Fort William. This need is just as acute now, notwithstanding the work of the Association, The Highland Council, and other agencies in the intervening period.

2.3 The Association's principal objective since 1988 has been to provide good quality, affordable housing opportunities and services throughout Lochaber, achieving this by accessing public funding, mainly through the Scottish Government as well as private sector lending facilities, to develop and manage housing, mainly for rent but also through low-cost home ownership accommodation and other initiatives.

2.4 Over the past 37 years we have provided approximately 872 new housing opportunities for rent and low-cost home ownership. In early 2018 the Board resolved to enhance our capacity to deliver more affordable housing in Lochaber by entering a partnership with Link HA at the Upper Achintore site in Fort William. The initial phase of 82 units was completed in August 2024, resulting in us now managing and maintaining 83 rented properties for LINK HA along with the maintenance for the mid-market properties owned by LINK HA.

2.5 The significant increase in build costs has meant LINK HA have not been able to commit to when the next phase of this development will go on site.

2.6 The Association has done substantial work to utilise renewables, and a significant amount of stock has a renewable element to it. Our intention is to continue to improve the energy efficiency of our housing which will help to keep the heating costs more affordable for tenants.

2.7 There are breadth and scope to the group of companies within the LHA family that means that we have never regarded our valuable role over the years in supplying affordable housing as the only means through which we would deliver a social impact.

2.8 Along with Albyn Society, Cairn HA, Caledonia HA, Lochalsh and Skye HA, and Highland Council we operate a common housing register and common allocation policy called the Highland Housing Resister (HHR). This is a single access point for all applicants wishing to apply for housing in the Highland area.

2.9 We also believe that it is important for us to maintain and improve the quality of our management and maintenance services. Throughout the business plan are references to our performance with this information provided to the Scottish Housing Regulator through the Annual Return on the charter. Comparatives with our peer group and the Scottish average are also provided, with the peer group made up of Albyn Housing Society, Cairn HA, Hjaltland HA, Orkney HA, Lochalsh and Skye HA, West Highland HA and The Highland Council.

2.10 The Association also operates and provides services through Lochaber Care & Repair (LCR) which was established in 2006, and which is a not-for-profit company. LCR operates a free advisory service to assist older and disabled people in their own homes to manage improvements, repairs, and adaptations to their properties. LCR also operates a tenure neutral Handyperson service and manages the Community Equipment Service for NHS Highland (NHSH). A procurement process was undertaken on Public

Contracts Scotland in 2025 and LCR were successful in gaining this contract for 3 years commencing and the option available to extend this for a further 2 years. The service now has financial stability and is undertaking a comprehensive review to align our operations with the new contractual obligations and financial framework.

2.11 In 2009 we set up LHA Property Services CIC (LHAPS) as a non-charitable subsidiary company to carry out activities that the Association as a charity, could not, and was established as a Community Interest Company (CIC). This meant that the Association could protect the company's surpluses for the benefit of the community and for the provision of training and employment opportunities. The company provides Estate Management Services as well as comprehensive reactive, cyclical, and planned maintenance service for the Association and its tenants as well as delivering a similar service to our partners Link HA.



3. Executive Summary

3.1 LHA's ambition to continue playing a lead role in developing affordable housing in Lochaber remains as strong as ever. Looking ahead, we remain committed to exploring new opportunities that align with our mission of quality and affordability. Our ambition to continue development of affordable housing in Lochaber remains firm, with our programme supporting the strategic partnerships we have with both Highland Council and Scottish Government in achieving the targets for affordable housing.

3.2 We are pleased to report the successful completion of Phase 2 at Rankin Crescent, consisting of 18 homes for affordable rent and 4 properties for purchase under the New Supply Shared Equity (NSSE) Scheme. Work is progressing well at the Glenkingie Terrace Development with the 18 units due to complete in the summer of 2027. Investigations continue at our Kings Way site in Mallaig to allow us to progress with 14 units and progress continues seeking other sites and working with our communities to ensure a future pipeline for Lochaber.

3.3 Early in 2025/26 we concluded our procurement for development agency services and appointed Macdonald & Cameron to this critical role.

3.4 We have made significant progress in improving our procurement processes through our engagement with Scotland Excel. This work is ongoing to ensure our approach remains robust, compliant and delivers value for money.

3.5 During 2025/26 we undertook a review of our lending portfolio resulting in the repayment of some of our more historic lending and agreed new lending with Allia, CAF Bank and Unity Bank. The new Allia and CAF Bank loans were completed during the year with the final phase of the new lending with Unity Bank loan completing early in 2026/27. This has meant that we have secured the private finance required for our upcoming development and investment plans and at the same time ensuring a funding strategy that balances high ambition with financial prudence.

3.6 Following consultation, and while remaining mindful of the cost-of-living challenges faced by our residents the Board approved a 4.5% rent increase for 2026-27 safeguarding the going viability of the Association.

3.7 We introduced a standalone Communications Strategy and are now committed to developing a dedicated Tenant Participation Strategy which reflects the voices, experiences and priorities of our tenants and communities. To support this work, we will be working alongside Tenant Information Services (TIS), who will independently facilitate consultation and engagement activity with tenants throughout the development process. This work will follow a full review of our Rent Structure which is also currently underway and will be complete in time to allow it to be considered by the Board prior to the Strategy Day in October.

3.8 During 2025/26 our Internal Auditors, TIAA, carried out three reviews: Equality, Diversity and Inclusion; Core Financial controls; and Tenancy Sustainment and Debt Management. These reviews are designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve our objectives. The Annual Report concluded that for each of the reviews the Association had reasonable and effective risk management, control and governance processes in place. In April 2026 the Board considered and approved the extension of this initial appointment of TIAA as our Internal Auditors for a further two years. The agreed programme for internal audits for 2026/27 is to cover Reactive Repairs, Corporate Governance (Regulatory Standards) and our development function.

3.9 Risk management remains a core focus, with quarterly reviews ensuring we remain responsive in a changing regulatory and economic environment. Geopolitical instability in the Middle East has elevated the existing uncertainty around inflation and interest rates and affordability challenges. In addition, tenant and resident safety, sustainability and efficiency challenges, digital transformation gaps and development continue to be the key areas of risk.

