Chiene+Tait
CHARTERED ACCOUNTANTS

HOMES FOR LIFE HOUSING PARTNERSHIP

3 Year Business Plan from 2019 to 2022

HOMES FOR LIFE HOUSING PARTNERSHIP

3 YEAR BUSINESS PLAN

2019 - 2022

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1. **Executive Summary**

This Plan's purpose is to present our mission and our vision for the three years from April 2019. To do so, it also includes longer term financial projections - over five, ten and thirty years. It takes account of the Business Planning Guidance issued by SHR (the Scottish Housing Regulator) in December 2015, as well as revised Regulatory Framework & Requirements applicable from April 2019, and other Regulatory Guidance. It also takes account of National and Local Government Strategies & Priorities.

The Plan is aimed at our tenants, other service users, staff and Board, as well as other interested partners, stakeholders and regulatory bodies. The Plan has been developed in conjunction with the staff and the Board.

For many years, SHR has assessed Homes for Life as appropriate for 'low engagement'. However, SHR is seeking additional financial assurance as part of our Engagement Plan under the new Regulatory Framework. This Plan is a key part of that assurance.

Our performance monitoring reports demonstrate that we are a stable and good performing organisation. However, we are not complacent about our performance, benchmark against other RSLs and strive to improve this where we can. See Appendix C for performance detail.

We are keenly aware of the specific challenges we will face - including compliance with the new Regulatory Framework and related requirements; current and uprated EESSH (Energy Efficiency Standard for Social Housing), the roll out of full service Universal Credit under Welfare Reform, full implementation of FOI (Freedom of Information) and GDPR (Data Protection Regulation), pension provision liabilities, Brexit and other factors which may impact on our business.

Providing excellent value for money is vital to our strategy, ensuring we continually look for efficiencies and more effective ways to deliver services.

We will fully repay our current term loan in April 2023. We do not propose to undertake any further development meantime but will financially appraise the possibility of acquiring/developing new properties thereafter.

2. **About Homes for Life**

   a. **General**

   Homes for Life Housing Partnership was founded in 1998 to provide affordable homes throughout East Lothian, funded under the New Housing Partnership

Initiative. East Lothian Council and East Lothian Housing Association were the founder members.

We are a non-profit making voluntary organisation.

We are registered with the Scottish Housing Regulator as a Registered Social Landlord, (RSL) under the Housing (Scotland) Act 2010, Reg. No. 311.

We are a Registered Scottish Charity, Reg No. SCO28542.

We are a Registered Charitable Company Limited by Guarantee, Reg No. SC188299

We are a registered Property Factor Reg. PF000219

Our financial year is 1 April to 31 March with an Annual General Meeting held within six months of the end of the financial year.

At 31st March 2019 we have 157 members, of whom 150 are tenants and 7 are other interested parties from the community - including our 2 founding members.

- All Members, tenants and other stakeholders are invited to attend our AGM and receive reports on the previous year's activities as well as the audited Annual Accounts, elect Members to serve as Directors on our Board of Management and to appoint the Association's external auditors.

- Attendance at our AGMs is excellent. 48 people attended or were represented at the September 2018 AGM- including over 20% of our membership and over 11% of our tenants.

