



LOCHABER HOUSING ASSOCIATION



Business Plan 2021/22 - 2023/24

Revised October 2023



**Providing Affordable Housing
and Services Throughout Lochaber**

**Lochaber Housing Association Business
Plan 2021/22- 2023/24**

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1. Introduction

- 1.1 This document is an update of Lochaber Housing Association's (LHA) for the remaining period of 23/24. The Business Plan provides a strategic framework for managing our services and overall business for the remaining period of the plan. It also informs our relationships with LHA's customers, funders, regulators, and partner organisations.
- 1.2 The plan reflects our understanding that the wellbeing and stability of 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 the plan have therefore been informed by our Board, staff, and management team.

2. Mission

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



3. Executive Summary

- 3.1 Our mission statement clearly positions the Association as a champion of new affordable housing supply, both as a direct provider and through partnership. Our focus remains on working with our partners to deliver local and relevant affordable housing solutions and in assisting to meet the supply targets set by the Scottish Government and the Highland Council. It is, therefore, the objective of LHA to play a lead role in developing affordable housing in Lochaber. We will do this by continuing to develop our own affordable housing in conjunction with our development agents, the Communities Housing Trust and fulfilling our partnership with Link HA at the Upper Achintore site in Fort William.
- 3.2 It is one of the key objectives of our business strategy to strive for excellence in the provision of management and related services. Fundamental to this is the need to continually monitor our performance across the key performance indicators and support continuous improvement through staff development and training as well as quality assurance reviews through internal audit and value for money. We will equip staff with the knowledge, skills, and confidence to deliver an excellent customer experience.
- 3.3 Listening to the views and feedback from our tenants through focus groups, consultation with our 'Your Voice' tenant group or when we have received complaints relating to our service, has allowed us to make some adjustments to our way of working which we will anticipate will improve further the services we provide to our tenants.
- 3.4 We are committed to ensuring that we conduct our affairs within a governance framework of the highest standard, mindful of the requirements of the Regulatory Standards of Governance and Financial Management.
- 3.5 Our roots have always been firmly based in the communities of Lochaber. We believe that we need to continue to support our communities, and this will be achieved in the current environment through community engagement underpinned by and connected to our new build development strategy; participation in the Lochaber Community Partnership; Local Housing Strategy; and partnerships and collaboration with community councils and community development companies and third sector organisations where applicable.
- 3.6 In considering the future, the Board has confirmed its commitment to continuing to work in partnership with others to ensure the achievement of LHA's Mission and Objectives. LHA will sustain its partnerships with Communities Housing Trust and Link to support new build development in Lochaber's communities; our partnership with Link Housing provides local housing management to the tenants of a large national landlord and our subsidiary company LHAPS ensures high quality service delivery to tenants whilst also supporting the local economy through both employment and supply chain. Our support for Lochaber Care and Repair ensures specialist and targeted support for local people to live safely and independently in their communities and is facilitated by partnerships with THC and NHS Highland.
- 3.7 However, at the time of preparing this update to the Business Plan (October 2023) the following areas will require further consideration at the Board business

planning day in October:

- **The Economic Environment**

The last three years have been a period of significant upheaval for the whole of society. This period has been characterised by the COVID-19 pandemic, the UK out of the European Union, war in Ukraine, rising inflation costs, heightened inflation, and increased interest rates as well as disruption to supplies of labour and materials. This wider global and economic context is an important consideration when assessing our performance. Like all organisations we have suffered from high cost inflation over the last year, particularly in utilities, insurance and maintenance expenditure, and our income has not kept pace, squeezing margins.

- **Political Risk**

We continue to operate in a period of political flux and one in which there is far greater scrutiny of the sector following high profile disrepair cases. In addition, a general election is due before the end of 2024.

- **Rents**

While we received assurance over the level of rents for 2023/24, there is still a risk that future rental uplifts will be below inflation which will impact our ability to deliver all the services we would like.

- **Funding**

The cost of new funding has also grown, and we have already been impacted significantly with the increases in the variable loans we currently have. It is highly likely that future refinancing and new finance requirements will increase the average cost of capital in the years ahead. Loan covenants relate to interest cover, gearing and our ability to pay our short term obligations and these are monitored regularly and were comfortably met throughout the year for all loan facilities.

- **Staffing**

Staffing has become a higher risk, as like many organisations we have experienced difficulties in recruiting staff. We have taken several proactive steps to address the issues, however there are still particular posts which we have found difficult to fill.

We will continue to offer good terms and conditions to all staff, invest in training, provide benefits such as the salary sacrifice scheme as well as investigate the potential for investment in greater wellbeing offerings to make sure we remain an employer of choice to both current and potential staff.

- **Cost of living crisis**

There is no doubt that our tenants and indeed most residents within our communities will continue to face a difficult time ahead. The pressures on household incomes remain significant, most notably from increases in domestic energy costs, the price of food and fuel. This brings very real challenges to balancing the annual rent increase necessary to ensure costs are met whilst being mindful of rent affordability for our tenants whether their rent is met by benefits

or otherwise. We will continue to work with other stakeholders to provide support to those tenants affected by fuel poverty.

- **Net Zero Investment**

The sector is also facing significant and new costs for investing in existing homes to meet increasing standards for energy efficiency (EESSH2) and to achieve the decarbonisation of heating. The Review Group have not yet published the updated guidance, however, it is anticipated this will be published in the Spring of 2024.

In the meantime, we have continued to invest in energy efficiency measures in our properties and where possible attract grant funding to bring additional measures to benefit our tenants.

- **Repairs and Investment**

Despite the difficult economic circumstances in which we are operating the Board agreed to ensure there was continued investment in our assets and that the approach provided both value for money and was fundable through our budgets. In the three years there has been a spend of £6.52 million investment in upgrading our properties and £2.6 million on reactive, planned and cyclical repairs.

This investment and maintenance programme ensures that we continue to meet all our duties on keeping our tenants and residents safe and that we are compliant with all relevant safety requirements.

- **Development**

We continue with our development programme through our partnership with the Communities Housing Trust (CHT). The board earlier this year agreed a new three year service level agreement with the CHT, and this arrangement continues to reduce the risk to the Association as the CHT manage the development programme on our behalf. The availability of contractors remains a difficulty in progressing developments, and this is unlikely to change in the short term.

The first phase of 82 properties at the LINK development at Upper Achintore will be completed in Spring 2024 with the Association managing the 55 social rented properties. The Housing and Asset Management teams are now preparing for this handover.

- **IT and Communications**

Recognising that the LHA website had begun to look out of date, and after much research to find a provider who clearly understands the housing association environment and the requirements of the Scottish Housing Regulator a new website has been commissioned and work will commence later this year.

In December 2022 following a review of our ICT arrangements within the LHA Group along with a training needs assessment, both undertaken by an external consultant, an ICT Strategy and Action Plan was developed which we will continue to progress.

- **Tenant Participation**

Our tenants are our most important stakeholders. This plan continues, therefore,

to prioritise tenant engagement. Tenants generate most of our income through payment of rents: it is important, therefore, that we listen to their views in terms of the way in which we deliver our services and how much these will cost.

Updating our Tenant Participation Strategy with our 'Your Voice' Tenant group and consulting with our tenants through focus groups will allow us to move forward with delivering our action plan. We have also improved our communications on topical issues through issuing briefings on a regular basis and through increased social media presence.

- **Cost pressures for LHA**

LHA are having to deal with very real and significant challenges around increasing costs, including those for:

- a) borrowing, with the Bank of England increasing interest rates by 0.5% in February 2022 to 5.25% in August 2023, with more increases predicted in the short term;
- b) materials and labour for repairing, maintaining and improving tenants' homes;
- c) pay increases for staff and other staff costs; and
- d) energy costs for offices, other overhead costs, and vehicle costs.

We will stress test the new base case within our financial plans to demonstrate our continued resilience allowing us to understand any trade-offs that might need to be made to ensure our viability. We will ensure we continue to meet our commitments to all our stakeholders.

We appreciate that we must have clear and realistic plans in place to deliver savings and further mitigations are in place if they cannot be delivered in practice, we will actively monitor progress.

Our Plans may involve capital investment programmes or other initiatives we would like to pursue being pushed into future years. We may also have to look at reassessing our component lifespans. We will, however, ensure we meet all our commitments in relation to the health and safety of our tenants and residents.

At a Glance



All loans achieve covenant compliance



Net Book value of housing properties
£54.8m



Loans repayments per property
£1,702



Revenue from lettings
£3,786,650



Operating surplus
£725,191



Void rent loss
0.22%



Construction of new homes
22 onsite
32 scheduled



New homes completed during 2022-23
22 rented



Shared equity homes completed during 2022-23
6



Investment and upgrading of properties
£1.8m
Per property
£2,555



Amount spent on repairs
£1.2m
Per property
£1,609



Number of new lets in last year
60



Number of tenants who have agreed to participate in our 'Your Voice' tenant group
158



Total instances of financial aid, advice and assistance given
769



Amount of grant funding successfully accessed to assist tenants with cost of living
£252,412



Tenants satisfied with the overall service provided by LHA
92.41% 



Tenants who feel LHA is good at keeping them informed about their services and decisions
94.14% 



Tenants satisfied with the opportunities given to them to participate in LHA's decision making process
94.1% 



Tenants who feel their rent represents value for money
85.17% 



New tenants from waiting lists that sustained their tenancy for more than one year
98.5% 



Properties that meet EESSH
97.8% 



Average number of hours to complete emergency repairs
2.39 hours 



Average number of days to complete non emergency repairs
4.14 days 



Tenants who had repairs or maintenance in the last 12 months satisfied with the repairs and maintenance service
99.04% 

 Better than Peer Group and Scottish Average

4. Strategic Objectives

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

In delivering our strategic objectives, Lochaber Housing Association will work with stakeholders and other partners to support identifying, innovating, and progressing appropriate responses and solutions to the specific needs of Lochaber's distinct communities.

4.1 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, Communities Housing Trust, 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 and adaptable to people's changing needs.

4.2 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.

4.3 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.

4.4 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.

4.5 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.

4.6 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.

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.

5. Our Past and Present

- 5.1 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).
- 5.2 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.
- 5.3 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.
- 5.4 Over the past 35 years we have provided approximately 900 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 and the work on the initial phase of 82 units. Ten of these units are due for completion in November and are allocated and it is anticipated the remainder of the development will be complete in the Spring.
- 5.5 However, we also believe that it is as important for us to maintain and improve the quality of our management and maintenance services.
- 5.6 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.
- 5.7 There is 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.
- 5.8 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 Register (HHR). This is a single access point for all applicants wishing to apply for housing in the Highland area.
- 5.9 Throughout the business plan are performance tables which compare information provided to the Scottish Housing Regulator through the Annual Return on the charter. Within these tables are comparatives with our peer group and the Scottish average. The peer group are made up of Albyn housing Society, Cairn HA, Hebridean Housing Partnership, Hjaltland HA, Orkney HA, Lochalsh and Skye HA, West Highland HA and The Highland Council.
- 5.10 This plan will build on previous achievements including substantial investment in our properties, increasing the range of ways we engage with tenants, and we have

analysed our complaints and amended our approach to service delivery.

- 5.11 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). 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 and the Communities Housing Trust.



Members of LHA Board gathered with members of the Arisaig Community Trust on the stunning shore at Arisaig to remember and pay tribute to the late Monsignor Tom Wynne, former local and much-loved parish priest and a founding father of the Association. The group were joined by members of Monsignor Wynne's family to dedicate a bench in his memory.