3.10 During this year we have made clear and measurable progress in strengthening our digital foundations, enhancing data integrity, and improving cyber security, creating a secure platform from which to embrace future digital services and AI innovation. The focus is now on turning this groundwork into tangible improvements in service quality, tenant experience, and organisational resilience.

3.11 These achievements, including the launch of MY LHA, our self-service portal to enhance digital engagement with our tenants, mark the early stages of a sustained digital transformation journey, one that will continue to align technology, people, and strategy to deliver lasting value for LHA and its tenants.

3.12 We continue to self-assess our compliance with the Regulatory Standards of Governance and Financial Management enabling the Board to provide an Annual Assurance Statement to the Scottish Housing Regulator (SHR) in relation to our compliance. The Regulator has confirmed our compliance status, thus demonstrating to our tenants, lenders and other partners their reassurance that the Association meets all standards

3.13 While 98.51 % of our properties currently meet the Scottish Housing Quality Standard (SHQS) we continue to invest and improve where possible our energy efficiency standards ensuring our homes remain energy efficient and desirable as national standards evolve.

3.14 The performance of our repairs service remains very strong:

- Emergency repairs completed in an average of 3.38 hours
- Non-emergency repairs averaging 5.64 days
- % of repairs completed right first time 98.91
- Tenant satisfaction with repairs 99.33%

3.15 While we conduct stock condition surveys internally with a percentage validated externally each year, the Board approved the engagement of an external consultant to survey approximately 20% of our stock. This good practice measure provides additional assurance that our long-term maintenance and improvement investments remain targeted and value for the Association has continued to have a strong financial performance, and continued delivery of high-quality services despite sector wide challenges.

3.16 A recent detailed review of the maintenance service costs provided by our subsidiary, LHA Property Services, showed that the Association continues to receive services that deliver value for money for our tenants.

3.17 In 2025/26 we achieved a healthy surplus of £484,290, met all lender covenants, and strategically invested in our housing stock, while also laying the groundwork for long term improvements in asset management and customer service.

3.18 During 2026/27, we will continue to develop our Heating Strategy with a strong focus on sustainability, improving energy efficiency, reducing carbon impact and helping tenants keep their homes affordable to heat while meeting future regulatory requirements.

3.19 In 2025/26 we have spent £1.54 million on reactive, major and cyclical repairs and a

further £714.5k investment in our properties. In the current year we have budgeted for an amount of £1.03m for reactive, major and cyclical costs and the sum of £1.4 million for component investment.

3.20 Balancing investment and controlling costs to limit the impact on rent levels and affordability with many overhead costs continuing to rise faster than inflation making it challenging when assessing rent levels and business requirements. We will continue to drive efficiencies and value for money across our activities.

3.21 Our people are critical to our success, and we must ensure our board and staff feel supported and encouraged. There have been two senior retirements within the LHA Group during 2025/26, and a further retirement planned in 2026/27, along with anticipated additional retirements of long-serving, highly experienced senior colleagues in the coming years. The Board approved a review of the senior roles within the organisation to ensuring there was succession planning in place to ensure continuity, resilience and the effective transfer of knowledge, relationships and leadership capability.

3.22 At the same time, the operating environment for the Association and its subsidiaries continues to grow in complexity. Regulatory expectations, governance requirements and operational demands across the group have increased, placing greater pressure on existing leadership arrangements and highlighting the need for clear accountability and sufficient capacity at senior and management levels.

3.23 Against this backdrop and following a procurement exercise the Board commissioned an external consultant to undertake this exercise. This was focused on ensuring the Association has the right structure, clarity of accountability and leadership capacity to support effective delivery, strong governance and future readiness. The intention was to build on what is already working well, while addressing areas where the current structure is beginning to constrain performance, resilience or strategic focus. This work concluded earlier this year and the recommendations with the agreed proposal are in the process of being rolled out.

3.24 We will continue to ensure our homes are safe and free from health hazards. We have robust systems for managing and monitoring tenant safety ensuring compliance with tenant safety regulations. We will also continue to update our Board regularly on Health and Safety matters which monitor our performance on compliance.

3.25 We will continue to ensure that any damp and mould cases which are identified by our tenants or staff are deal with promptly and effectively.

3.26 We will highlight the importance of customers providing us with access to their home, to help us meet compliance legislation. We will offer flexible appointments and a way to make and change appointment times which suit. We will continue to implement a range of approaches to attempt to contact customers and will escalate engagement with customers who do not provide early access to homes while consider any vulnerabilities or additional support need which may be affecting arrangements.

3.27 The Association's priorities are to enhance tenant engagement through continued work with TIS, creating more accessible, meaningful and inclusive opportunities for tenants to help shape services, influence decisions and scrutinise performance; strengthen the evidence and information underpinning the Asset Management Strategy to support prudent investment in our properties; advance net zero and wider sustainability objectives; and maintain rent affordability while safeguarding the Association's long-term viability.

At a Glance – 25/26 (*these figures will be refreshed annually)*



All loans achieve covenant compliance



Net Book value of housing properties

£59.8m



Average loan and interest payment per property

£1788



Rental income

£4.63m



Surplus

£300,873



Void rent loss

0.2%



Investment and upgrading of properties

£714,500

Per property

£983



Construction of new homes

22 completed

18 onsite

16 due to start



Amount spent on repairs

£1.54m

Per property

£2,118



Number of new lets in last year

49



Tenants satisfied with the overall service provided by LHA

83.7%



Tenants who feel LHA is good at keeping them informed about their services and decisions

88.4%



Tenants satisfied with the opportunities given to them to participate in LHA's decision making process

75.4%



Tenants who feel their rent represents value for money

70.3%



New tenants from waiting lists that sustained their tenancy for more than one year

88.9%



Properties that meet EESSH

98.5% ⌃⌃



Average number of hours to complete emergency repairs

3.3 hours ⌃⌃



Average number of days to complete non emergency repairs

5.6 days ⌃⌃



Tenants who had repairs or maintenance in the last 12 months satisfied with the repairs and maintenance service

98.3% ⌃⌃

⌃⌃ Better than Peer Group and Scottish Average

4. Mission Statement

Our mission is to facilitate the provision and maintenance of good quality, truly affordable housing opportunities and services for local people in their preferred communities and helping to sustain and develop thriving communities throughout Lochaber.