b. Board of Governance

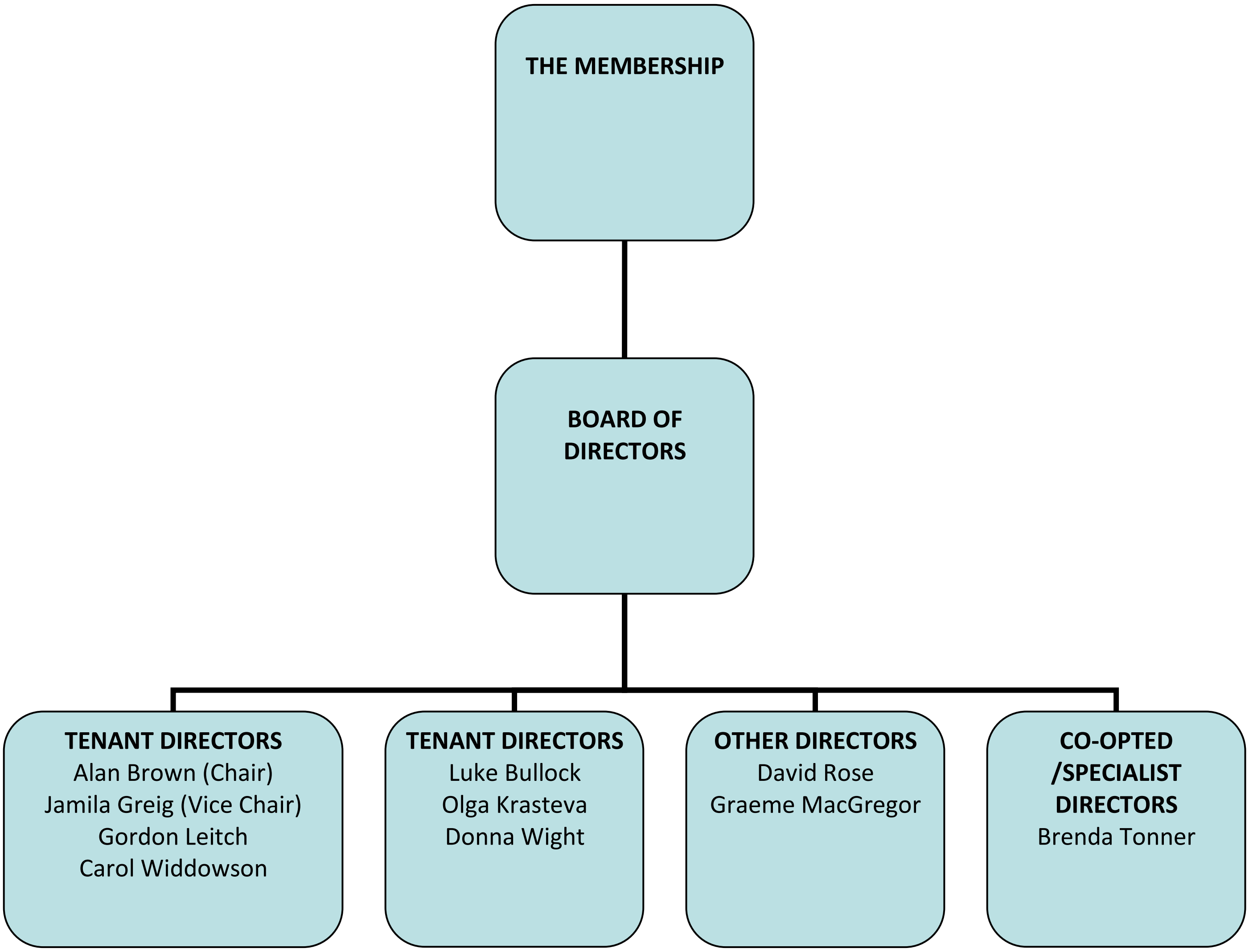
We are governed by a Board of Directors who are volunteers from throughout the community. Directors are elected by our membership or appointed by our Board. Currently the Board has 10 directors, of whom 7 are tenants, 2 are other interested members of the community and 1 is a specialist co-option. Directors come from a broad range of backgrounds bringing complementary knowledge and skills.

The Scottish Housing Regulator's Framework requires that the Board is assessed annually to confirm continuing individual and collective effectiveness, as well as continuing independence for longer serving directors. The Association carries out an annual appraisal process for the board each year.

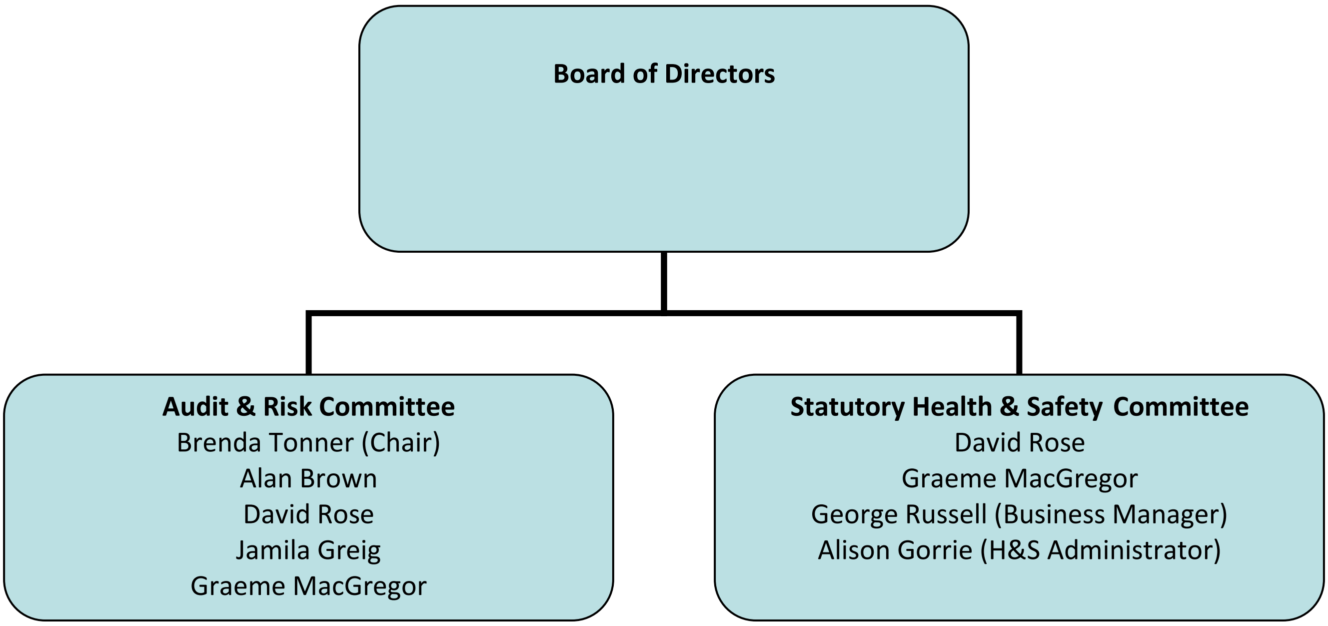
Each year, the Board meets at least 8 times and the Audit & Risk Committee at least 2 times. Both will meet more often if required. Our annual calendar of meetings, and business requiring considered at each is attached at Appendix D. The calendar also includes 2 Training & Review meetings and Health & Safety Committee meetings.