6. Our Membership and Board

- 6.1 We are a community based organisation and, as such, we seek to grow our shareholding membership from individuals and organisations who have the aims and objectives of the Association as their prime motivation for applying and who are also able to make a positive contribution to the furtherance of the Association's objectives. The Association welcomes and encourages applications for individual or corporate membership from: any Lochaber resident over the age of 16 years; any community council or similarly elected and democratically accountable body based in or operating in Lochaber; or any individual who lives or works in Lochaber, who can demonstrate a clear commitment to the aims and charitable objects of the Association, or who has a well-established connection with Lochaber. No dividend is payable on shares and no member receives a personal benefit for their services.
- 6.2 Responsibility for running the Association lies with a voluntary Board of Management, which is elected from a broad membership of people drawn from a diverse range of backgrounds, as described at 7.1 above. The Board is responsible for providing the strategic leadership and direction of the Association, and leads in the planning, governance, monitoring and control of the delivery of services to our tenants and service users.
- 6.3 Our subsidiaries, LHA Property Services and Lochaber Care & Repair are governed by a Board of Directors and a Management Committee respectively. The relationship between the LHA parent and these subsidiaries is set out in an Intra-Group Agreement. LHA has an established Sub-Committee to support its effective governance, covering Audit and Governance. There is a second, ad hoc Sub-Committee of Office Bearers. The delegated responsibilities and authority of the Sub-Committees is set out in our Standing Orders and Sub-Committee Terms of Reference.
- 6.4 Good governance is fully embedded throughout the organisation, our Audit & Governance Sub-Committee meet regularly to ensure we maintain, revise, and enhance our Governance Handbook. We will continue to self-assess our compliance with the Regulatory Standards of Governance and Financial Management. This enables the Board to provide an Annual Assurance Statement to the Scottish Housing Regulator. The necessary frameworks and resources are in place to enable our Board to continue to function digitally and remotely, enhanced further through the provision of laptops to Members which permits access to all documents digitally in a secure way. A hybrid arrangement has been put in place for the current year with some meetings taking place in person and some continuing remotely.
- 6.5 A digitally based training programme continues to be rolled out allowing both new and existing board members to upskill and improve their knowledge base.
- The Board participate in a detailed training programme with attendance at regional and national conferences actively promoted, allowing both new and existing board members to upskill and improve their knowledge base.
- 6.6 In August 2023 the Board gave approval to continue working with an external

company to provide a detailed and effective approach to Board appraisal which supports the Association's succession planning. Having considered the options, it was agreed the EVH proposal offered the best value for money.

- 6.7 Through a successful recruitment campaign, the Association has recruited new members to our Board of Management enhancing the skills and experience required to ensure we have a strong, effective, and diverse Board.
- 6.8 The process of self-assessing our compliance with the Regulatory Standards of Governance and Financial Management continues to evolve with additional Board reports, a short term working group and an evolving evidence bank.
- 6.9 An internal audit programme at the Association is agreed in advance by the Board, with follow up reports and actions are reviewed by the Audit & Governance Sub-Committee.
- 6.10 There are dedicated governance staff roles within the Association with a training programme in place to support their roles and those of others to ensure governance is embedded and not an afterthought.
- 6.11 Having concluded the procurement of IT support services and moved to Tecnica we are now working on our IT Strategy and Action Plan which will enhance the Board members digital experience.

7. Our Staff

- 7.1 The Management Team is responsible for the day-to-day management of the LHA Group. It provides support to the Board in making sure that the Board's overall strategy and priorities are delivered in an effective and efficient way. There is currently a staff team of 23 employed by Lochaber HA (17 full-time/5 part-time/1 apprentice); 22 employed by LHA Property Services (17 full-time/2 part-time/3 apprentices); and 8 staff members engaged with Lochaber Care & Repair (5 full-time/3 part-time. Our organisational structure chart is in **Appendix 1**.
Biographies of our Board Office Bearers and Management Team members are in **Appendix 2**.
- 7.2 To limit LHA's exposure to increasing pension costs and longer-term liabilities, the Board decided some time ago to close the Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Scheme replacing this with a Defined Contribution Scheme. This is also our vehicle for auto-enrolment.
- 7.3 The Board agreed it would be worthwhile considering the implementation of both the Pension Salary Sacrifice Scheme and the Cycle to Work Scheme. Staff were consulted on these and this commencing in November 2022 with all those employees wishing to participate.
- 7.4 We have supported our objectives through the effective management of our human resources by operating a performance management system based on continual improvement; supporting a training and development budget; achieving gold status in the healthy working lives programme; and managing individual as well as corporate training plans. We are also committed, whenever appropriate, to meeting our need for human resources through the recruitment of apprentices and trainees drawn from the local population of young people. We reward staff through a competitive remuneration and benefits structure supported through our membership of Employers in Voluntary Housing (EVH).
- 7.5 Our management team and staff regularly attend training events, forums, and briefings, as well as networking with staff from other RSL's based within The Highlands and Islands, ensuring that we build up a reservoir of knowledge through which we can keep our customers aware and advised. The LHA Group has a longstanding commitment to training and has supported several staff in achieving qualifications. We have invested considerable resources in ensuring that we support staff to have more flexible working arrangements where this is possible.
- 7.6 We have developed, in partnership with the staff, a set of Company Values, **Appendix 3b**, (which sit alongside our Core Values, **Appendix 3a**). These values set out those internal issues that have been identified as being key in delivering our services – teamwork, respect, commitment, and communication - and establish behaviours that complement these values.

8. 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

- 8.1 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

- 8.2 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

- 8.3 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 new Local housing Strategy (LHS) 2023-2028 was approved following an extensive period of discussion with various stakeholders. This new strategy was based on analysis of key national/local housing priorities with the following 4 outcomes:

- Housing supply enables strong economic growth and creates resilient communities and places
- Health & wellbeing outcomes improve by investing in housing solutions which enable everyone in Highland to live independently in the community they prefer
- People in Highland have access to a wider range of housing options and choices and the support they need
- Partnership and innovation which builds capacity in Highland so that housing condition and energy efficiency improve and all homes to move towards net zero.

The Scottish Government

- 8.4 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. Five of these outcomes are particularly relevant to our work in Lochaber, as follows:

- We live in well designed, sustainable places where we can access the amenities and services, we need
- We have strong, resilient, and supportive communities where people take responsibility for their own actions and how they affect others
- We value and enjoy our built and natural environment and protect it and enhance it for future generations
- We have tackled the significant inequalities in Scottish society
- We realise our full economic potential with more and better employment opportunities for our people

Scottish Housing Regulator

8.5 Whilst we are also within the regulatory aegis of both the Office of the Scottish Charity Regulator and the Financial Conduct Authority, as a Registered Social Landlord 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. This Statement along with all other information provided allows the Regulator to conclude the level of engagement required. In March 2023, the Regulator confirmed our regulatory status remained as Compliant, which is low regulatory engagement requiring no further assurance other than the annual regulatory returns required from all RSL's.

Lenders

8.6 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.

Partners

8.7 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; Highland Communities Credit Union; Communities Housing Trust; NewStart Highland; Lintel Trust; 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).

9. Equality, Diversity, and Inclusion

Equalities Issues

- 9.1 The guidance from the Scottish Housing Regulator has stated that monitoring by social landlords must cover the nine protected characteristics described in the Equality Act 2010. This was supplemented further in June 2022 when the SFHA published practical guidance on how to implement the legal and regulatory relating to equality data collection. Such systems will also consider data protection and GDPR implications.
- 9.2 During 2022 the Board considered and approved the Equality, Diversity, and Inclusion (EDI) Strategy along with a Delivery Plan and Communications Plan (Appendix 4), setting out the goals, objectives and actions required.
- 9.3 The LHA Group is striving to create an inclusive workplace where everyone feels valued and respected– a workplace where everyone can be themselves and contribute to our success. We want our organisation to respect our service users and tenants so that they get the support and services that they need to feel safe and welcome in their homes. To do this we need a workforce that understands the diverse needs of people and a workforce that carries out their work with dignity and respect for others.
- 9.4 The EDI strategy provides us with a plan to create an inclusive workplace. This strategy is a 3-year plan to help us achieve our ambitions. It provides a shared vision and a commitment so that we can work together to build a more inclusive workplace and deliver services that promote equality and ensure equity of access.
- 9.5 This strategy includes three key goals and sets out the priorities and actions we will take over the next 3 years.

Goals

- 9.6 Workforce diversity – recruit talented staff from diverse backgrounds to increase diversity of thinking and perspective.
- 9.7 Workplace inclusion – develop a culture that supports collaborative working, flexibility, and kindness to enable all employees to achieve their potential.
- 9.8 Accountability – identify and breakdown systemic barriers to full inclusion by embedding diversity and inclusion in policies and practices for staff, service users and tenants, and equipping leaders with the ability to manage diversity and be accountable for the results.

Actions

- 9.9 We have progressed one of the most important actions from the plan in that we invited staff members across the 3 companies and the LHA Board to complete an EDI monitoring form. The information was collected anonymously. There was a 44% return rate with some of the questions not answered by all those who completed the forms.
- 9.10 This does not mean, however, that we do not continue to try and attract a diverse workforce and there was agreement that the collected data would, going forwards, provide more value as we will be in a position to consider trends as we move into

a regular cycle of analysis.

- 9.11 As we already collected tenant information during 21/22, it was approved by the Board in December in 2022 that the collection of tenant EDI data would be repeated in 2024.
- 9.12 We have drafted an EDI Charter which the Your Voice tenant group will be asked to review before it is presented to the Board for approval. This action would support our previously identified objective and would ensure that EDI remains at the centre of our consultation process.
- 9.13 We have recently begun our objective to become a Disability Confident Employer and have met the criteria to become a Disability Committed employer which is level 1 and are working to complete Level 2 and 3.
- 9.14 Further to the Board receiving EDI training in 2022 all staff received updated training earlier this which included detail around difficult to reach groups which will support our objective set out within our EDI Strategy.



Old School Court, Lochside

10. Contextual Information

Our Area

- 10.1 The Association operates exclusively with the Lochaber area.
- 10.2 Our area of work extends to an area of 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.
- 10.3 The most up to date data we have available until the full results of the census are available are set out in the tables below.

Population	2011	2021
Fort William	10,428	10,263
Lochaber	19,988	20,042

Population by Age band	0-24	25-44	44-64	65-74	75 and over	Total
Fort William 2011	3,142	2,663	2,862	972	789	10,428
Fort William 2021	2,941	2,561	2,734	1,062	965	10,263

Age Bands	0-24	25-44	44-64	65-74	75 and over	Total
Lochaber 2011	5,506	4,762	6,058	2,072	1,590	19,988
Lochaber 2021	5,190	4,560	5,926	2,435	1,931	20,042

Source: National Records of Scotland

- 10.4 Scotland's 2022 Census took place on the 20 March 2022 with only limited results published on the 14th of September. The National Records of Scotland (NRS) released estimates of the total population of Scotland and the population size in every local authority area, including a breakdown by five-year age groups and sex.
- 10.5 Figures showing the change in population since the last census in Scotland in 2011 – both at national and local authority level - were also released, as well as population density and household numbers.
- 10.6 Figures for the Highlands and Islands are for the six main local authorities that make up the region as more granular geographies are not yet available (expected release date of Spring 2024).
- 10.7 Despite strong growth in the preceding decade, the population of the Highlands and Islands remained flat between 2011 and 2022, compared to growth of 2.7% in Scotland. There were an estimated 485,900 people living in the region, compared to 485,793 in 2011.

10.8 All Local Authorities in the Highlands and Islands had a lower proportion of their populations of working age than in Scotland. Overall, the share of the population aged 15-64 in the Highlands and Islands was 60.9%, lower than Scotland (64.2%). In addition, the decline in the numbers of working age has decreased more rapidly between 2011 and 2022 in the Highlands and Islands (-5.3%) than Scotland (-1.1%).

10.9 The population of the Highlands and Islands is older than that of Scotland, with 48.0% of the population aged 50 and over, compared to 41.6% in Scotland. Almost a quarter (24.2%) of the population in the Highlands and Islands were of retirement age (65+), compared to a fifth (20.1%) in Scotland.

10.10 **Further Findings**

In Spring 2024, population by age and sex and number of households will be released at all geographies. Summer 2024 will see the beginning of a phased release of univariate Census outputs (tables with one Census topic variable) for all geographies. Multivariate Census outputs (those combining multiple topic variables in the same table) will also have a phased release over Winter 2024 and Spring 2025.