5. Strategic Objectives

Our strategic objectives underpin our Mission, reflect our core values, and provide a framework for an operational delivery plan.

These strategic objectives are rendered into operational activities detailing how our strategic aims will be delivered and will be continuously monitored by the management team. Each Objective is summarised with supporting documentation provided.

When designing our Business Plan, we have mapped the Regulatory Standards with our strategic objectives, to underpin and illustrate how we manage and govern the Association. Please see **Appendix 19 Regulatory Standards Mapped to our 6 Strategic Objectives**.



Objective 1: Providing High Quality Housing Solutions

We will facilitate the provision of high-quality affordable housing solutions throughout Lochaber. This will be achieved by working with our development partners, Cameron and Macdonald, and Link HA, to increase the number of affordable housing opportunities, prioritising homes for social rent but including the provision of LIFT shared equity housing, mid-market rent homes and other innovative models, such as Rent to Buy or Discounted Plot sales.

We will ensure our properties are well maintained, efficient to heat and adaptable to people's changing needs.

Supporting Documentation

Asset Management Strategy – Appendix 5

Development Strategy - currently under review

LHA Group Core Values - Appendix 13

Highland Council Local Housing Strategy 2023-2028 - Appendix 29

Highland Council Strategic Housing Investment Plan 2025-2030 – Appendix 30

Objective 2: Excellent Affordable Solutions

We will develop and manage a high-quality range of affordable services that meet the needs and preference of customers. This will be achieved by providing locally controlled accessible and friendly services; by ensuring that our customers can occupy their homes within safe, secure and pleasant environments, while demonstrating best value for available resources; by achieving high levels of customer satisfaction and acting on feedback we receive; improving levels of effective customer participation; improving and expanding our digital offering; and by improving our knowledge and understanding of our housing stock and by, using this to manage our assets more effectively.

We will make best use of our resources and ensure they benefit our tenants by benchmarking and reviewing value for money.

Supporting Documentation

Achieving Excellent Affordable Services - Appendix 01

Annual ARC Submissions - Appendix 02

Rent Policy - Appendix 20

SHN Peer Group ARC Comparisons - Appendix 23

Communications Strategy 2025-2028 – Appendix 31

Tenant Participation Strategy – New Strategy under development

Who We House – Appendix 27

Objective 3: Robust and Accountable Governance

We will ensure that we manage and govern our affairs effectively and prudently and in doing so will operate accountably and openly in all that we do as evidence in the Annual Assurance Statement to the Scottish Housing Regulator. This will be achieved by developing and cementing the active partnership between the Board, Management Team, and wider staff group in the furtherance of our objectives; putting in place and maintaining the highest standards of governance in relation to the conduct of our business; supporting and developing our Board in acquiring the appropriate skills and knowledge base; and implementing quality assurance measures. All of this has been enhanced by our investment and use of technology to allow remote participation of Board and Staff members.

Supporting Documentation

Annual Assurance Statement - Appendix 03

Equality, Diversity and Inclusion Policy – Appendix 07a

Equality, Diversity and Inclusion Strategy – Appendix 7b

Regulatory Standards Mapped to our 6 Strategic Objectives - Appendix 19

Risk Management Policy - Appendix 21

Risk Register - Appendix 22

SHR Engagement Plan - Appendix 24

Objective 4: Effective Financial Management

We will ensure that our financial management and planning will deliver medium and long-term financial viability. This will be achieved by ensuring financially sound planning and decision making processes; continually monitoring our financial performance; effectively managing all our resources; and maximising our income and controlling our expenditure through the effective management and monitoring of processes across the organisation's activities.

Supporting Documentation

Annual Audited Accounts - Appendix 04

Financial Base Case Projections - Appendix 08a

Financial Cashflow Assumptions – Appendix 08b

Financial Sensitivity Analysis and Results - Appendix 09

SHN Peer Group ARC Submissions - Appendix 23

Treasury Management Policy- Appendix 26

Objective 5: Investing in our People
We will support, train, and develop our staff team in the furtherance of our objectives. This will be achieved by investing in training and continuing professional development for our staff; provision of modern apprenticeship opportunities; operating a performance management system; and maintaining effective communication with all staff.
Supporting Documentation
LHA Group Company Values - Appendix 12 LHA Group Organisation Structure - Appendix 14 Office Bearer's and Management Team Biographies - Appendix 15 Our Membership and Board - Appendix 16 Our Staff - Appendix 17

Objective 6: Supporting Positive Social Impact
We will support and guide our subsidiary companies as social enterprises to diversify their services to deliver social impact. This will be achieved by partnering with LHAPS to ensure the appropriate skills and services are available to undertake the growing number of houses that will be required to be serviced through the partnership with LINK HA; and working with Lochaber Care and Repair to support it in establishing income generating activities that will support its funding streams.
Supporting Documentation
Handyperson Service Information Sheet - Appendix 10 LCR Information Sheet - Appendix 11