During 2018/19 we reviewed our Articles. At the September 2018 AGM, members voted to remove a mandatory requirement for a majority of directors to be tenants - to provide more flexibility for governance. Members also committed to further review over 2019/20 to bring our Articles into line as far as possible with revised recommended Model Rules for RSLs constituted as Co-operative & Community Benefit Societies.

Board Structure



The Committee Structure



c. Subsidiary

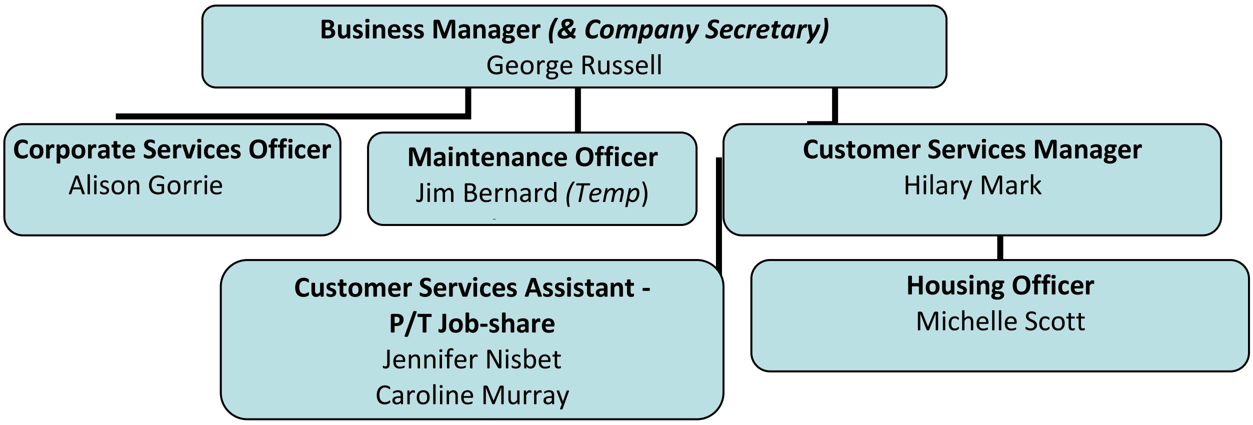
The partnership wholly owns 100% of the share capital of Homes for Life Developments Limited, a dormant subsidiary.

d. Staff

We currently have 7 operational staff - 5 full time and 2 part time - as well as a part time cleaner.

We also receive external financial services from Chiene + Tait, who support and contribute to the Senior Team.

<u>Staff Structure</u>



e. Key contractors

- Novus - principal maintenance contractors *(reactive, voids & planned)*
- Kingdom - gas servicing & maintenance
- Summers Inman - Technical support
- Tycom - IT support
- Voice Over - Interpretation and translation support
- Chiene + Tait - finance agent
- Addleshaw Goddard - solicitors (corporate matters)
- T C Young - solicitors (tenancy matters)
- Wylie & Bissett - internal auditor
- Scott Moncrieff - external auditor
- Royal Bank of Scotland - bankers
- Nationwide Building Society - lenders

f. Key memberships

- SFHA (Scottish Federation of Housing Associations) - RSL sector representation, specialist support & guidance

- GWSF (Glasgow & West of Scotland Forum) - Community RSL representation, specialist support, guidance & training
- EVH (Employers in Voluntary Housing) - Human Resources, Health & Safety *(Employer & Landlord)* and Governance specialist support, guidance & training
- SHARE (Scottish Housing Association Resources for Education) - RSL sector training
- SHN (Scottish Housing Network) - RSL sector performance support & benchmarking
- Scotland Excel - Procurement specialist support & guidance, and access to Procurement Frameworks
- UCAA (Universal Credit Advice & Advocacy) - Welfare Reform Implementation Briefings, specialist support, guidance & training.

3. Mission, Aims and Values

- **Mission Statement:**

"Small enough to care, big enough to deliver:
providing locally managed, quality, affordable homes for life and
helping sustain communities across East Lothian."

- **Aims**
  - Landlord of choice - providing quality and value for our tenants
  - Ensure on-going financial viability of Homes for Life
  - Tenants at the heart of our decision making
  - Maintain our stock to a high standard
  - Open and accountable governance - complying with relevant legislation, regulation and best practice
  - Innovation in the delivery of our services
  - Energy efficient homes - tackling fuel poverty
  - Consider new opportunities to meet outstanding housing needs.

- **Values**

Values underpin the way we behave and work. In pursuing our mission, the values at the heart of everything we do are:

- We will be a responsible & caring landlord & employer
- We will be open & accountable for everything that we do
- We will be proactive & innovative in dealing with opportunities & problems
- We will be honest, approachable & reliable
- We will be respectful and will give fair treatment to everyone
- We will listen to & learn from our customers and wider networks.

4. Key Priorities

The following key priorities link directly to our key mission/aims:

- **Approachable, reliable, maintaining affordable rents and desirable homes**
  - Maintain high tenant satisfaction levels, including satisfaction with the value for money obtained from Homes for Life's rents
  - Develop service standards, e.g. 'Customer Care' statement
  - Promote enhanced tenant service: promote a rounded, personalised service and seek external accreditation
  - Continue to complete the annual rent/affordability assessment; benchmarking rents against other RSLs in East Lothian.