Individual topics that will be available from Summer 2024 are as follows:

- Ethnic group, national identity, language, and religion
- Demography and migration
- Armed forces veterans
- Sexual orientation and trans status or history
- Housing
- Education, labour market and travel to work
- Health, disability, and unpaid care

11. Our Wider Operating Environment

- 11.1 LHA’s business is strongly influenced by external factors. This section sets out our analysis of the wider operating environment, in the form of a PESTLE analysis which addresses Political, Economic, Social, Technological, Legislative and Environmental factors relevant to LHA’s business and future.
- 11.2 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 Chapter 11 on Risk.

PESTLE Analysis

Political	Economic
<ul style="list-style-type: none"> • Scottish Government Policy • Scottish Government Funding • Local Authority finances/services • Universal Credit • UK policy on public spending/benefits 	<ul style="list-style-type: none"> • Private Finance/Cost of Borrowing • Inflation • Austerity • Affordability • Delivering efficiencies • Higher tender prices/material costs • Capacity of construction industry • Universal Credit • War in Ukraine – impacts • New build completion targets • EESSH2 • Housing Market
Social and Technological	Legislative and Environment
<ul style="list-style-type: none"> • Fuel and food poverty • Increased consumer expectations • Community regeneration • Demand for affordable housing • Digital services –still low tenant demand • Blended working • Cyber Security • Learning to live with Covid 19 • Demographic change 	<ul style="list-style-type: none"> • Equality, Diversity, and Inclusion • FOI and GDPR • Building Standards • SHR Regulatory Framework • EESSH Compliance • Infrastructure Costs • Climate Change and green agenda • Decarbonising Heating • Zero emissions by 2026 • SHIP Allocation

- 11.3 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.
- 11.4 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.

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	Weaknesses
<ul style="list-style-type: none"> • Strong Board and good mix of skills • Staff and Board work well together • Good Charter Performance compared with our peers and national averages • Sound finances • Strong governance • Good levels of customer engagement • Experienced and skilled staff team • Good relationships with Partners & stakeholder relationships • Good housing stock • Digital capacity • Future new build opportunities are available • Exposure to pension risk minimised early • Partnership with ALIenergy 	<ul style="list-style-type: none"> • Underdeveloped customer involvement • Shared Ownership Property Condition • Land Availability • Contractor availability • Levels of energy efficiency, particularly in older stock • Cost of new build could affect our ambitions • Insufficient data about profile of tenants, including equality monitoring • Ability to meet the needs of an ageing population • Some tenants do not look after their properties • Inability to get factored owners to engage • Property age profile
Opportunities	Threats
<ul style="list-style-type: none"> • 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 • Rural and Island Action Plan • SLA between LCR and NHS 	<ul style="list-style-type: none"> • Cost of living: inflation, energy, food impacting our tenants and their ability to afford and/or pay their rent • Development risk • Increases in repairs and Maintenance costs • Labour shortages • Contractors' ability to keep trading • Insufficient knowledge of customer base • Financial strength of subsidiaries • Accessing Private Finance • Potential costs associated with EESSH2 • Cyber-attack or major IT failure • Interest Rates • Insufficient grant funding

12. Risk Management

Risk and control Framework

- 12.1 The LHA Group recognises the importance of effective identification, evaluation, and management of all key strategic and operational risks and this is a requirement set out by the Scottish Housing Regulator's standards.
- 12.2 "The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose."
- 12.3 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.
- 12.4 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
- 12.5 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.
- 12.6 The Board understands there is an element of risk in most activities that LHA undertakes. Generally, risk needs to be considered in terms of the wider environment in which LHA operates. The financial climate, changing attitudes in society together with legislation, revised regulation and new technologies all affect the organisation and impact on the level of risk LHA is exposed to.
- 12.7 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.
- 12.8 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.
- 12.9 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.

Roles and responsibilities

- 12.10 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.
- 12.11 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.
- 12.12 We have recently been working with an external consultant to review our risk management strategy and processes ensuring we continue to have an effective system. Our Risk Management Policy and Risk Register are attached to this plan at Appendix 6A and 6B. This 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.

13. Housing Management

This section addresses the following Business Plan strategic objective 2:

- Excellent Affordable Services

This objective will be achieved by the following actions:

Action by LHA	Measures of Success
Manage the impact of Universal Credit on rental income and our tenants	<ul style="list-style-type: none"> • Preserve rental income, measured against KPIs set each year for arrears and bad debts • Continuing high levels of tenancy sustainment • Early intervention as a priority to prevent arrears escalating • LHA deals robustly with rent arrears, where tenants do not engage with us
Provide tenants with a local, easy to access service	<ul style="list-style-type: none"> • Accessibility to HM team and ensuring where possible working within our various communities • Provide and promote digital options where there is demand, and preserve traditional methods for tenants who need this • Making best use of the Scottish Government funded 'Near Me' option for virtual appointments and communication with tenants
Provide tenants with quality, high performing services	<ul style="list-style-type: none"> • High levels of tenant satisfaction maintained • Services are efficient and effective e.g. reduced re-let times, quick response times • Deal robustly with anti-social behaviour and promote measures that enhance community safety • Ensure we provide quality service through regular quality assurance checks on allocations, voids, rent arrears and estate management • We make best use of technology to communicate and enable our tenants to access our services • We ensure tenants can access advice and assistance from our staff within their community and home <p>Cont'd</p>

Action by LHA	Measures of Success
Provide fair access to LHA's housing	<ul style="list-style-type: none"> • Continue to work constructively with Highland Council (HC) to house homeless applicants, and homeless prevention whilst ensuring we have sustainable tenancies through proactive tenancy risk assessments and the provision of housing support where identified. • LHA influences access to social housing through the HHPG (Highland Housing Partnership Group) along with HC's planning and target-setting, and the • Provision of appropriate tenant support within our partnership with Highland Council • Assist Highland Council to meet their statutory duty towards providing permanent accommodation to homeless households
Provide services that deliver good value for money	<ul style="list-style-type: none"> • Tenant satisfaction with services and their feedback on value for money received in return for rent • LHA rents continue to be affordable, based on annual testing against the affordability criteria agreed within our Rent Policy • Control over service costs
Tenants receive a joined-up service from all relevant teams and partnerships	<p>Close co-operation is achieved between the Housing Management team and:</p> <ul style="list-style-type: none"> • Partnerships with Lochaber CAB and other Support agencies which are maintained and developed to meet needs as they arise • Partnership with ALIenergy through the Lochaber Affordable Warmth Scheme (LAWS) to ensure we can best help tenants struggling with fuel costs and debt • Asset Management and LHAPS teams to promote an effective joined up service from LHA
Board of Management has effective oversight of performance	<ul style="list-style-type: none"> • Board receives assurance through regular reporting at Board meetings • Annual Performance Visit with Scottish Housing Network • Annual independent review of accuracy of ARC data • Internal audit

13.1 Housing Services Provided by LHA

LHA provides a comprehensive range of tenancy and neighbourhood management services. These include:

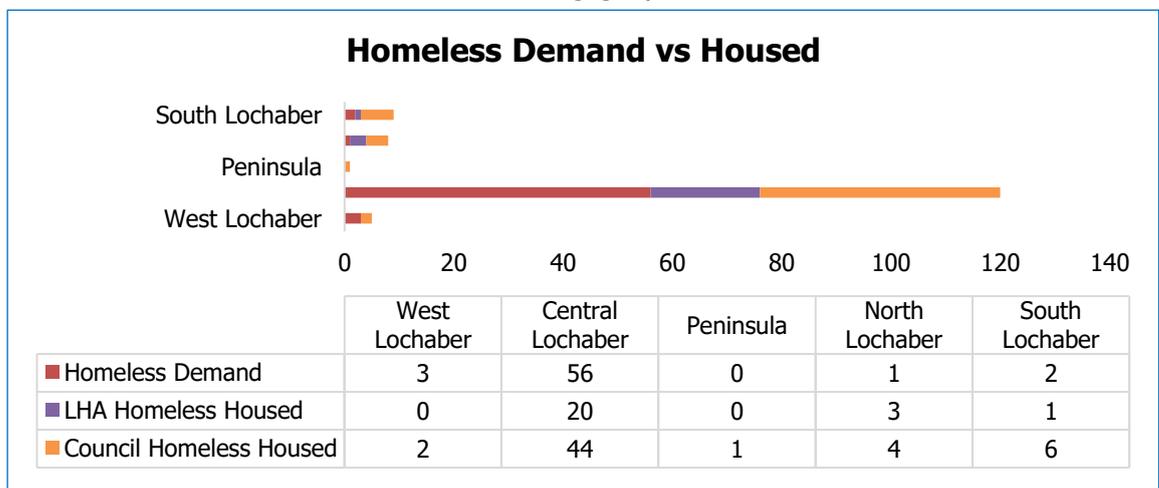
Core Services

- Letting empty homes
- Processing housing applications along with our partners at HC ensuring we keep our housing waiting list up to date
- Providing housing for homeless households and those with housing need as part of the HHR Partnership and Common Housing register
- Collecting rent and managing rent arrears
- Working with residents to resolve neighbour disputes and anti-social behaviours
- Promoting tenant involvement in LHA’s services and decisions, including at a local neighbourhood and community level where possible
- Providing factoring services to housing stock transferred to LHA area through the stock transfer
- Engaging and consulting with communities and resident groups
- Providing an effective estate management service
- Providing tenants with advice and assistance to help maintain their home, or access accommodation that meets their needs

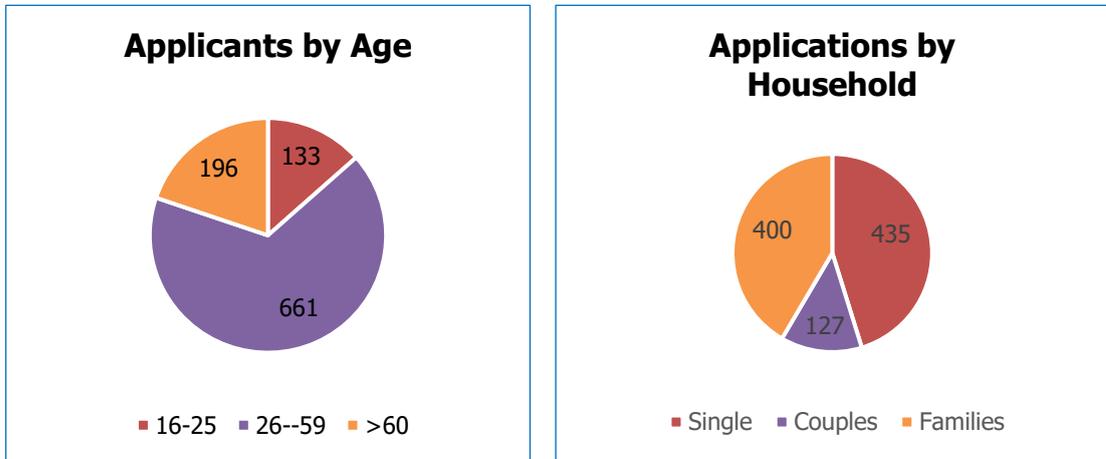
13.2 Who Do We House?

Based on the Highland Housing Register Annual Report 2022/23, total demand for Lochaber is 990 households.