6. Stakeholder Management

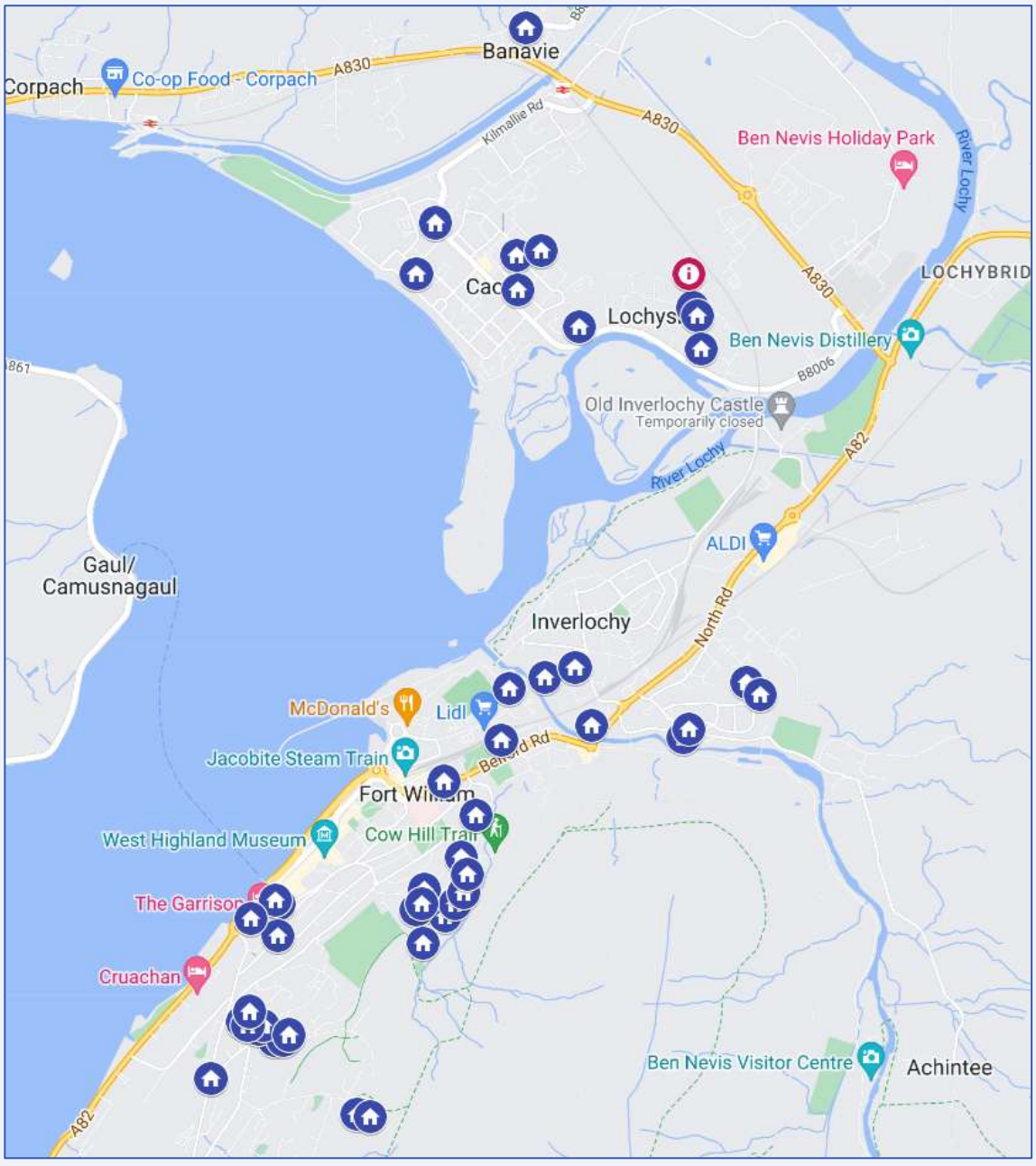
6.1 **Our Area**

The Association operates exclusively within the Lochaber area.

Our area of work extends to 4,656 square kilometres, has a population of 20,042 with our principal town being Fort William, the Highlands' second largest conurbation, with a population of 10,428.

For HHR purposes, our properties are in five zones.

Central Lochaber – 46 locations



West Lochaber – 11 locations



Peninsula – 10 locations



South Lochaber – 5 locations



North East Lochaber – 6 locations



For more specific property details and street locations, you can simply click on an icon on our interactive map: https://bit.ly/LHA-Property-Locations-Map

6.2 Our Stakeholders

As a locally based community housing association we have a range of stakeholders that are important to the development and delivery of our services.

- **Our Customers**

Our principal stakeholders are our customers, often also referred to as tenants, residents, service users or clients, depending on context. Whatever terminology is used, it is this group of people (individually and collectively), together with our potential tenants (i.e. those members of the public that would like to access our housing and services), that are the focus of our mission and the principal recipients of our services. Accordingly, this is our most important stakeholder group.

- **Our Communities**

The communities we work with in Lochaber are also very important to us and that people living in Lochaber live in neighbourhoods that are clean and well cared for, where there is real community pride. Through our work in our communities, we help to prevent depopulation and enable communities to thrive.

- **The Highland Council**

We provide services that are intended to assist the Council in meeting its strategic objectives and statutory obligations in connection with housing supply and homelessness. The Local Housing Strategy (LHS) 2023-2028 was approved following an extensive period of discussion with various stakeholders.

- **The Scottish Government**

We are one of several RSLs that, together with the Highland Council, partner with the Scottish Government to deliver targets in relation to the supply of new affordable housing opportunities in the Highlands. We see ourselves as being significant local

contributors to the government's strategic objectives, those that are associated with creating a Healthier, Wealthier & Fairer, Safer & Stronger and Greener Scotland. We recognise the importance of the Scottish Government's sixteen national outcomes.

- **Scottish Housing Regulator**

Whilst we are also within the regulatory aegis of both the Office of the Scottish Charity Regulator and the Financial Conduct Authority, as an RSL, our principal and lead regulatory framework is that supervised by the housing sector's independent regulatory body, the Scottish Housing Regulator, which is charged with protecting the best interests of tenants. We are committed to working with the Regulator through its role in assessing our outcomes against the Social Housing Charter, and in providing it with other information to enable it to carry out its regulatory function. In 2019 the Regulator introduced the requirement for RSL Boards to provide an Annual Assurance Statement reflecting compliance with all the Regulatory Standards.

- **Lenders**

In recent years we have been dependent on our lenders to provide us with the borrowing facilities that we have needed to supplement grants to provide new build affordable housing. In addition, while our cash projections do not forecast the need for borrowing for the purposes of fulfilling our planned maintenance ambitions, it is prudent to assume that this may become a possibility at some point. Accordingly, it is important that we maintain good communications with our lenders, as well as ensuring that our covenants are compliant with the terms of borrowing. Our current lenders are CAF Bank, Allia, Unity Bank and Nationwide with loans totalling £13.3m at 31st March 2026.

- **Partners**

Our partnerships and dependencies sit alongside the Association and its stakeholders in supporting the delivery of services. These local, regional and national partners include: ALIenergy; Centered; Chartered Institute of Housing; Employers in Voluntary Housing; Highlands & Islands Enterprise; Highland Housing Alliance; Cameron and Macdonald; NewStart Highland; Link HA; Lochaber CAB; Lochaber Action for Disability; Lochaber Hope; Lochaber Women's Aid; NHS Highland; Rural & Islands Housing Association Forum (RIHAF); Scottish Federation of Housing Associations; SHARE; TPAS (Scotland); Scottish Housing Network(SHN) and Voluntary Action Lochaber(VAL).