- **Energy efficient homes**
  - All eligible, non-exempt homes to meet the SHQS, EESSH *(1 & 2)* and future standards
  - Continue partnerships with Change Works and East Lothian Council
  - Raise energy awareness and encourage EESSH compliance eg through the installation of SMART meters, loft insulation, etc.
  - Ensure robust financial planning in place to meet the costs of SHQS and EESSH compliance.

- **Ensure compliance**
  - Maintain and improve rent collection processes
  - Continue with the annual review of the one, five and 30-year budgets and financial plans
  - Monitor and risk assess the impact of impact of Welfare Reform
  - Ensure an effective risk management framework is in place, including a risk register and risk reporting process. Risk controls to be assessed and tested by the external and internal audit functions.

- **Communication strategy**
  - Improve website functionality
  - Consider alternative communication methods, continue with texting
  - Make best use of the current software system - work smarter not harder
  - Access to digital services for tenants, such as: reporting reactive (non-emergency) repairs via email, reviewing the possibility of tenants being able to access their rent account online.

- **Tenant participation**
  - Develop and promote the 'Tenant Participation' policy, with specialist support from TIS and other agencies

    - Improve tenant accessibility to information and enhance engagement
    - Encourage all tenants to become involved - promoting tenant majorities in membership and on the Board, attendance at tenant meetings and AGMs, participation in consultation, review and scrutiny.

- **Improved asset management framework**
    - Improve reactive repairs performance
    - Effective contractor procurement
    - Long term investment - robust asset management strategy
    - Ensure planned and cyclical maintenance programmes remain on track and within budget
    - Update stock condition survey.

- **Develop governance framework**
    - Publish minutes of Board meetings on website
    - Review board reporting framework
    - Ensure robust Board training and development process in place, including the annual skills assessment.

- **Assess opportunities to expand**
    - Consider new opportunities to expand stock
    - Consider opportunities to expand services to meet demands of our tenants and other residents.

- **Partnership working**
    - Identify and consider opportunities for partnership working - including for procurement and service savings and improvements.

- **Pension Review**
    - Secure independent review of pension liabilities and options.

- **Succession Planning**
    - Develop and implement effective planning to minimise disruption and other risks:
        - directors- particularly office bearers
        - staff - particularly managers.

- **Strategic Review**
    - Complete a Strategic Review.

An Action Plan for delivery of these priorities is attached as Appendix G.

5. Properties and Asset Management

We currently own 304 housing properties - varying from 1 bedroom to 3 bedrooms, with only one having 4 bedrooms. Of these, 4 are used for sharing occupancies for adults with learning and physical needs and 1 operates as a Respite facility for children and young adults with learning and physical needs. Overall this equates to 309 units as follows:

- 299 units - General Needs Housing
- 9 units - Shared Supported Housing
- 1 unit - Other (Respite Unit)

The properties are in towns and villages in East Lothian: Aberlady, Athlestanford, Cockenzie, Dunbar, East Linton, Elphinstone, Garvald, Gifford, Gladsmuir, Gullane, Haddington, Innerwick, Longniddry, Macmerry, North Berwick, Ormiston, Stenton, West Barns and Whittingeham.

A breakdown of developments is included as Appendix A.

We also own 2 adjacent offices, located on the ground floor of our Market Street development in Haddington.

We are committed to ensuring we invest in protecting and enhancing our homes - for current and future tenants.

A detailed Asset Management Strategy is to be developed. This will be an important strategic document which will stand alone alongside the Business Plan, to ensure:

1. Robust financial and asset management
2. Effective contractor procurement
3. Timeous delivery of planned and cyclical maintenance programmes
4. Ongoing review and update of stock condition and lifecycle costings

a. Reactive Maintenance

Gas systems are maintained through a comprehensive price per unit contract with Kingdom Gas. All other reactive maintenance is through a comprehensive price per unit contract with Novus Solutions. Both contracts have limited exclusions. Both ensure quality, value and tenant satisfaction.

b. Planned Maintenance

This is based on lifecycle costings prepared by Building Surveyors Summers Inman, regularly reviewed and updated to take account of current condition, changing legislative/ good practice requirements, and tenant feedback. Depreciation of assets uses the same lifecycles, with adjustment for early or deferred replacement.

The proposed Planned Maintenance programme for the next 5 years is included as Appendix F.

Preventative maintenance painterwork and periodic electrical testing are completed on five-year cycles. Gas servicing and testing are completed annually.

Replacements of kitchen units and gas boilers from their 15th Anniversaries is well advanced - with works already completed to 164 homes across 11 developments, representing around 54% of our homes. Replacements for the remaining 140 homes across 7 developments are programmed for completion within the three years of this plan.

All 27 of our older ex local authority homes were comprehensively modernised in 2010/11, with a total investment of over £500k. This met tenant aspirations as well as contributing significantly to SHQS compliance.

Consultation with tenants prioritised first time installation of showers for those homes which didn't already have them. 170 homes had first shower installs completed over 2017/18 and 2018/19. All of our homes now have showers.