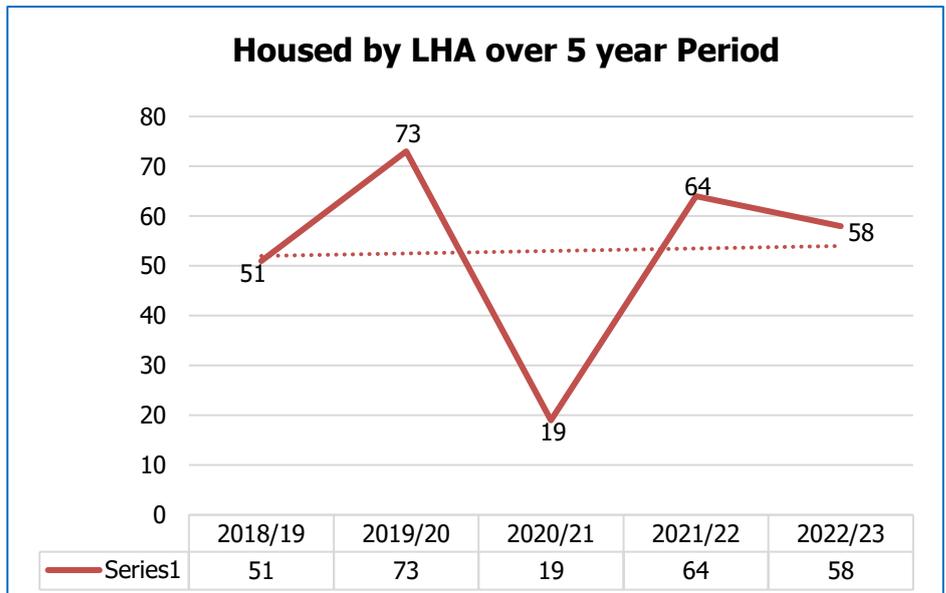
The range of demographics which represents Highland Housing Register (HHR) applicants seeking housing in Lochaber along with those that LHA housed in 2022/23 are summarised in the following graphs:



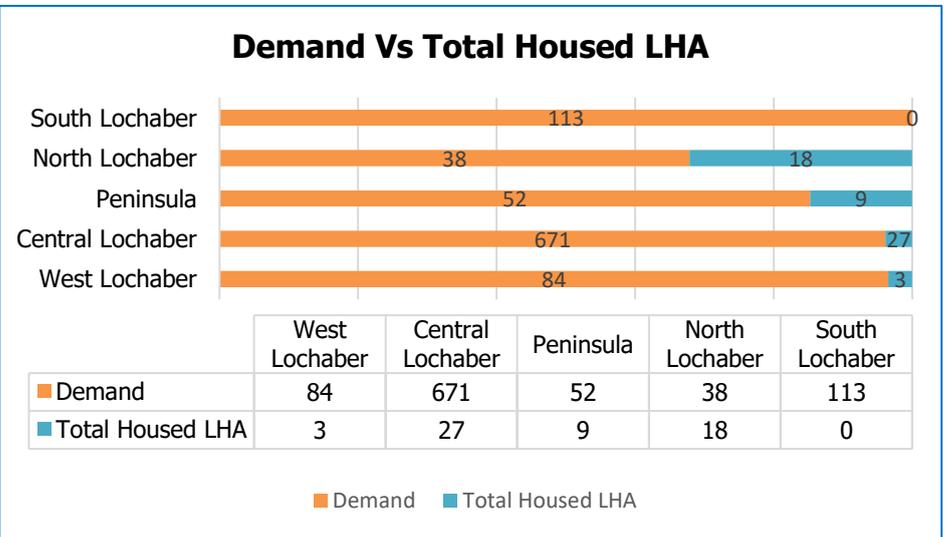
13.3 Age Group of HHR Applicants housed in 2022/23

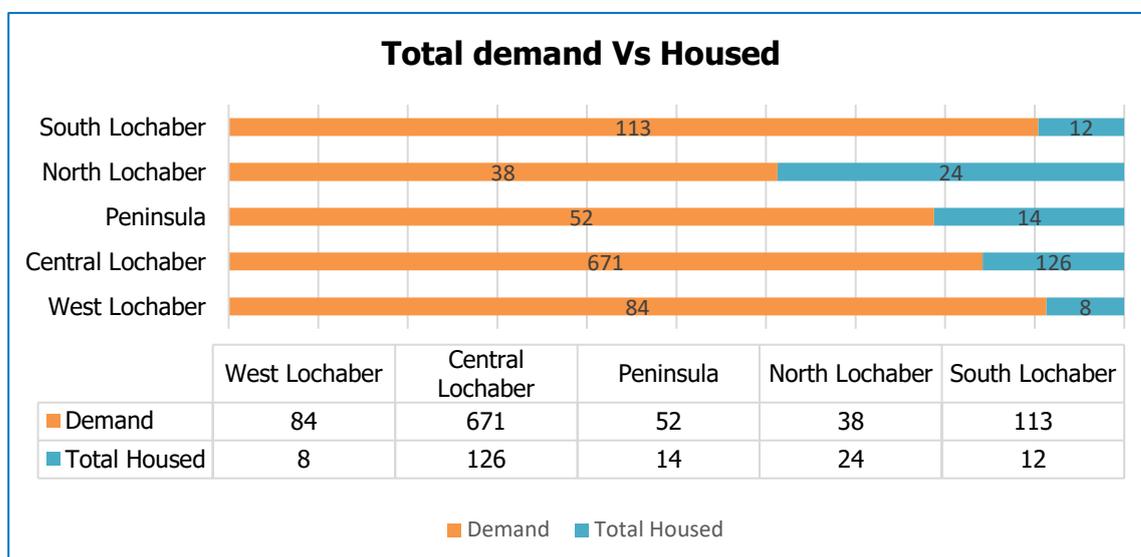
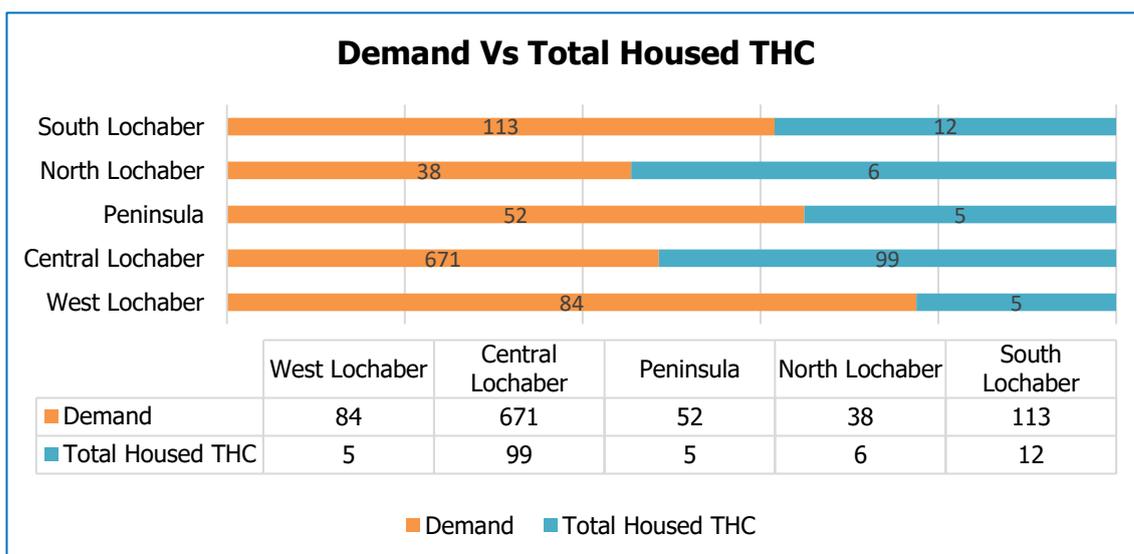


13.4 Housing Demand Vs Allocation



Based on the HHR Annual Report 2022/23





13.5 Scottish Indicators Multiple Deprivation

While receipt of help with housing costs is relatively low with our tenants; low wages, seasonal employment, and insecure employment are common among our tenants. The 2020 Scottish Index of Multiple Deprivation (SIMD) results show that rates of deprivation are more prevalent within the urban areas of Fort William South and North.

Deciles are scored 1-10, with areas in the lower deciles being the most deprived in Scotland and is based on Income, Education, Health, Housing, Geographic Access, and crime.

The highest rates of deprivation are within Lochaber South which includes Fort William Town Centre, An Aird and the Plantation which are both in the 2nd decile. Claggan is in the 4th decile and Upper Achintore in the 5th decile.

Within Fort William North the centre of Caol is in the 4th decile.

Within Lochaber West and Lochaber East & North Kinlochleven falls into the 4th

decile and Acharacle the 5th decile.

The Highlands has seen an increase in deprivation since 2016 and some comparisons with Lochaber include Dingwall, Tain, Invergordon, Wick & Alness which are in the 2nd and 3rd deciles - unsurprisingly all within urban conurbations.

Although the information is three years old, the impact of Covid 19 and the cost of living crisis will impact on the deciles between the 2nd and 5th, therefore we will ensure those areas within the 2nd to 5th deciles are closely monitored and have:

- Increased Housing Officer Visits
- Estate Management Inspections
- Tenancy Sustainment Activity
- Employability and Skills
- Digital Inclusion
- Community and Partnership involvement

13.6 Tenant Satisfaction Survey (TSS)

The views of tenants and other service users are of the greatest importance to us. LHA carries out large scale satisfaction surveys every three years encompassing a wide range of housing services and community issues.

LHA continues with our programme of internally managed surveys with a view to carry out the next survey tri-annual survey during 2024/25, so that we continue to have up to date information on tenant's views on the services we provide. As a follow up to the last survey we extended our consultation on tenant satisfaction to include focus groups, carried out in Arisaig, Fort William, Acharacle, Glenfinnan and Spean Bridge. The feedback received from these groups resulted in changes on how we communicate, timescales for communicating and consultation on planned maintenance.

Further meetings were held with several new tenants who agreed to participate in helping us identify improvements to our allocation and void processes. The outcomes of these were extended to 'Your Voice' members for consultation and resulted in amendments within our void policy subsequently approved by the Board of Management. These actions are relevant to improving satisfaction in both 'landlord keeping tenants informed' and 'providing opportunities to participate in the landlord's decision making'.

We are currently implementing a more comprehensive household survey of our tenants to ensure we have an up to date profile of their tenancy and household characteristics including any identified vulnerabilities and support needs.

We will be exploring new ways to capture tenant data that enables us to cater our services closer to tenants needs and making better use of localised focus groups as part of the new Tenant Engagement and Communication Strategy.

The results of tenant satisfaction from the Annual Return on the Charter confirm that tenant satisfaction levels continue to be very strong and that LHA's levels of

tenant satisfaction were considerably better overall than:

- The Scottish National Average
- Average results for the peer group

2023 Tenant Satisfaction Results (%)	LHA	Peer Group	Scottish Avg
Landlord's overall service	92.41	86.7	86.7
Landlord keeps tenants informed	94.14	87.3	89.7
Opportunities to participate in landlord decision making	95.4	83.34	885.9
Management of neighbourhood	88.57	85.3	84.3

13.7 Preserving our Rental Income and the Impact of Universal Credit (UC)

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

To ensure that rental income is maximised, LHA monitors rent arrears closely, taking preventative action when required. Non-payment of rent is unacceptable, and LHA will take appropriate action if tenants choose not to engage with us. However, our approach is based on encouraging tenants to work with us so that we can provide information and support that will help to address and prevent rent arrears.

Further to the report by Scottish Minister to the Scottish Parliament on the Cost of Living (Tenant Protection) (Scotland) Act 2022, covering the period from 1 June to 30 September 2023, a review was taken to establish if the remaining provisions of the Act remain necessary and proportionate in connection with the cost of living.

At the end of this reporting period, the economic analysis indicates that the economic challenges continue to impact acutely on those who rent their home and therefore, having considered the outcome of this review, Scottish Ministers are satisfied that the provisions in the Act remain necessary and proportionate.

In terms of the impact as a RSL, enforcement of evictions continues to be paused for six months for most tenants, except in a few specified circumstances, such as arrears over £2250 and Increased damages for unlawful evictions of up to 36 months' worth of rent continue to be applicable in the event of an illegal eviction.

This is the final time these measures can be extended, and should end on the 31st March 2024 unless new legislation is brought into place.

Historically LHA has maintained a lower level of arrears and an extremely low level of evictions. ARC results for 2022/23 show that LHA has lower arrears than the average for our peer group and lower than the Scottish Average:

2022/23 results by ARC measure	LHA	Average peer HA's	Scottish Average
% Gross rent arrears of rent due (current and former tenant arrears)	3.5	4.07	6.86

The financial impacts of the continued high cost of living is a source of concern for many tenants and for LHA. We understand that some tenants will struggle to pay rent, depending on their circumstances, and we will provide support in such cases.

Equally, we fully expect that tenants who have the means to do so should continue to pay rent and adhere to arrears repayment arrangements. We are carefully monitoring rent payments and the impact of the current high costs of living on rent arrears and will continue to do this.

The impact of Universal Credit (UC) was already a major challenge and was identified as a risk for the Association as a whole. The proportion of LHA tenants now receiving UC is increasing and UC has a significant impact on rent arrears, attributing to over 50% of the current tenant debt owed to the Association.