7. Housing Services and Rent Affordability

7.1 Who Do We House?

The range of demographics which represents Highland Housing Register (HHR) applicants seeking housing in Lochaber, along with those that LHA house, are summarised in **Appendix 27 Who We Housed 2025-26**. This document is refreshed annually following publication of the HHR Annual Report.

7.2 Homelessness

LHA meets its legal obligation to provide settled accommodation for homeless persons/households through the HHR. We also provide the Council with access to several properties for temporary accommodation.

The Association will continue to review legislative changes to homelessness and homelessness prevention or any statutory guidance that follows, along with any regulatory expectations on the Association as a Registered Social Landlord from

7.3 Rental Income /Arrears

Rent collection is the foundation on which LHA's entire business is based.

Historically LHA has maintained a lower level of arrears and an extremely low level of evictions. ARC results for 2025/26 show that LHA continues to have lower arrears than the average for our peer group and significantly lower than the Scottish Average.

2025/26 results by ARC measure	LHA	Peer Group Average	Scottish Average
% Gross rent arrears of rent due (current and former tenant arrears)	2.77	3.07	5.9

Ensuring we manage our voids process well is a priority for us, to ensure we have empty properties available for new tenants who are on the waiting list, but also to ensure we keep our void rental loss to a minimum.

2025/26 results by ARC measure	LHA	Peer Group Average	Scottish Average
Average time to re-let properties	15 days	22 days	52 days
% rent lost when properties empty	0.24	0.42	1.25

7.4 Tenant Engagement

Our tenants are our most important stakeholders. Under our Standing Orders, it is the role of 'Your Voice', our tenant partnership and engagement group, to scrutinise the performance of the Association across a range of key indicators; in particular, against the outcomes required under the Scottish Social Housing Charter.

Our new **Tenant Participation Strategy** (currently under development with support the Tenant Information Service (TIS)) will aspire to:

- continue to develop the Your Voice tenant partnership with engagement

opportunities at different levels that suits all;

- develop regular local Your Voice focus groups for engagement along with developing a small group of collaborative voices from these groups to create a scrutiny panel;
- provide detail on how we will consult, the opportunities for tenants to be involved, timescales and the benefits or engaging with the Association;
- widen opportunities for engagement; and
- help and encourage tenants to become candidates for Board membership.

Examples of this engagement and scrutiny include:

- the production of our annual report to tenants, 'Tenant Talk'
- consider any new/revised policy, or decision of the Board, that affects the management or maintenance of tenants' homes prior to its implementation
- conduct consultations and surveys with the wider tenant population in order to inform the decision and policy making of the Board
- scrutinise the quality, efficiency and effectiveness of the Association's services, recommending appropriate change and improvement; and
- consult on the development of the new website.

We currently work with several Resident Tenant Organisations in Fort William and aim to engage more rural groups, including community councils and local community organisations. As the figures in the table below are from a three-yearly survey, they remain unchanged from the previous two years. We will repeat the survey this year and hope our ongoing work shows tenants feel we have improved in these areas.

2025/26 results by ARC measure	LHA	Peer Group Average	Scottish Average
% of tenants satisfied with opportunities to participate	75.4	83.4	88.1
% of tenants who feel we are good at keeping them informed about services and decisions	88.4	89.9	91.3

7.5 **Rent Affordability**

Maintaining the affordability of our homes remains a key focus. Any household's financial position is, by its nature, unique and variable with changes over time according to personal circumstances.

LHA recognises this challenge and considers affordability on an annual basis at both a business and personal level. Therefore, as part of our rent review each year we measure our proposed rents using the following tools:

- Our Rent Setting Policy which has established a definition of affordability defined by our Board and agreed by our tenants. Our rents track changes to the living wage each year, so that the amount of rent a tenant pays monthly should never

be more than 25% of whatever the monthly living wage is at any time, based on 1 person working 35 hours per week (in a one-bedroomed property) and 1.5 people working (in a two-bedroomed property and above). This means that rents are linked directly to a simple measure of affordability, based on the living wage, and that we will be able to guarantee this affordability for the future. **Appendix 20 Rent Policy** gives more detail.

- SFHA Affordability Tool – to gauge portfolio affordability on a recognised sector-wide basis;
- Review of rent levels against average social housing sector rent levels;
- Consideration of rent increases over previous years;
- Annual tenant feedback through the rent consultation process; and
- Affordability questions in customer satisfaction surveys.

Current indicators suggest that the LHA rent levels are affordable for those on moderate incomes. The Scottish Government's Housing Need and Demand Assessment (HNDA) Guidance provides a framework for considering rents affordable if a household pays not more than 25% to 35% of its income on rent.

Similarly, the SFHA affordability tool used in-house to complete our affordability assessment annually shows rental on all property sizes below 25% of income.

We are working with an independent consultant to simplify the points system used for our properties. This has included surveying all tenants to understand which factors they consider most important when setting rent levels.



8. Challenges and Risks

LHA's business is strongly influenced by external factors. A PESTLE analysis of the wider operating environment addresses the Political, Economic, Social, Technological, Legislative and Environmental factors relevant to LHA's business and future.

The analysis describes factors that could represent a significant risk to LHA or the achievement of our objectives, with the key risks then feeding through to Section 9 on Risk Management and Mitigation.

8.1 PESTLE Analysis

The future operating environment involves significant challenges and risks ahead for Lochaber HA and indeed for every social landlord in Scotland. We will monitor and evaluate the areas of change that affect us on an ongoing basis.

Sound management disciplines, including business planning, performance management and risk management will be part of our toolkit for navigating our way ahead alongside a focus on sound and stable governance and strong financial management. These have been priorities in the past and must remain so.



8.2 **Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis**

Our Strengths, Weaknesses, Opportunities and Threats also assist in setting our strategic objectives and the operational delivery plan so that key operational activities address threats and weaknesses and support strengths and opportunities.