Our annual budget includes an Estate Improvements provision, to help meet suggestions raised by tenants through Estate Walkabouts and other consultation. Improvements completed include additional landscaping, seating areas, fencing and drainage.

c. SHQS & EESSH

299 of our homes fall within the scope of the SHQS and EESSH. Of these, 5 are currently deemed exempt - on technical and cost grounds respectively. These are all ex local authority homes which lie out with the gas network. They were fully modernised in 2010/11 along with 24 other ex-local authority homes. Despite installation of air source heat pump central heating and extensive insulation, 10 of these homes still failed to meet the minimum energy efficiency standard of the SHQS. 5 subsequently had solar pv panels installed on their roofs to offset use of electricity, however the remaining 5 are in conservation areas which precluded this solution. Unfortunately, the inherent bias within SAP calculations against use of electricity for space and water heating seems unlikely to be addressed at an early date.

All 294 non-exempt self-contained homes in our ownership meet the SHQS, giving an overall current compliance rate of 98.3%.

At present, 258 non-exempt self-contained homes in our ownership meet the EESSH 1, giving an overall current compliance rate of 86.3%. Only 36 are still not confirmed as meeting the necessary energy efficiency standard for their house type. However not all of these will require improvement works- for some apparent compliance anomalies are likely to be resolved. Plans to ensure compliance for these remaining homes during 2018/19 have been deferred to 2019/20, with appropriate budget provision, pending greater clarity on the standard which will apply for EESSH 2
(- which is likely to apply after the March 2020 deadline for EESSH 1).

We aim to achieve an overall compliance rate of 98.3% by end March 2020, leaving only 5 exempt properties not meeting EESSH 1.

This Business Plan does not make any provision for EESSH 2 compliance - as final standards have yet to be confirmed, first interim review of compliance is not proposed until March 2025, which is out with the three-year planning period, and final compliance deadline is proposed as 2032. Based on current information only 9.2% of our homes only exempt homes do not meet the interim 2025 target minimum EPC rating of D.

Ultimately, compliance with the full 2032 target minimum EPC rating of B will be challenging as currently only 9.2% of homes within its scope meet that target, and the cost of bringing 271 homes up to that standard could cost around £2.524 million, based on Scottish Government consultation estimates of average RSL compliance cost of around £9,300 per unit to be improved.

d. Fire Safety

New Legislative requirements were introduced in February 2019 for fire detection systems in existing housing. By February 2021 all existing homes will need to have interlinked detector systems with a heat detector in each kitchen, as well as a smoke alarm in each living room, and smoke alarms on each storey of each hallway.

We had already been bringing our homes up to an equivalent or higher LD2 standard on a voluntary basis over the last three years when carrying out planned kitchen upgrades or periodic electrical testing. Accordingly, we have already brought almost 64% of our homes up to the required standard with not more than 109 homes still to receive upgrades. These are scheduled and budgeted for installation during the 2019/20 financial year along with planned periodic electrical testing, ensuring full compliance well in advance of the February 2021 deadline.

6. Financials

6.1 Financial Projections and Key Assumptions

6.1.1 Financial forecast

The forecasts have been prepared on a prudent basis.

Rental increases have been maintained at inflation only for the duration of the model.

Maintenance costs have been budgeted to increase by 0.5% above inflation every year. We have budgeted to spend over £1.8m on component replacements in the next five years.

Total rental arrears have been budgeted to increase to a full month's rent by March 2023. Bad debts have been budgeted to increase from 1.0% in 2019/20 to 2.5% by 2023/24.

A summary of the results for the Association for the next five years are shown in the tables below. Full budgets and 30-year projections have been prepared (See Appendix H).

Full compliance with loan covenants has been met in the financial forecasts- as outlined at 6.1.5 below.

6.1.2 Income and expenditure

Year Ending 31st March	**2020**	**2021**	**2022**	**2023**	**2024**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	1,680	1,708	1,737	1,767	1,797	8,689
Operating costs	1,749	1,417	1,445	1,545	1,676	7,832
Operating surplus	(69)	291	292	222	121	857
Net interest charges	67	49	31	12	(10)	149
Net surplus	(136)	242	261	210	131	708

Over the five years the income rises to circa £1.8m. Total surpluses for the five years amount to £708k.

Only in year 1 is a net deficit anticipated. That is due to the level of planned maintenance for the year- but is limited in relation to both cash and reserves -as shown at 6.1.3 below. It also does not cause any loan covenant compliance issues - as outlined at 6.1.5 below.

6.1.3 Balance sheet

Year Ending 31st March	2020	2021	2022	2023	2024
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Property	11,724	12,104	11,887	11,739	11,260
Other assets	168	186	205	229	226
Cash	1,734	991	845	554	879
Loans	(1,081)	(750)	(401)	(33)	-
Grant	(8,323)	(8,066)	(7,810)	(7,554)	(7,298)
Other creditors	(435)	(435)	(435)	(435)	(435)
Reserves	3,787	4,030	4,291	4,500	4,632

The bank loan is fully paid off by April 2023.

Reserves increase to over £4.6m by March 2024.

6.1.4 Cash flow

The cash reserves remain positive throughout the 5-year period despite circa £1.8m being expended on component replacements. The minimum cash balance is £554k at March 2023, increasing to £879k by March 2024, and increasing thereafter as shown in the 30-year projection at Appendix H.