Those in part time, low waged employment in receipt of partial benefit, along with those full benefit claimants, pose a risk during the current cost of living crisis as prices increase and benefit income remains low, that they fail to pay rent. This demographic may also be impacted by further austerity measures imposed by the UK Government. We will continue to monitor UC and ensure we intervene early in problem cases.

13.8 Tenant Engagement

We have, during the last business planning period, reviewed and implemented a revised tenant participation strategy, established the "Your Voice" partnership with tenants and we are currently focusing on enabling and equipping tenants to be scrutineers of our service. (It is anticipated that this will encourage some members of "Your Voice" to become candidates for Board membership). Our revised strategy lays out the opportunities and mechanisms available for tenants to engage with the Association, as well as an action plan for further development. It acknowledges that individuals' preferences can range from wishing to receive regular information about our services, to choosing to become more actively involved.

Our tenants are our most important stakeholders. Under our Standing Orders, it is the role of "Your Voice", our tenant partnership 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. "Your Voice" lead in the production of our annual report to tenants, "Tenant Talk", which is a requirement of the Scottish Social Housing Charter; consider any new/revised policy, or decision of the Board, that affects the management or maintenance of tenants' homes prior to its implementation; organise and conduct consultations and surveys with the wider tenant population in order to inform the decision and policy making of the Board; and scrutinise the quality, efficiency and effectiveness

of the Association's services, recommending appropriate change and improvement.

The 'Your Voice' register of tenants was re-visited in 2022 and all those on the register were sent a questionnaire. This sought their views on how they would like to be involved in the decision-making process going forward, how they wished to do so eg meetings, email, teams etc, and what topics they favoured being contacted on. The overwhelming majority of those who responded advised that they wished a 'light touch' approach and provided us with the topics they wished us to involve them in. We have recently used this approach when seeking the views and feedback from tenants on updating and improving our voids process.

While we do currently work with the Claggan Residents Group, Plantation Community Group, Lochyside Community Group and the Upper Achintore Residents Group, we are aiming to reach out to wider groups such as local community councils, resident and community groups within our rural areas.

13.9 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.

LHA must also consider the potential impacts on our communities and which we consider to be significant:

- Funding for new tenant support and its duration are critical factors in sustaining new tenancies and in ensuring that neighbours can co-exist peacefully.
- If a high percentage of our available properties are let to homeless persons, there will be greatly reduced rehousing opportunities for other applicants who may also have significant needs. This will affect individual applicants and the community. We will therefore continue to work with the Highland Housing Partnership Group to identify and support sustainable communities within our rural areas and ensure Housing Support is available for all those who require it.

Highland Council are committed to the Rapid Rehousing initiative whereby homeless applicants are offered a settled, mainstream housing outcome as quickly as possible thus ensuring time spent in any form of temporary accommodation is reduced to a minimum and with fewer transitions.

Where a homeless applicant has multiple and complex support needs beyond housing a Housing First model is recommended. There is no Housing First model in Lochaber, however the Association would support Highland Council to identify suitable accommodation for any specific applicant if it was required and it was demonstrated that the proper support mechanisms were in place to support the tenancy.

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 the Scottish Housing Regulator.

The charts below provide an example on the Associations commitment to housing homeless households along with our peers based on ARC returns for 2022/23.



13.10 Tenancy Sustainment

Sustaining people in their tenancies benefits the individual tenant, the wider community, and the public purse. Shelter has estimated that the total cost of a failed tenancy for a previously homeless household can be as high as £20,000 when all relevant costs are factored in.

LHA's approach to tenancy sustainment is as follows:

- We will ensure that all prospective tenants are assessed pre allocation for any support needs, vulnerabilities, and tenancy risks
- We will ensure that tenants are maintaining and managing their homes through regular contact
- We offer practical advice, where possible for support on housing, welfare rights, personal finance, life skills, personal independence, and other issues
- We may refer or signpost tenants to specialist services; or we may work in partnership with colleagues in the Health and Social Care Partnership to source the solutions needed
- We signpost all tenants identified for support with their energy costs to ALIenergy through the Lochaber Affordable Warmth Scheme which we have in partnership with ALIenergy
- We also use our tenancy contact to ensure that rent is paid, since this can be a key factor in sustaining the tenancy and identify potential tenancy failures.

13.10 Action Plan

- Provide additional tenant advice and support where possible relating to the continuing high cost of living – tackling a range of poverty areas, including fuel poverty, in work poverty and those on fixed benefit incomes. Identifying any partnership working or funding to assist tenants
- Provide core housing services (letting houses, tenancy management, estate management and managing antisocial behaviour) in a way that is responsive to individual and community needs, and that is consistent with our best value ethos
- Continue intensive management of rent arrears cases, focusing particularly on reminding tenants of rent payment due date, tackling smaller to mid-sized balances to reduce arrears before becoming unmanageable for tenants and focusing on cases where tenants are not engaging satisfactorily with LHA
- Considering non eviction legal action for the recovery of rent arrears for some tenants at an earlier stage
- Ensure our arrears policy and procedures are implemented effectively, with regular checks to confirm compliance
- Take additional targeted actions for UC arrears cases and Non-UC rent arrears cases through the use of the Arrears Management module in SDM
- Monitor closely arrears that relate to tenants on UC, so that we have good data about the resources needed to collect rent and support tenants; and the impact of UC work in diverting staff resources from other essential work
- Provide continued support for tenants in arrears through methods such as access to IT and help with UC journals
- Seek service improvements in our estate management service with regular program of walk-abouts with our tenants and partners and follow up which is evidence led
- Improve on our local consultations with tenants and local groups within our letting zones and working with the SFHA to develop a tool kit for mapping community resources and provision of a directory to help our tenants
- Build on the information provided from recent triennial Customer Satisfaction Survey
- Make best use of technology and the digital platforms available to the Association and its tenants including the development and promotion of our digital My Home portal. Developing its use for tenants, staff and pre allocation processes.
- Include prudent assumptions in our financial projections, in anticipation of slower rent collection and increases in rent arrears and bad debts.
- Allocations – more streamlined way of working and making best use of the technology we have been developing
- Poverty reduction, exploring continuously for grant applications to help

tenants in need

- Major Repairs works, continue to build on work commenced this year on improved communications before during and after works with technical officers.

In measuring success, we will consider:

- ✓ Performance in meeting our targets for rent arrears
- ✓ Levels of tenancy sustainment or failure due to rent arrears and other areas of tenancy failure.
- ✓ Continue to target voids and arrears performance as areas for improvement
- ✓ Performance in relation to the key performance indicators, feedback from internal audits, and benchmarking comparisons
- ✓ Tenant feedback and satisfaction levels, including any results from Tenant Surveys
- ✓ Levels of resident engagement and how this has helped us to identify and achieve successful local solutions.
- ✓ Tenant satisfaction and LHA's management of complaints and services
- ✓ Agreed timescales for communication and responding to tenants.
- ✓ Develop individual staff and team targets for arrears/voids etc with a view to further improvement.



Cost of Living Drop-in at Sunart Centre, Strontian

14. Value for Money

This section addresses Business Plan strategic objectives 2 and 4:

- Excellent Affordable Services
- Effective financial management

14.1 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 living.
- 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.

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 both software and hardware 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.

In measuring success, we will consider:

- ✓ LHA responds effectively to tenants' priorities
- ✓ Tenants are satisfied with the quality of their homes and the services they receive
- ✓ LHA's rents continue to be affordable by testing against the affordability criteria set out in our Rent Policy
- ✓ Our performance in providing services is of a good standard when compared

with our peers, and we have plans in place to make any improvements needed. The heatmap below is an extract from the performance reports produced by Scottish Housing Network demonstrating performance from the ARC submissions for the year ended 31st March 2023.

- ✓ LHA makes good use of our assets and resources by being clear about our priorities for spending and then spending within our means.

Organisation Name	Overall satisfaction %	Informed %	Involved %	Anti-social Behaviour %
Lochalsh & Skye Housing Association	93.44	98.44	98.44	70.00
Lochaber Housing Association	92.41	94.14	95.40	100.00
Hjaltland Housing Association	91.30	95.27	86.91	100.00
West Highland Housing Association	86.67	89.02	79.39	100.00
Hebridean Housing Partnership	85.98	89.19	84.46	84.62
The Highland Council	85.91	92.51	93.81	49.04
Cairn Housing Association	83.53	81.96	89.54	90.94
Orkney Housing Association	83.44	84.47	65.22	97.96
Albyn Housing Association	82.65	76.56	70.17	81.38

Organisation Name	SHQS %	Emergency repairs hours	Non-emergency repairs days	Right first time	Repairs satisfaction %
Lochalsh & Skye Housing Association	62.72	3.08	10.69	89.51	87.30
Lochaber Housing Association	97.80	2.39	4.14	97.31	99.04
Hjaltland Housing Association	99.36	2.35	9.07	85.29	96.96
West Highland Housing Association	91.33	4.13	7.39	85.80	73.45
Hebridean Housing Partnership	82.79	2.48	3.69	89.84	98.92
The Highland Council	40.27	5.47	7.59	86.04	
Cairn Housing Association	62.11	2.40	8.31	91.82	82.49
Orkney Housing Association	97.95	3.76	12.54	82.78	89.84
Albyn Housing Association	80.78	7.30	7.04	85.95	86.82

Organisation Name	Rent increase %	Average rent 3-apt £	Average rent – all £	Rent collected %	Void rent loss %	Re-let time days
Lochalsh & Skye Housing Association	8.00	85.62	86.85	98.92	0.40	18.86
Lochaber Housing Association	7.00	94.77	95.98	101.32	0.22	12.98
Hjaltland Housing Association	6.00	97.77	97.17	100.54	0.13	6.55
West Highland Housing Association	5.00	103.42	101.76	99.31	0.13	7.13
Hebridean Housing Partnership	6.00	88.61	87.95	100.48	0.59	30.97
The Highland Council	4.00	81.52	82.55	98.02	0.96	32.07
Cairn Housing Association	7.00	94.33	98.71	103.98	2.18	81.28
Orkney Housing Association	7.50	96.09	94.71	99.30	0.33	12.67
Albyn Housing Association	5.00	94.28	94.82	100.35	0.77	30.72

Rents

- 14.2 For the purposes of comparison with other small, rural and island housing associations in the Highlands & Islands, the figures extracted from the 2022/23 Annual Return on the Charter are on the following table. (It should be noted that these figures also include service charges where applicable.)

	Lochaber HA	West Highland HA	Lochalsh & Skye HA	Orkney HA	Hjaltland HA	Albyn Housing Society
2 Apt	78.78	89.83	79.62	87.44	91.63	85.08
3 Apt	94.77	103.42	85.62	96.09	97.77	94.28
4 Apt	103.06	113.56	94.94	102.75	105.32	103.48
5 Apt	109.73	132.33	101.23	111.82	117.48	118.21

- 14.3 The affordability of our rents is a key issue. We have a 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. As part of our rent review each year we measure our proposed rents using the SFHA's affordability tool. A copy of our Rent Policy is at **Appendix 7**.
- 14.4 When considering the report on the rental increase for 22/23 the Board noted both the range of options on which tenants had expressed their views and a summary of the responses. In addition, information was provided looking at the impact of the increase options on the Associations longer term financial projections. Acknowledging the difficult times that the Association, our tenants, and communities are currently facing with increasing inflation and energy costs. The Board of Management agreed to a larger increase than that proposed to ensure that we can continue with our commitments to maintain our tenants' homes to a high standard. From 1st April 2023 it was agreed to implement a 7% rent increase which met the affordability tests and in line with our peers.

Our Performance

14.5 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. The results from the 22/23 return in relation to the question asked of tenants regarding whether they feel the rent for their property represents good value for money are below:

Lochaber HA	Rural Peer Group	All RSLs
85.17%	82.6%	81.79

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.

14.6 The pursuit of VFM is increasingly important in the period ahead:

- There will be pressures on tenants’ incomes and on our own income streams and costs because of the increasing costs we all face, and
- We can expect additional statutory and regulatory obligations that landlords must pay for, as well as continued cuts to services by the local authority.