Strengths

- Strong Board and good mix of skills
- Staff and Board work well together
- Good Performance Indicators
- Sound finances
- Strong governance
- Experienced and skilled staff team
- Good relationships with Partners & stakeholder relationships
- Good housing stock
- High baseline energy efficiency
- Continued compliance demonstrated
- Exposure to pension risk minimised early
- Partnership with ALIenergy

Weaknesses

- Underdeveloped customer involvement
- Shared Ownership Property Condition
- Excalating cost of private finance
- Contractor availability
- Skills Shortages
- Cost of new build could affect our ambitions
- Insufficient data about profile of tenants
- Ability to meet the needs of an ageing population
- Inability to get factored owners to engage
- Constrained Development Pipeline
- Alignment of our digital systems

Opportunities

- More partnership working
- Maximising our use of IT in service delivery and in our internal processes
- Service improvement outcomes resulting from complaints/feedback
- Promoting digitalisation of our services for our tenants
- Further develop tenant scrutiny
- Board Succession Plan
- Organisational Review/Staff succession
- New SLA between LCR and NHSH
- Highland Housing Challenge
- Funding opportunites for energy efficiency measures in our propertie

Threats

- Cost of living: inflation, energy, food impacting our tenants and their ability to afford and/or pay their rent
- Skill shortages
- Contractors' ability to keep trading
- Insufficient knowledge of customer base
- Changing H & S regulations bringing additional costs not currently provided for
- Cyber-attack or major IT failure
- Interest Rates
- Underfunded decarbonisation mandates
- New Legal Compliances - Damp and Mould

9. Risk Management and Mitigation

9.1 Risk and Control Framework

The LHA Group recognises the importance of effective identification, evaluation, and management of all key strategic and operational risks and this is done in conjunction with the above PESTLE and SWOT analysis.

Risk Management is a key element of the LHA Group's overarching governance arrangements as it demonstrates that:

- we have considered those areas which may put the achievements of our strategic objectives under threat;
- have analysed the consequences of things going wrong; and
- identified the actions and controls needed to prevent or limit the consequences.

In addition, by managing risk effectively we can help ensure that:

- LHA makes the most of opportunities and develops them with the confidence that any risks will be managed
- Forward and strategic planning can be improved

As the parent of the group, LHA oversees the governance arrangements of both subsidiaries to address the risks associated with control of activities and managing or risks. This ensures that strong governance arrangements are upheld by both subsidiaries to protect the reputation of the Group.

In considering our approach to risk management, we seek to balance a prudent approach to the risks associated with our business with the need to ensure an innovative and creative approach to opportunities and challenges. We regard effective risk management as an essential component of our business strategy and crucial to maintaining our commitment to sustained viability.

We do not seek to avoid risks that can be properly managed, and which do not jeopardise our business or tenants' interests. Where activities that can support the delivery of strategic and operational objectives are identified as carrying an associated risk, we will only accept those risks following an assessment that confirms they can be effectively managed.

We define risk as any event, action or circumstance that unduly hinders the Association in its delivery of good performance, or achievement of either strategic or operational targets and objectives, or which has an adverse impact on the Association's business or reputation. Risk can, therefore, be defined in both financial and non-financial terms, but the ultimate impact of risk is financial in most cases as this has implications for viability.

9.2 Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, however, to ensure the successful implantation of the Risk Management process clear responsibilities have been established.

The Board has overall responsibility for ensuring the effectiveness of this framework, the Senior Management Team is the facilitator of the framework and processes. This includes both compliance and monitoring to ensure the register is kept up to date and new and emerging risks are identified and risk scores are challenged.

Appendix 22 Risk Register details this further. **Appendix 21 Risk Management Policy** sets out how we identify, assess, and manage risk; establishes a framework within which we monitor, manage and report risk; and describes the controls that we operate for effective risk management.



10. Value for Money

LHA's purpose is to serve the community, and this shapes our approach to Value for Money (VFM) which is focused on providing quality homes and services at affordable rents.

The pursuit of VFM is likely to be increasingly important in the period ahead:

- There will be pressures on tenants' incomes and on our own income streams and costs because of the continued high cost of fuel and food.
- We can expect additional statutory and regulatory obligations that landlords must pay for, as well as continued cuts to neighbourhood and other services by the local authority.
- We must maintain reasonable headroom in our financial business plan, to safeguard LHA's resilience during a period of economic turbulence that could be prolonged.

10.1 **LHA's approach to VFM will ensure we:**

- Always make the best use of our resources to benefit our tenants and community.
- Seek to continually improve the value that tenants receive from LHA – how we use our resources to enhance the type and quality of the services tenants receive.
- Be efficient and effective in how we make best use of IT solutions to streamline processes and improve customer service.
- Be open to making efficiencies (using available resources differently to better meet our priorities, or reducing costs/resources) and do this without detriment to tenants.
- Make sure that LHA continues to be a financially strong and sustainable social business.
- Compare our performance with that of our peers in relation to performance and to make any improvements needed. **Appendix 23 SHN Peer Group ARC Submissions** is an annual extract from the performance reports produced by Scottish Housing Network demonstrating performance from the ARC submissions.
- make good use of our assets and resources by being clear about our priorities for spending and then spending within our means.