6.1.5 Loan covenants

Year Ending 31st. March	2020	2021	2022	2023	2024
Interest cover	368%	254%	398%	844%	N/A
Maximum	110%	110%	110%	110%	110%
Loan security cover	640%	923%	1,725%	20,888%	N/A
Minimum	105%	105%	105%	105%	105%

Both covenants are met throughout the period. The loan is fully repaid by April 2023.

For prudence, use of Designated Reserves has been retained meantime in our Audited Financial Statements - after consultation with our external auditor and lender. The Interest Cover loan covenant formula recognises that expenditure on planned maintenance varies significantly year on year, dependant on element lifecycles, and allows for transfers to and from designated maintenance reserves to cover this. Our designated reserves are based on the next three years planned maintenance provisions.

6.1.6 Unit costs

Year Ending 31st March	2020	2021	2022	2023	2024
	£	**£**	**£**	**£**	**£**
Rent per unit per week	88.29	90.06	91.86	93.70	95.57
Reactive maintenance	355	364	372	382	391
Cyclical maintenance	94	96	99	101	104
Planned maintenance - revenue	1,631	405	401	605	942
Planned maintenance-capital	621	2,880	977	1,246	178
Management costs	1,666	1,690	1,712	1,757	1,792

6.1.7 Key assumptions

Year Ending 31st March	2020	2021	2022	2023	2024
RPI inflation	2%	2%	2%	2%	2%
Rent increase above inflation	0.0%	0.0%	0.0%	0.0%	0.0%
Maintenance increase above inflation	0.5%	0.5%	0.5%	0.5%	0.5%
Voids	1.0%	1.0%	1.0%	1.0%	1.0%
Bad debts	1.00%	1.25%	1.50%	2.00%	2.50%

We put considerable effort into ensuring affordability and value of our rents. Appendix B gives additional detail on this.

Bad debts remain at 2.50% after year 5.

6.1.8 Effect of rent increase of 0.25% above inflation

If rents were to increase by 0.25% above inflation rather than being capped at inflation, over the first five-year period the total surplus would increase by £30k and the cash balance at March 2024 would increase by £29k.

Over the 30-year period, the increase in the surplus would be £1,861k and the cash balance would increase by £1,849k.

The above figures show the significant impact of a relatively small increase in annual rents which would enable the partnership to develop new properties and accelerate investment in current properties.

6.1.9 Further Borrowing

Current base case projections show no identified need for additional borrowing.

Previous Business Plan 30-year projections and Five-Year Financial Projection returns to SHR had included additional borrowing prior to final repayment of our current loan. This was to ensure adequate cashflow throughout peak planned lifecycle replacements. Sustained tight financial control and outperformance means this program can now be managed without additional borrowing.

For prudence, we have negotiated provisional terms for an additional short-term facility with current lenders the Nationwide, to ensure this option would be available for consideration and implementation to address unforeseen adverse circumstances.

6.1.10 Treasury Management

We need to develop and maintain adequate reserves, with sufficient access to these to meet planned maintenance, improvements and other operational requirements. Regrettably, investment returns have been poor since the banking crisis. Although they have improved since they remain significantly below previous levels.

For prudence, our Treasury Management Policy requires that:

- As far as practicable funds are held in interest bearing accounts (with exception of min £25k balance required for clearing account), and
- not less than 30% of available funds are accessible, and
- not more than £400,000 is invested in fixed term deposits or bonds in any one institution or group of related entities, and
- only with institutions which have a rating from Moody, S&P, or Fitch of at least BBB *(or Baa equivalent)* or above.

Treasury Management is regularly reviewed by the Board as part of quarterly Financial Reporting.

7. Sensitivity analysis

The base case financial projections have been prepared on a prudent basis. However, sensitivity analysis has been prepared on the following: -

a) Rent increases are 0.25% below inflation every year

b) Maintenance inflation is 2% above general inflation for the first 5 years then 1% above general inflation after year 5.

c) Both voids and bad debts increase 1% above base case assumptions

d) All the above three sensitivities occur at the same time

No sensitivity analysis has been done on interest rates as the loan is at a fixed rate and will be repaid by April 2023.

The summary results of the sensitivity analysis on the next ten years are shown below: -

a) Rent increase are 0.25% below inflation

Year Ending 31st. March	2020	2021	2022	2023	2024	5 years to 2029
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus	(137)	239	255	201	119	614
Cash	1,734	988	837	537	850	1,349
Reserves	3,788	4,027	4,282	4,483	4,602	5,216
Interest cover	368%	248%	380%	770%	n/a	n/a

b) Maintenance inflation 2% above inflation for the first 5 years then 1% above inflation after year 5