The priority, therefore, is to keep rents affordable, whilst also generating sufficient rental income to meet our obligations to tenants and maintaining reasonable financial headroom in an increasingly challenging economic climate.

15. Asset Management

This section addresses Business Plan strategic objectives 2 and 4

- Excellent affordable services
- Effective financial management

These objectives will be achieved by the following actions:

Action by LHA	Measure of Success
Provide LHA tenants with a reactive repairs service that is fast, efficient and effective	<ul style="list-style-type: none"> • LHAPS performance in meeting LHA quality standards and delivering service within available financial resources • Excellent performance achieved in relation to Charter Indicators and LHA’s own key performance indicators
Reactive repairs service is valued highly by tenants	<ul style="list-style-type: none"> • High levels of tenant satisfaction maintained, and tenant feedback used to make changes where needed
Future proof LHA’s housing, by protecting and sustaining our ageing housing stock	<ul style="list-style-type: none"> • All LHA stock continues to meet the Scottish Housing Quality Standard (other than exemptions and abeyances) • LHA’s spending on major repairs and replacements is planned effectively, with reference to the asset management strategy, up to date stock condition survey data, life cycle costings and Financial Business Plan • Plan and deliver the programmes of major repairs and cyclical maintenance approved by the Board, and review/update programmes annually • Updated Scottish Government’s 2032 EESSH targets and net zero ambitions not yet agreed however LHA continues to invest in energy efficiency measures within our homes • Positive feedback received from tenants about LHA’s communications on works to be carried out, and the quality of the completed works
Maintain the quality of the housing stock and ensure tenant safety through LHA’s cyclical maintenance programmes	<ul style="list-style-type: none"> • LHA meets all legal obligations relating to stock/tenant safety • Life cycle assumptions and up to date property inspections are used to decide programming of cyclical work <p>Cont’d</p>

Action by LHA	Measure of Success
Getting the best value from LHA's assets	<ul style="list-style-type: none"> Achieve continued improvements in void relet times and void rent losses, in accordance with the targets set annually by the Board
Provide services that deliver good value for money	<ul style="list-style-type: none"> Repairs and planned maintenance are affordable within the budgets set by the Board LHA's best value approach delivers added value for residents (e.g. enhanced estate and environmental services by in house teams) Best practice approach to procurement to include service as well as cost
Board has effective oversight of performance	<ul style="list-style-type: none"> Budgets and targets set annually by the Board Audit and Governance Sub Committee receives regular assurance Annual independent review of accuracy of ARC data Internal audit on Duty of Care External audit by ACS Risk of Landlord and Facilities Health and Safety Control Manual Scottish Housing Network annual presentation of performance results comparing peer group and Scottish average

15.1 Asset Management Strategy

Our Asset Management Strategy is to deliver housing investment through new build, refurbishment and planned maintenance activities that will ensure that the Association's housing stock: is of a quality and type that meets the needs of its tenants; wherever possible, is environmentally sustainable and energy efficient; and is capable of being effectively, efficiently, and economically managed and maintained over the long term. The plan also aims to maximise income and minimise liabilities and target planned maintenance investment in to stock that has long-term viability in delivering our objectives. This strategy is currently being updated and will be presented to the Board for consideration in December 2023.

The successful management of the Association's housing assets relies on a prudent approach to financial planning, ensuring that we are a viable organisation delivering sustainable, quality housing provision over the next 30 years and beyond, thus protecting the long term interests of its tenants as a whole and the value and condition of our asset base. The new Energy Efficiency in Scottish Social Housing standard (EESH 2) currently has a completion target for March 2032 and we are undertaking and planning further investment in many of our properties ensuring the necessary standards are achieved. Work has been undertaken with the Energy Saving Trust Portfolio Energy Analysis Tool (PEAT) which analysed all

of our stock and identified what would be required to reach the EESSH 2 targets as they currently stand. This has allowed us to do 'what-if' cost benefit retrofit scenarios.

The working Group set up to review EESSH has not yet published its findings, however, it is anticipated this will be available in the Spring 2024. In the meantime, the Association has continued to invest in energy efficient measures with an aim to reduce fuel poverty for our tenants and reduce carbon emissions arising from our activities. These measures have to date focused on:

- Air source heat pumps;
- PV solar panels;
- Insulation
- Solar battery
- Air Quality Sensor Monitors
- We carry out in-house stock condition surveys on an average of 150 properties each year, applying our life cycle costings to produce our planned and cyclical maintenance programmes over a 30-year cycle. During 2023 we had our stock condition approach, costings and life cycle assumptions independently assessed and verified. This external validation exercise will be undertaken annually ensuring our assumptions within our in-house surveys are accurate for our business planning.

One of the learning outcomes from our tenant consultation and focus groups was to improve our communications with tenants in relation to our planned maintenance. The Technical Officers within the Asset Management team are now fully involved with tenant engagement from the consultation stage prior to work commencing through to the completion of works. Tenants who have had major works carried out in their homes have been surveyed and while the feedback has been very positive there are some points where we recognise can be improved further.

LHA's Housing Stock

We currently own and manage 726 affordable homes for social rent. These have been acquired mainly through new build but supplemented by a stock transfer from Scottish Homes in 2002 and through the purchase of Rental off the Shelf opportunities. We also manage 44 shared ownership homes (we have also built 33 shared equity properties), as well as 30 affordable rented properties for Link Housing Association, the Communities Housing Trust, and the Highland Council. We currently also provide factoring services to 243 owners.

The following table provides an overview of our current stock profile by property size and type as submitted for the ARC earlier this year.

House Size	4 in a Block	Other Flat	House	Tenement	Grand Total
1 apt	0	0	0	0	0
2 apt	9	28	19	21	77
3 apt	32	34	248	102	416
4 apt	4	7	181	14	206
5 apt	4	0	23	0	27
Total	49	69	471	137	726

15.2 LHA's core property services and activities are:

- Cyclical maintenance and servicing, to ensure the quality and safety of the housing stock
- Reactive repairs to tenants' homes
- Void management and repairs
- Maintenance of LHA's estates and the local environment
- Stage 3 access adaptation works to tenants' homes
- Managing LHA's planned maintenance programme for cyclical works, fabric repairs etc
- Planning and managing the component replacement programme, to replace elements that have come to the end of their lifespan
- Procuring and overseeing repairs and maintenance works, which are carried out by Lochaber's own in house team and by external contractors
- Ensuring that LHA has and uses effectively the information needed for effective longer-term investment

15.3 Asset Management Approach

The main factors influencing LHA's asset management approach are:

- The age, condition, and performance of the housing stock
- Demand for our housing
- Future investment needs, to ensure our housing continues to meet the Scottish
- Housing Quality Standard, mandatory energy efficiency standards, and the aspirations of tenants
- LHA's financial capacity – what we can afford to spend on our homes and at what pace.
- Whether we should consider alternative uses or disposal for any of our property assets.

The Financial Business Plan cashflows are used to test whether future planned maintenance is affordable. This will be an ongoing challenge for the Association, taking account of the age of much of our stock and the level of major repairs work that is needed as a result.

15.4 Stock Condition and Performance

The figures submitted on the 2022/23 Annual Return on the Charter showed LHA's compliance with SHQS are as follows:

	2021/22	2022/23	Peer group Rural	Scottish average
Properties that meet the Scottish Housing Quality Standard	96.46%	97.80%	87.81%	79.02%

15.5 Reactive repairs

LHA carries out reactive repairs using the following target timescales.

Emergency	Out of hours service, LHA responds within 24 hours
Urgent	LHA will complete works within 3 working days of being reported
Routine	Less priority than emergency & urgent repairs, LHA will complete works within 7 or 20 working days of

LHA can demonstrate an above average performance for the Charter Indicators that relate to repairs, in comparison with our peer group and the Scottish Average.

	Lochaber HA	Peer Group Rural	Scottish Average
% reactive repairs completed right first time	97.31	88.55	88.02
% tenants satisfied with repairs service	99.04	87.45	91.3
Average working hours to complete emergency repairs	2.39	4.14	4.17
Average working days to complete non-emergency repairs	4.14	8.63	8.68

15.6 Void Management

The average time taken to re-let properties continues to be at low level and is testament to the efforts of all staff and team work with LHAPS colleagues.

Average Time to re-let properties (void)	Lochaber HA	Peer Group Rural	Scottish Average
20/21	17.11	39.83	56.29
21/22	13.1	30.24	51.57
22/23	12.98	30.12	55.61

Factors which have helped contribute to improving this process are:

- A key safe system is installed where appropriate to prevent delays in gaining access caused by having to sign keys in and out
- Where possible, and with the permission of current tenant, allowing the pre-selected tenant to view properties
- Offering decorating vouchers instead of redecoration by LHA
- Further to consultation with the Your Voice group on a range of further areas where we could possibly achieve a more streamlined process which will be beneficial for the outgoing tenant, new incoming tenant and the association.

15.7 Asset Disposal

The Association has a disposal strategy in relation to several properties that we purchased as Rental off the Shelf opportunities, and which have been identified as being non-viable. This will be re-visited once the new Asset Management Strategy has been reviewed by the Board.

15.8 Action Plan

- Maintain the quality and effectiveness of the repairs service ensuring that continued investment in assets provides value for money and is fundable.
- Develop our asset management strategy, which will set out plans going forwards for the delivery of LHA's repairs, maintenance, and component replacement services. This allows us to make informed decisions on investment plans based on intelligence of asset performance.
- While the outcome of the ESSH review is not yet available we will continue to invest in energy efficiency measures through our component replacement programme. Properties have currently been identified which will attract ECO4 funding (Energy Company Obligation) which allows further energy efficiency enhanced measures to be installed to those properties.
- Continue our cycle of reviewing and updating LHA's current Stock Condition

data and life cycle costings data, so that we have the best information available for investment planning. Overall, we need to identify a component replacement programme that takes account of the age and condition of the stock, current legislation, and standards, and what can be delivered within the resources allowed for in LHA's Financial Business Plan.

- Ensure we continue to meet our health and safety requirements and compliance on our housing stock, registers are kept updated and all follow-up action taken as required
- Continue to partner with the housing officers ensuring tenants receive a joined up service from the Association
- Continue to invest in our IT systems ensuring efficiency in recording of information directly on to our housing management system
- Roll out text messaging reminders for appointments
- Continue with excellent performance in void losses and turnaround times for void properties
- Ensure that management closely monitor voids spending, and that there are strong internal controls on cases where high levels of repairs or replacements are deemed necessary.
- Continue to review the options available to us for meeting the Scottish Government's increased energy efficiency requirements by 2032 (known as EESSH 2)
- Continue to build on estate 'walk-about' with an aim to be more community orientated.
- Continue with programme of investment in installation of the air quality monitoring systems within our properties
- Progress works on communal repairs in shared ownership properties

In measuring success, we will consider:

- All inspections are undertaken ensuring the health and safety of our tenants in a timely manner with relevant registers maintained
- Continued high performance in relation to Charter Indicators and LHA internal targets
- Adherence to budgets
- Tenant satisfaction with the service
- Whether the updated AMS approved by the Board addresses:
 - ✓ LHA's asset base, and stock condition and performance data
 - ✓ Continued SHQS and EESSH compliance
 - ✓ Best Value
 - ✓ Future options for delivery
 - ✓ Affordability within the financial resources available to LHA

- Where it is in LHA's interests, seek opportunities for procurement efficiencies, by working with other partners
- Increase the number of local organisations/communities who work with us to improve the estates/communities within which we work.



16. Development

This section addresses Business Plan strategic objective 1:

- Providing high quality housing solutions

This objective deliberately uses “facilitate” in order to make it clear that we will not always engage in the supply of affordable housing supply ourselves directly: our mantra is housing supply through partnership. At the heart of this partnership approach is our Development Services Agreement and associated Service Level Agreement with the Communities Housing Trust.