10.2 **Our Performance**

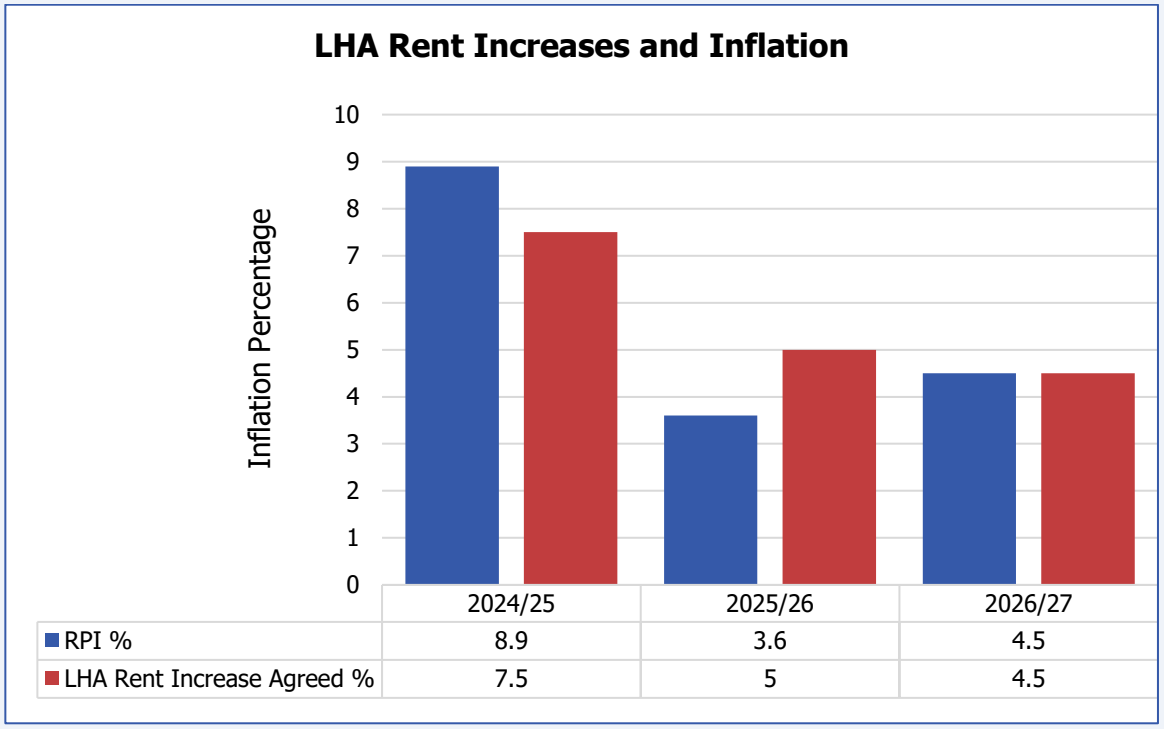
Our Board receives and considers a KPI performance report on a quarterly basis. This report provides performance information across indicators for rent collected and rent arrears management; voids management; the delivery of maintenance services; and complaints. Our reporting style has allowed the Board to consider trends in performance, comparing the current quarter with the previous four quarters.

Our KPI performance, and a range of other Scottish Social Housing Charter outcomes, is subject to the scrutiny of the Scottish Housing Regulator, for which we complete an Annual Return on the Charter (ARC). These outcomes are published on an annual basis on the Regulator's website and are scrutinised by our Board and tenants, along with benchmarking information, which is presented annually by Scottish Housing Network.

We aim to deliver continuous improvement across our key performance indicators, and this is achieved through tenant feedback, internal audit, and benchmarking.

Our performance across KPIs and VFM is reported to tenants each year through 'Tenant Talk' and our Landlord Report (issued by the Scottish Housing Regulator), in which we compare ourselves against the average of our peers and across Scotland.

One of our priorities, therefore, is to keep rents affordable, whilst also generating sufficient rental income to meet all our obligations to tenants and maintaining viability in an increasingly challenging economic climate.



	2024/25	2025/26	2026/27
RPI %	8.9	3.6	4.5
LHA Rent Increase Agreed %	7.5	5	4.5



11. Financial Planning and Treasury Management

11.1 The achievement of our strategic objectives requires us to be able to maintain a balance between the ability to understand and control costs. This is important to maintain an affordable rent structure and to balance this with the ability to generate sufficient funds to maintain and improve our housing stock. A viable financial plan is also important to ensure our credibility with lenders who will provide the loan finance enabling us to develop new properties.

11.2 Underpinning all of this is the requirement for good governance which strengthens our stability and wellbeing. Our guiding principles in this regard are the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management.

11.3 Historically, within our business plan we had modelled increases in rent based on inflation and these generally showed a beneficial outcome in terms of our long-term financial position. However, the recent experience of an "inflation shock", and how our tenants would be impacted by the rising costs, the Association were unwilling to increase rents in line with the high inflation figures.

11.4 Interest rates, which peaked in 2024 at 5.25%, have continued to reduce, however the pace of these reductions has been slower than we would have hoped due to the impact of the war between the US and Iran causing an increase in oil prices. The base rate has now fallen back to 3.75% and there are hopes that there will be further gradual reductions, although this continues to be dependent on the performance of the UK economy and the global oil price.

11.5 We continued to carry out detailed stock surveys to ensure an in-depth knowledge of our properties and the findings of these surveys are reflected in this updated Business Plan. We employ the services of an external, independent Quantity Surveyor to annually undertake a programme to test and review our surveys and figures to provide added confidence in our life cycle costings. In addition, we have employed an external consultant to undertake a stock condition survey of approximately one third of our stock and the results will provide additional assurance that our long-term maintenance and improvement investments remain targeted and value for the Association.

11.6 **Background**

Keeping the rent increase as low as possible whilst ensuring we have sufficient income to remain viable over the long term is a delicate balancing act.

In 2024 inflation (CPI) reached 11.1%, but the Board decided not to pass the full impact of this onto tenants' rents, given the general concerns over the cost of living. At that time there was a recognition that as inflation dropped to more "normal" levels that the Board might need to consider higher rent increases in future years future due to the impact on our financial viability. For 2023/24 and 2024/25 the rent increase was below inflation but in 2025/26 the increase was higher than inflation in an attempt to "claw-back" some of the ground lost in the previous 2 years.

Whilst we must plan for the long term, to ensure that we have sufficient funds to invest in maintaining the standard of our properties, our focus is going to have to shift more to the short-term and ensuring that rents remain affordable whilst dealing with increasing operating costs and interest rates remaining high.

To deliver this the Association continues to seek efficiencies and to develop its culture of cost-saving and value for money.

11.7 **Financial Projections**

The outcome of our base case projection is shown at **Appendix 8a Financial Base Case Projections** which includes:

- Cashflow forecast for 30 years.
- Statement of comprehensive income for 30 years.
- Statement of Financial Position for 30 years.

The purpose of the 30-year financial projections is to demonstrate the association's long-term viability to ensure that it can deliver the following objectives:

- To provide quality homes at affordable rents for tenants.
- To protect the health and safety of our tenants and staff.
- To provide a high quality and responsive management and repairs service which also provides value for money.
- To ensure that improvements and major repairs are provided for and carried out as required to protect existing investment in our stock.

The budgets are also based on the following financial objectives:

- To maintain a minimum cash balance of £1.6 million, and to ensure that the Association always has sufficient cash reserves to meet its obligations as they arise.
- To always comply with all loan terms and covenants of our lenders,
- Protect cashflow and making efficient use of our resources.