Year Ending 31st March	2020	2021	2022	2023	2024	5 years to 2029
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus	(137)	236	249	191	99	502
Cash	1,731	956	786	456	746	959
Reserves	3,788	4,024	4,273	4,464	4,562	5,064
Interest cover	368%	248%	296%	507%	n/a	n/a

c) Both voids and bad debts increase 1% above base case assumptions

Year Ending 31st March	2020	2021	2022	2023	2024	5 years to 2029
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus	(137)	213	231	179	101	564
Cash	1,734	964	789	468	762	1,008
Reserves	3,788	4,001	4,232	4,412	4,512	5,076
Interest cover	368%	248%	304%	597%	n/a	n/a

d) All sensitivities occur at the same time

Year Ending 31st March	2020	2021	2022	2023	2024	5 years to 2029
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus	(137)	203	214	167	56	228
Cash	1,731	926	722	367	616	558
Reserves	3,788	3,992	4,206	4,373	4,429	4,657
Interest cover	368%	248%	304%	597%	n/a	n/a

As can be seen from the sensitivity analysis, Homes for Life is financially robust enough to deal with any of the sensitivities covered above over the next ten years, even if all occurred at the same time. Further analysis confirmed mitigation action would need to be taken if maintenance cost inflation were to be significantly greater than general inflation over the longer term.

Scenario planning – new developments

The current bank loan will be fully repaid by April 2023. Homes for Life are keen to examine the possibility of expanding their property portfolio through the acquisition of new developments once the current bank loan has been repaid in full.

New properties would be acquired as turnkey developments to mitigate development risk as we currently have no development team. It has been assumed that the first development will be a 20-unit development in 2024/25. Private finance of circa £1.3m would need to be taken out to fund the acquisition of the 20 units.

A full financial appraisal of any development opportunity would be undertaken prior to the commencement of any development.

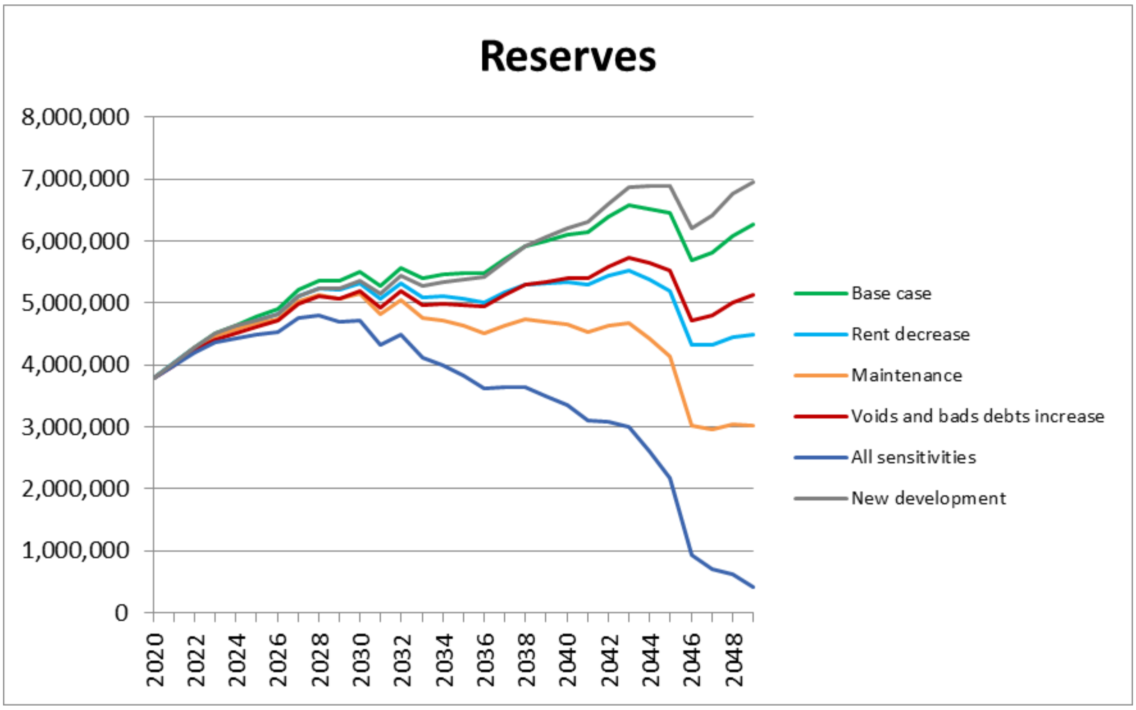
The assumption used for new units (in today's values) are: -