- 16.1 The Scottish Government released the Housing Strategy to 2040 in March 2021. One of the priorities of this strategy is to deliver 100,000 more affordable homes by 2032, with at least 70% of these for social rent.
- 16.2 The Association works closely with the Council in addressing the housing needs of Lochaber. Earlier this year the new Local Housing Strategy 2023- 28 was approved following an extensive period of discussion with various stakeholders who have ensured that it meets legislative and regulatory requirements but also focuses on the key housing issues affecting communities across Highland.
- 16.3 The Highland Council Housing Need Demand Assessment (HNDA) received a “Robust and Credible” assessment from the Centre for Housing Market Analysis in February 2022. This HNDA estimates the future number of housing units to meet existing and future housing need and demand. Its purpose is to provide a robust, shared and agreed evidence-base for housing policy and land planning and to ensure that both Local Housing Strategies and Development plans are based upon a common understanding of existing and future housing requirements.
- 16.4 The Local Development Plan which encompasses Lochaber is the West Highland and Islands and focuses on where developments should and should not occur in the West Highland and Islands area until 2040. The West Plan was formally adopted in September 2019.
- 16.5 The Strategic Housing Investment Plan (SHIP) for 2022-2027 is for 568 units across Lochaber.
- 16.6 Our partnership with the Communities Housing Trust ensures we can obtain the necessary expertise and experience, as well as community engagement capacity and knowledge, that we need to deliver affordable housing in Lochaber.
- 16.7 We are confident that our partnership with the Communities Housing Trust will continue to be progressive and innovative in its approach to meeting the needs of our communities and in maintaining flexibility within an ever-changing environment.

Through our partnership with the Communities Housing Trust), we have in total now developed 103 rented units and 16 New Supply Shared Equity Units. This includes in 2022/23, 20 rented properties at Spean Bridge, 6 New Supply Shared

Equity Units at Lochside, Fort William and 2 rented properties at Strontian. Construction commenced at Kingsway, Mallaig which will deliver 8 units in phase 1 with a further 6 to follow in phase 2. A tender is also imminent for our site at Glenshiel, Ballachulish and for Glenkingie Terrace, Caol as well as a contract agreed for the next phase at Rankin Crescent, Lochside.



School Road, Strontian



Upper Achintore, Phase 1

16.8 At the end of 2016/17 the Scottish Government grant funded the Association to acquire a substantial site at Upper Achintore in Fort William. Following an options appraisal, the Association's Board agreed to enter a partnership with the Link Group, through which Link HA will develop 325 affordable housing units on the site and Lochaber HA will provide management and maintenance services for the rented properties. This site transfer to a large housing association with a track record of delivering large scale housing and infrastructure projects was a move to ensure that such a strategic development was deliverable within challenging timescales.

Link Group are now on site with the initial phase of 82 units well underway with the first 10 units completed in December 23 and the remainder due for completion in Spring 2024. This development is one in which we are providing Clerk of Work services and when completed will provide management and maintenance services for the 55 rented properties.

16.9 Strategy and Capacity

- i) The development of new build housing is an implicit aspect of our mission and is an explicit strategic objective. We are clear that we are developing to assist in the relief of housing need and to meet the current housing supply objectives of our key stakeholders, the Scottish Government, and the Highland Council.
- ii) We have assessed the viability of our development activity over several years and our Board is committed to development only on the basis that developments contribute positively to our business plan. This also ensures that development does not place any additional burden on existing tenants.
- iii) We align development opportunities with identified and agreed priorities within the Council's Strategic Housing Investment Plan (SHIP). This process involves our participation, and includes our development agents, the Communities Housing Trust, in the construction of the SHIP through the

Highland Hub, a forum of housing associations, the Council and the Scottish Government. The Hub also agrees site priorities based on the Local Housing Strategy and the SHIP, drives forward delivery and monitors spend against the investment programme.

- iv) The partnership with the Communities Housing Trust ensures that we can manage a development function that does not impact on the resources available to manage other areas of the business as the fees that we pay to the Trust are capitalised within each project. It is a partnership that gives us access to extensive expertise and experience in delivering housing solutions throughout the Highlands, including Lochaber, as well as a reservoir of knowledge and skills in community engagement. Because the financial arrangement depends on outputs, it is a flexible arrangement with less risk than an in-house development function if there is a downturn in funding in the future to support new build development.

The Trust has reviewed its capacity and strengthened the depth of its team to meet increased service demands. However, we need to manage this risk through continual monitoring. Accordingly, our risk register includes control measures such as bi-monthly operational meetings with the Trust and update reports at each Board meeting.

16.10 Risk

- i) We have a Risk Policy and Risk Register which includes development activity. As part of our Business Planning, we have considered the specific risks associated with meeting our strategic objectives and related goals. Our ongoing risk management activity involves management and control of the Risk Register through quarterly reporting to the Audit and Governance Sub-Committee.

Our SLA with the Communities Housing Trust provides a framework through which the Trust and LHA manage the development process.

- ii) We do not enter building contracts without having our private finance and subsidy in place, and we work with fixed price contracts with built in contingencies, wherever possible. In exceptional circumstances we cross-subsidise high-cost development using recycled HAG receipts. The Association has a disposal strategy in relation to several properties that we purchased as Rental off the Shelf opportunities, and which have been identified as being non-viable. Part of this strategy has involved a partnership with the Scottish Government and the Highland Council to agree to recycle that element of the recoverable proceeds of these sales that is attributable to Housing Association Grant (HAG) to be used to support rural new build development. These receipts can also be used to meet pre-contract costs and, if necessary, abortive costs.

16.11 Product

- i) We recognise that the risk in building the wrong type of housing, in the wrong place or with the wrong design. In relation to housing need, we have good local knowledge of our communities; we liaise with the local Council housing

management staff to analyse HHR data jointly; we consult communities and, where appropriate, conduct housing needs surveys; we work with our Council and Trust colleagues to plan development activity through the Highland Housing Hub where we also contribute to constructing the SHIP based on the Housing Needs and Demand Assessment; and we advertise each development in order to attract those in housing need who may not have registered on the HHR. These activities also consider what type of housing would be appropriate on each development, as well as the tenure options.

- ii) We have taken part in a Pan-Highland partnership to develop a design brief for new build housing, "Firm Foundations". This document has a Lochaber HA addendum, providing variations that we have agreed that suit our local conditions and maintenance requirements. The Firm Foundations document is regularly updated, to reflect feedback or updated regulations. In addition, our Asset Management team collaborates with the Communities Housing Trust and our consultants at the design stage for each development so that we can influence design which considers our long-term maintenance requirements.

16.12 Governance, Appraisal and Project Management

- i) Together with our Procurement Policy, we have a suite of development policies that provide a framework for the management of our development activities.
- ii) Our management team and Board have individual and collective skills and experience in housing development, procurement, asset management, law, economic and community development, financial management, housing management and policy, health and social care, business and commercial development, project management and building. We engage external advisers in connection with a range of issues, including treasury management, accounting, and financial and business planning. In addition, we have, as already noted, a partnership with the Communities Housing Trust through which we contract development services.

16.13 Funding and Procurement

- i) As previously stated, we do not enter building contracts without having our private finance and subsidy in place: our current development programme is fully funded by private finance and all identified projects are within the Council's SHIP and, as such, will be supported with government subsidy.
- ii) Our lending decisions and financial planning are supported by independent expert advice with all loan agreements being independently scrutinised from a legal and financial perspective.
- iii) Our approach to procurement is governed by our adopted policies, to ensure competitiveness, value for money and transparency.

16.14 Stakeholders

- i) We actively manage our key stakeholder relationships. In the development

process our principal stakeholders are the Scottish Government, the Highland Council, and the Communities Housing Trust. Our engagement with these players has been well documented in this section of the business plan. Our other key relationship is with our funders with whom we have regular contact.

- ii) Our tenants have not hitherto been included extensively in our development plans. However, to remedy this, we now include our development planning and delivery as a standard item on the agenda for our “Your Voice” tenant partnership meetings.

16.15 We will meet Strategic Objective 1 by:

- Working with the Communities Housing Trust and our statutory partners to deliver our development programme
- Engaging with communities and other stakeholders through the development process in relation to each project, to deliver property types and tenures that will meet local housing need and aspirations
- Including our development planning and delivery on our website and with updates provided through social media
- Managing our development risk in accordance with our Risk Policy and risk register
- Through self-assessment, review the governance of our development function within the context of relevant policies and the SLA with the Communities Housing Trust

17. Financial Plans and Projections

This section addresses Business Plan strategic objectives 3 and 4:

- Robust and accountable
- Effective financial management

- 17.1 The achievement of our strategic objectives requires 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.
- 17.2 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.
- 17.3 In previous years we had modelled increases in inflation and these generally showed a beneficial outcome in terms of our long-term financial position. What we did not model was an "inflation shock" where we would be unwilling to increase rents in line with inflation.
- 17.4 Another current concern is the increase in interest rates. Rates have been historically low since the start of 2009, and we have been assuming an increase in long term interest in our financial plans for some years. The concern is that the rate of increase in interest rates has been very steep, and the peak rate expected of around 6% is higher than we would have expected.
- 17.5 We have carried out detailed stock surveys to ensure in-depth knowledge of our properties and the findings of these surveys are reflected in this updated Business Plan.

17.6 Background

The Association has faced several challenges over the last few years with the impact of Brexit and the Coronavirus pandemic and this year has seen an energy cost spike because of the war in Ukraine, rising inflation and increasing interest rates.

As landlords we are again facing a difficult decision as regards the rent increase for 2024/25 as inflation, although dropped, still sits at 6.7%.

In 23/24, given the cost of living crisis, we recognised that any rent increase would need to be well below the rate of inflation which was running at more than 10%. Whilst we recognised this will impair our financial viability, we agreed that for one year we will be able to address any impact by revising our plans in future years to address any issues which arise.

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 a significant increase in interest rates.

To deliver this the Association must be prepared to deliver efficiencies and to develop its culture of cost-saving and value for money.

17.7 Financial Projections

The outcome of our base case projection is shown at **Appendix 10** 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 £750 thousand, 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,
- Work to budgets, protecting cashflow and making efficient use of our resources.

17.8 Budget and Assumptions 2023/24

The plan uses the 2023/24 budget as the backbone of the long-term projections for the 30 years to 2054 adjusted for changes in subsequent years using information available at the time of preparation.

A summary of the main assumptions used in the plan is given at **Appendix 10**, however, we have highlighted our thinking and approach to the assumptions below.

Any predictions about the future must be treated with care and this is especially the case this year where we have significant uncertainties on rent increases, inflation, and interest rates.

17.9 Rents

Our base assumption for the rent increase for 2024/25 is 6%. The Association is expected to experience continuing increased costs over the next year reflecting higher repair cost and rising interest costs.

For future years the projection assumes an increase of inflation plus 0.8% reducing to inflation plus 0.5% from 2034 and inflation only from 2044. 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 outcomes and expectations.

We have included a scenario showing rent freezes as part of our work on the financial projections.

17.10 Bad Debts and Voids

For 2023/24 the bad debt provision has been held at 1%. Historically our bad debt experience has been relatively low.

Voids have been budgeted at 0.75% again to reflect our low level of losses achieved through achieving quick re-let times on or voids.

17.11 Management Costs

The major component of management costs is wages and the agreed outcome for the EVH negotiations for 2023/24 was 5.25%.

For 2024/25 we have projected a wage increase of 5.5%. There may well be pressure from housing associations to again keep the increase lower than this given the expected restriction in the rent increase.

17.12 Maintenance

Repair costs increased by 10% which coincided with the rate of inflation, however, for 2024/25 the assumption used is 6.5% reflecting the expectation that inflation will reduce to 6%. There after the increase built in is 3% (Inflation plus 0.5%).

We have updated the costs of our repairs programmes to reflect inflation, however, we shall need to be extremely cautious with our spending until financial conditions clarify themselves.

The stock condition survey programme continues to be updated and the business plan will be revised next year to reflect the refreshed costings.

17.13 Loans

The loan balances which the Association has at 30th September 2023 is almost £14.2m.

million, with the most recent loan taken out being the £3 million drawn down from Unity Bank in December 2020 to fund development. This loan is currently being used to fund our current development programme.

There is a mix of lenders with the Royal Bank of Scotland representing the largest share at almost £6 million.