11.8 **Budget and Assumptions 2026/27**

The plan uses the 2026/27 budget as the basis of the long-term projections for the 30 years to 2056 and is adjusted for changes in subsequent years using the updated information available at the time of preparation.

A summary of the main assumptions used in the plan is given at **Appendix 8b Financial Cashflow Assumptions**; however, we have highlighted our thinking and approach to the assumptions below.

Any predictions about the future must be treated with care as we have significant uncertainties on rent increases, inflation, and interest rates.

11.9 **Rents**

Our base case assumption for the rent increase for 2026/27 is 3.9%. August CPI inflation was 3.1% and estimates of September inflation are around 3.4%.

The September inflation figure forms the basis of the increase in the state pension and other benefits for the next financial year and historically we have used the September inflation figure to inform our decision on the rent increase for the next year.

Assuming that CPI inflation for September 2026 will be 3.4% and given our current rent increase policy of "inflation plus 0.5%" we come to a figure of 3.9%.

As with last year's increase there is an expectation of a significant drop in inflation by the time we get to March 2027 (perhaps 2.7%) which may affect how the rent increase is seen at that time.

For future years the projection assumes a rent increase of inflation plus 0.5%. It should be borne in mind that this is not a commitment and that future rent increases will be

decided each year after a detailed review of the business plan and tenant consultation. We have also included a scenario showing the impact of a one-year rent freeze.

11.10 **Bad Debts and Voids**

For the projections the bad debt provision has been budgeted 0.75% and voids at 0.75%. These figures are lower than the standard 1% assumption in most models but more closely match our historical experience.

11.11 **Management Costs**

The major component of management costs is salaries. The Association is a member of Employers in Voluntary Housing (EVH). EVH negotiate any increase with UNITE and the Board are subsequently balloted on the proposal advised by EVH. We are currently in year 2 of a three-year deal.

11.12 **Maintenance**

Repair costs have been revised to reflect current pricing and we have assumed that these will increase by inflation plus 0.5%.

Although we have updated the costs of our repairs programmes to reflect inflation, we need to monitor these carefully as we go forward.

The stock condition survey programme continues to be updated, and the business plan is revised each year to reflect the refreshed costings.

11.13 **Loans**

The loan balances which the Association had at 31 March 2026 amounted to £13.3 million. During the year we agreed a new loan (bond) from Allia of £2.5 million and additional borrowing was drawn down from CAF Bank of £3.5 million. This enabled us to repay all the borrowing from Royal Bank of Scotland, where the covenant conditions were felt to be too restrictive.

In the current year we have drawn down the remaining £500K from CAF Bank and repaid our 10-year term bond from Allia of £2 million plus accrued interest. An additional facility has been agreed with Unity Bank for 3.5million, and this will be drawn down as required, mainly to finance expenditure on new developments. The agreement with Unity Bank specifies that there are no non-utilisation fees which gives us more flexibility in the timing of drawdowns.

There is a mix of loan types including fixed rate loans totalling £2.5 million and variable rate loans making up the balance.

Our preference would be to increase the percentage of our borrowing on fixed rates to protect the Association from future high interest rates. Unfortunately, fixed rates currently available for 3 to 5 years are around the 7% mark. The Treasury Management Policy is currently being updated, and a decision will be required in relation to the mix of fixed versus current and whether to wait for current rates to drop before fixing or if a' hit' is taken on higher interest charges by fixing at the current high rates.

11.14 **Sensitivity Analysis**

The outcome of the Association's financial projections is very dependent on the assumptions which we use to build the plan. In preparing our plan we try to ensure that the assumptions which we use reflect the current economic environment and our expectations for the future, however, it is inevitable that some of these assumptions will prove to be wrong.

As part of our financial planning, we look to examine the effect of alternative scenarios

by changing the underlying assumptions which we build into the plan.

In considering the scenarios to model we have tried to reflect what we consider are the key risks to the Association's financial performance. Whilst the base projections already take account of the challenges arising from the inflation and higher interest rates, we have developed our scenarios to examine their impact on our financial plans of other potential risks.

Details and commentary of the scenarios and of the key risks identified and the results of the sensitivity analysis are set out in **Appendix 9 Financial Sensitivity Analysis and Results**.

11.15 **Conclusion**

As they stand the financial projections indicate that Lochaber Housing Association's business plan is robust and can demonstrate its long-term viability.

The Association has borne up well in relation to the economic difficulties faced over recent years. However, there is no denying that the financial position has been weakened by rent increases in recent years at below inflation whilst facing significant increases in costs.

Interest rates and inflation are predicted to reduce significantly over the next 3 years which will ease the Association's financial position. Having said that, we are going through a period where there are significant global uncertainties and there is a strong possibility that we will face further financial shocks over the medium term.

The Association's biggest risk is from unexpected cost increases particularly for repairs expenditure which may not always be reflected in achievable increases in rents. It is important that we consider reviewing our budgets to cut or postpone expenditure where possible and strengthen our efforts to maximise income through working with tenants to reduce arrears.

This long-term viability shows that the Association has sufficient resources to deliver a good service to those tenants and can raise enough cash to continue investing in our homes so that they are maintained to a high standard.

The results of the scenario tests give the Association clarity as to what problems may create the most vulnerability but also to consider what measures can be put in place to monitor and adapt to such potential problems.

To be relevant as a decision-making tool the plan is regularly reviewed and updated to ensure that it is still relevant in a world where change is a constant.

The plan is a balancing act between two competing objectives:

- Keeping rents as affordable as possible by keeping costs down; and
- Spending sufficiently to ensure a proper service in managing and maintaining the properties.

To achieve this balance, it is important to continue to foster our organisation's culture of constantly striving to deliver an excellent service to our customers, and to ensure that every decision is viewed it terms of 'value for money'.

The Board has the ultimate responsibility to ensure that LHA is well run, viable and delivering the outcomes for which it has been set up. The Board understands that it is crucial not only to identify risk but how this risk will be managed.

12. Useful Information

Auditors	TC Alexander Sloan Ltd, Glasgow
Bankers	Virgin Money
Lenders	Allia CAF Bank Nationwide Building Society Unity Trust
Financial Advisor	David Smith, Oban

Registered as a Society under the Co-operative and Community Benefits Act 2014
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Financial Services Authority Reg No. 2289RS
Scottish Charity No. SC030951

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