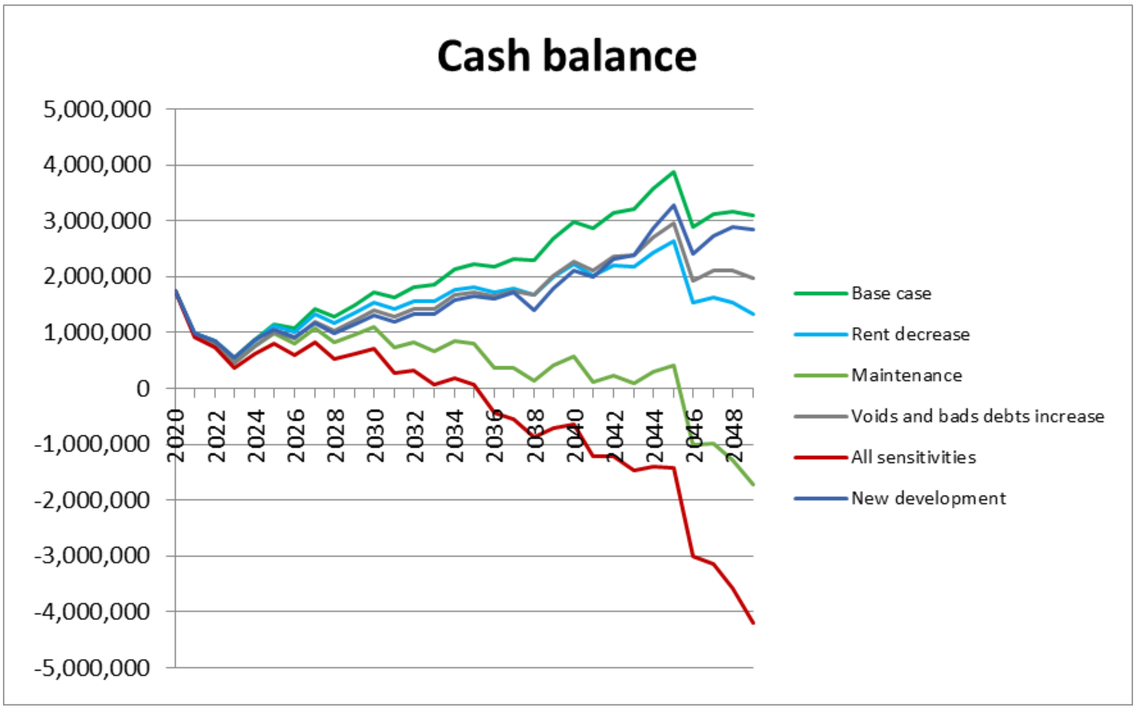
- Unit cost - £150k
- Grant - £85k (approx. 56%)
- Private finance - £65k
- Loan interest - margin of 1.6%

The results (from year ended 31 March 2025) of the additional 20-unit development scenario are: -

Year Ending 31st March	**2025**	**2026**	**2027**	**2028**	**2029**	**5 years to 2034**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Surplus	91	92	288	126	(2)	118
Cash	1,058	905	1177	980	1138	1,581
Reserves	4,722	4,815	5,103	5,229	5,227	5,346
Interest cover	368%	248%	304%	597%	n/a	n/a

The impact of these sensitivities, individually and collectively, as well as of the new development scenario are shown in the two graphs below. These cover a 30-year period: -





8. Key Risks and Risk Management

We are aware that there are a significant number of risks currently facing Registered Social Landlords.

We have internal auditors, with whom we work closely to review organisational risk and to assist in development of approaches to identify and address both emerging and existing risks.

A Risk Management Strategy is in place and our Key Risk Register is reviewed regularly through our Audit & Risk Committee. That Key Risk Register highlights mitigation strategies which assist in reducing either/both the likelihood and impact of the identified risk. A copy is attached as Appendix E c).

The Board regularly review risks and opportunities as part of their Strategic Review. PEST and SWOT analysis which have informed development of this Plan are attached as **Appendix E a) and b) respectively.**

Below is a Summary of Risks considered more material to achievement of this Plan:

Risk	**Mitigation**
The impact of Brexit	Of potential risks for RSLs we have identified the following as the more relevant- increased costs; availability of materials, equipment, parts and labour; increased arrears and bad debts. We will continue to closely monitor developments and plan accordingly, will review bad debt provisions, and will seek to develop existing procurement partnerships.
The impact on Scotland and on social housing services in particular of measures to deal with the deficit in public finances.	We monitor the impact of changes and outcomes from Central and Local Government budget announcements etc. Where these have either a direct or indirect impact on our tenants, our services we consider and take whatever action we can.

The impact of Welfare Reform plans.	We monitor changes to welfare reform proposals continuously, work closely with other agencies to ensure prompt and effective support is available, and make prudent budgetary provision.
Rent affordability	This is an issue of concern due to the economic capacity of our tenants. Many not receiving real increases in earnings, and in future recipients of Universal Credit, may also not be able to meet the costs of rising rents. We restrict rent increases to the minimum necessary to maintain quality services and meet stock investment requirements. In considering any further development we will appraise any potential impact on rents for existing properties. We continue to monitor rent arears.
Financial sustainability	Quarterly management accounts along with short and long term financial projections are prepared by Chiene + Tait and reviewed by the Board. Prudent assumptions are used, including avoidance of dependence on real rent increases for base cases, leaving scope for these as mitigation, if required.
Adequacy of Asset management	A robust asset management strategy will be developed to ensure efficient and effective delivery of maintenance programs. This will include key procurement.

Failure to achieve SHQS and EESSH compliance	Update stock condition & performance information and develop robust improvement work programmes to ensure that we meet these, including proposed EESSH2.
Loss of key staff	Continue to review salaries and have a succession plan in place for loss of key staff. A full strategic review and options appraisal would be required prior to any recruitment of a new Business Manager. This will be considered meantime on a proactive rather than reactive basis.
Pension changes	Continue to review Lothian Pension Fund. Procure advice from consultants on implications and options to limit exposure, including buy out.
Governance	Monitor the composition of the board to ensure there are a broad range of skills and recruitment of tenant board members. Ensure the training/ development and skills assessment of the board and succession planning for office bearers.
Regulatory Compliance	Need to develop and implement self-assurance monitoring and reporting framework - for return of first Assurance Statement under new Regulatory Framework.