The borrowing for the build of the yard had been with social Investment Scotland and Triodos and these two smaller loans were paid off earlier this year as they attracted higher rates than the loans for social housing.

There is a mix of loan types including fixed rate loans totalling £4.3 million and variable rate loans making up the balance. The fixed rate loans include £2 million bond finance. This bond finance with Allia is due for redemption on 2026/27 and is expected to be refinanced at that time.

The Association is fortunate in that many of its older loans are on much lower interest rate margins than would be available on the market today, however, the low percentage of fixed rates has impacted badly in this year due to the continuing increase in interest rates.

As additional development opportunities are identified the Association will need to seek additional loan finance.

17.14 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 invest time in trying 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 when preparing our projections, 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 there is considerable uncertainty as to whether inflation will continue and over the level of interest rates. To address these concerns, we have developed our scenarios to examine their impact on our financial plans.

Details and commentary of the scenarios and key risks reviewed and the results of the sensitivity analysis are set out below.

Rent Freeze One Year – A rent freeze of one year would reduce income in 2025 by £251K but would also result in lower rental income in future years and would require additional borrowing. The results are exacerbated by the low rent increase for 2023/24

Rent Inflation Only – Rent increases of inflation only would significantly impair the business plan. The assumption is that repair costs will be rising at inflation plus 0.5% and therefore costs will be rising faster than income

Increasing interest rates 6%, 5%, 4%, 2.5% – Higher interest rates in the short term would have a limited impact on the long term viability of the plan. There may be a need to review other spending in the short term to ensure that overall costs are balanced.

Increasing Interest Rates and Rent Freeze – Higher short term interest rates together with a rent freeze are a credible scenario over the next year. The two together would put a strain on the plan and require further borrowing of just over £2.6m. The association would have to review its future spending plans.

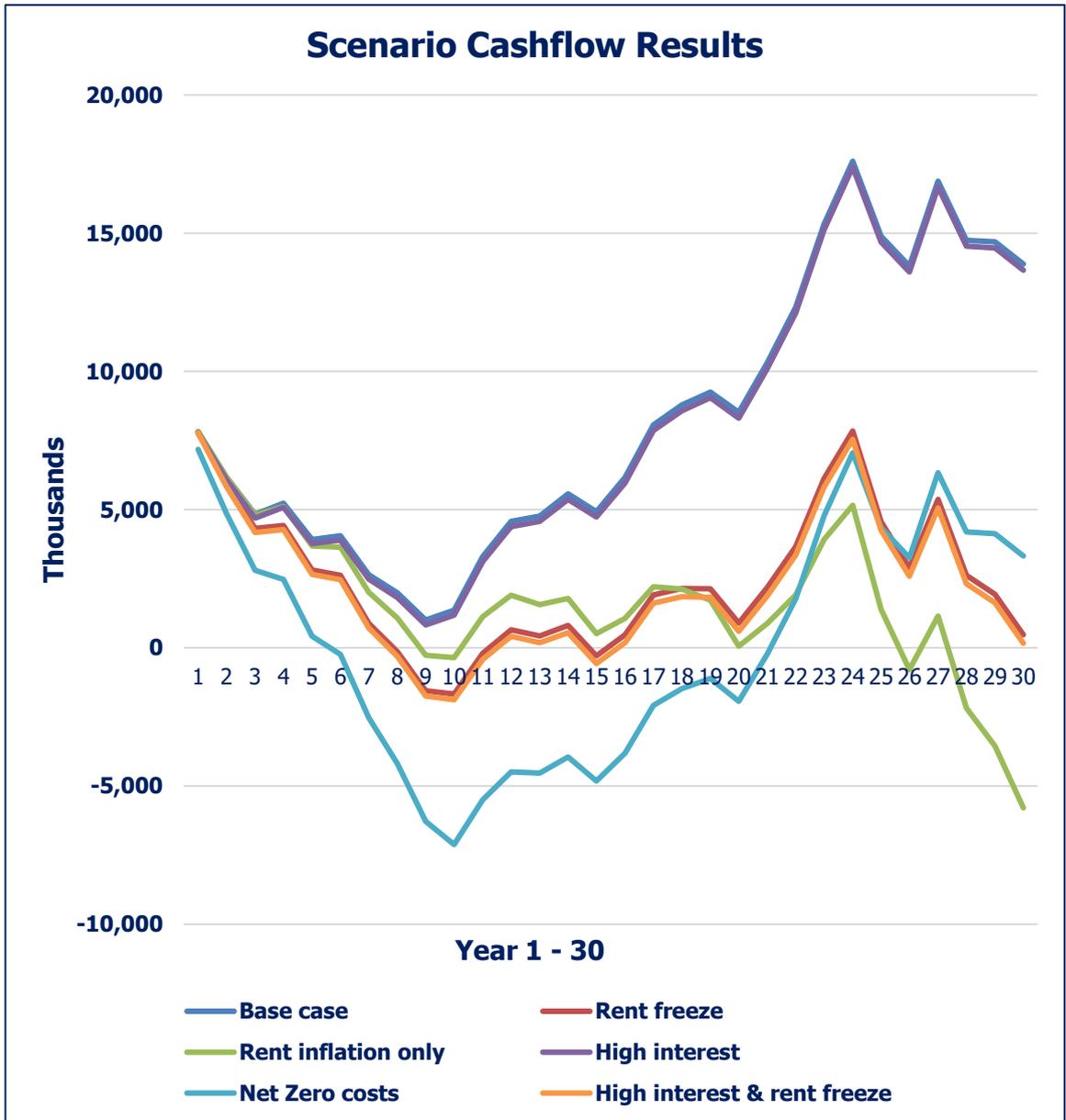
Increasing Costs For Net Zero (£6.4m) – Assumes that additional EEESH costs of £6.4m are spread over the next 10 years. Significant additional financing would be required. The effect of this could be reduced by funding some of the cost with grants.

	Ending Cash and Year		Lowest Cash and Year		Additional Borrowing Years	Additional Borrowing
Base Case	£13,880,600	30	£1,005,200	9	None	-
Rent Freeze One Year	£473,000	30	-£1,672,900	10	2030-2038	£2,422,900
Rent Inflation only	-£5,791,700	30	-£5,791,700	30	2033-2053	£6,541,700
Increasing Interest Rates	£13,665,200	30	£828,000	9	None	-
Increasing Interest Rates and Rent Freeze	£159,600	30	-£1,879,500	11	2029-2040	£2,629,500
Increasing Costs for Net Zero (£6.4m)	£3,326,900	30	-£6,280,100	13	2025-2042	£7,030,100

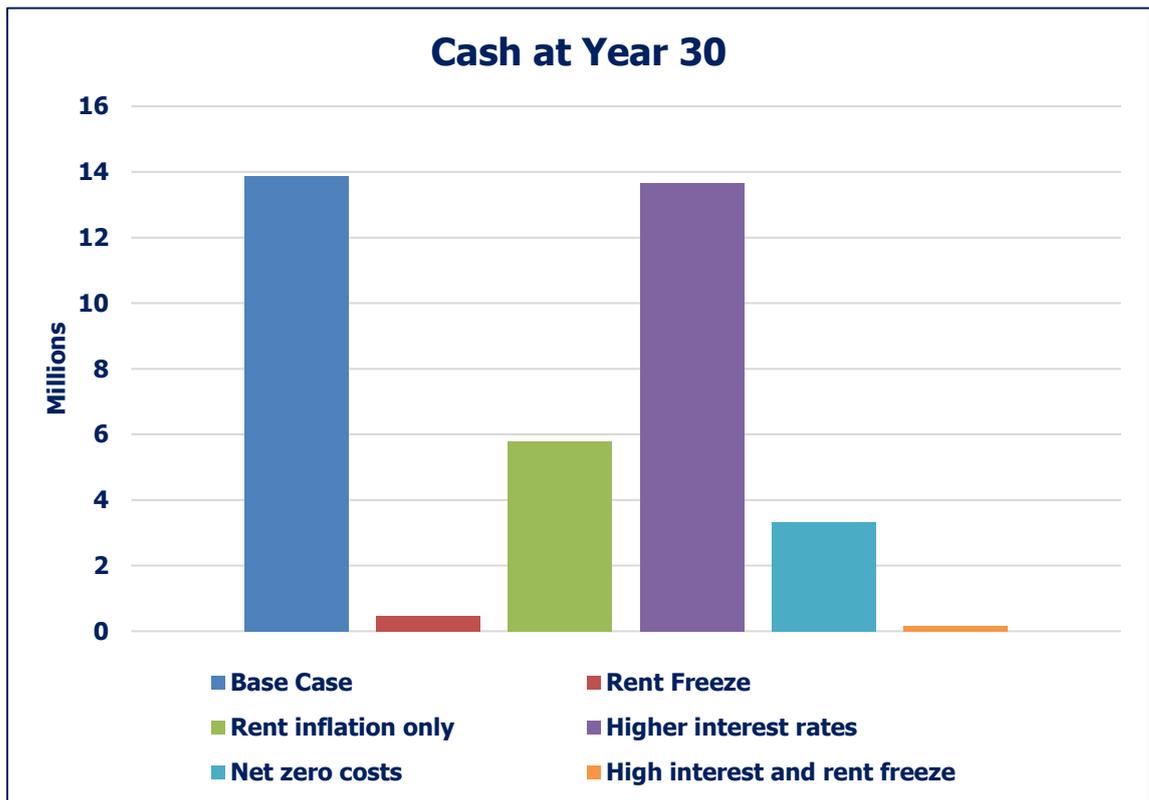
17.15 Results of Sensitivity Analysis

The year-end cash balances over the 30 years of the plan have been shown below. The pattern is similar for each scenario and the period from 2030 to 2040 is the most problematic due to higher costs on component replacements during this period.

The year-end cash balance shown in the projections as at year 30 is shown in the graph and the table below. For the scenarios with only one assumption change, the most problematic was over the long term is an assumption of inflation only rent increases.



Cash Balance at year 30	£ ,000
Base Case	13,880
Rent freeze	473
Rent Inflation only	-5,791
Higher interest rates	13,665
Net zero costs	3,327
High Interest and rent freeze	159



Overall, the scenarios show the business plan is relatively resilient, with positive cash showing at year 30, except for the Rent Inflation Only scenario.

The risk of implementing EESSH2 upgrades is faced by the other Scottish housing associations, and it is likely that many association will be unable to make all these upgrades without additional funding.

It can also be seen that where a scenario weakens the Association’s financial position it can go a long way to eroding the Association’s financial cushion and can leave it vulnerable to additional shocks.

In facing the adverse scenarios, the Association could require to actively manage the situation and address the problem with some of the following responses:

- Additional borrowing
- Increased rents
- Investigation of cost savings which could include reducing investment, staff costs and overheads
- Looking at a partnership with another RSL to reduce costs.

17.16 Conclusion

As they stand the financial projections indicate that Lochaber Housing Association's business plan is relatively robust, and this should give comfort to lenders and the Regulator that the Association can demonstrate its long term viability.

That said, the Association is facing considerable uncertainty from rising costs, restricted rent increases and sharply increasing interest rates. These risks are very real, and we will need to continue to exercise caution in both monitoring these risks and adapting our operation to cope with these.

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 is important to tenants as this shows that the Association has sufficient resources to deliver a good service to those tenants and can raise enough cash to continue investing in their homes so that they are maintained to the regulatory standard.

The results of the scenario tests give the Association clarity as to what problems may create the most vulnerability but also shows the ability to monitor and adapt to overcome these problems.

The projections are based on what we consider to be realistic assumptions and our best guess of likely changes to our business, but it must be understood that they are an estimate and a tool for examining the financial impact of decision which we might make. To be relevant as a decision making tool the plan must be 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 the organisation's culture of constantly striving to deliver an excellent service to its customers, the tenants and to ensure that every decision is viewed in 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.

The planned response to any of the above could include: -

- ✓ A partnership with another RSL (Merger/Transfer of Engagements/Group).
- ✓ Significant costs savings (reducing investment and/or staff costs).
- ✓ Disposal of unencumbered, higher value void stock, possibly on the open market, subject to any required consents.

These could be realistic means of generating significant additional resources to deal with any possible long-term financial problems.