



**SOUTHSIDE**  
housing association

# **Business Plan** **2021 to 2025**

## CONTENTS

	<b>Page</b>
<b>Executive Summary</b>	3
1. Introduction	3
2. Profile, History and Achievements	6
3. Governance and Leadership	9
4. The Association's Mission, Vision and Core Values	11
5. The Association's Strategy and Objectives	12
6. Stakeholder Relationships and Priorities	17
7. Performance Benchmarking	21
8. Strategic Analysis	23
9. Asset Management	28
10. Five Year Investment Priorities	34
11. Value for Money and Rents	35
12. Organisational Resources and Development	40
13. Southside Factoring and Related Services Ltd	44
14. Corporate Risk Assessment	47
15. Business Plan Financials	48

### **Appendix 1**

Details of Management Committee and Senior Staff, and Organisational Structure

### **Appendix 2**

Financial Plans & Cashflows

### **Appendix 3**

Housing Investment Programme 2021 to 2025

### **Appendix 4**

Benchmarking and Value for Money Analysis

### **Appendix 5**

Corporate Risk Register

### **Appendix 6**

Rent Affordability Analysis 2020/21

### **Appendix 7**

Development Programme Details

## EXECUTIVE SUMMARY

The key features of the 2021 Business Plan

- A significant increase in expenditure on tenants homes over the next five years
  - Increased levels of compliance with SHQS and EESSH
  - Reviews of staffing resources and Asset Management Strategy to support this
- Reduced investment in new homes and private acquisition
- Consolidation of investment in 2020/2021 on IT Infrastructure
  - Reviews of staff structure to support this
  - Roll out of digital services to customers in Years 1 & 2 of the Plan
- Addressing of performance weaknesses in complaints management, repairs right first time and Value for Money
- Customer Service Department approach linked to new IT
- Changes in Senior Management in 2022
- Addressing Climate Change targets linked to Net Zero Emissions
- Reduced expenditure on Management and Administration
- A review of the commercial subsidiary SFARS Ltd

## 1.0 INTRODUCTION

- 1.1 This Business Plan sets out the mission and values of Southside Housing Association (SHA), and our objectives, plans and resources for the 5-year period from 2021 to 2025. The Plan takes account of the Scottish Housing Regulator's (SHR) "Recommended Practice" on business planning, published in December 2015 (and the updated guidance from SHR relating to the Covid-19 crisis published in August 2020).

### **The Business Plan: Key Highlights**

- 1.2 The Management Committee met remotely during the pandemic of 2020/21 to set the following **vision and mission** for the Association:

## Mission

Southside Housing Association provides quality, affordable and well maintained homes and works with communities and partners to maintain safe, popular and inclusive neighbourhoods

## Vision

Southside Housing Association wants to support thriving local communities:-

- We want all our homes to be popular, affordable, well maintained and energy efficient;
- We want customers to receive excellent services from approachable and knowledgeable staff;
- We want to serve the needs of all communities equally;
- We want to work with partners to build popular and inclusive neighbourhoods.

1.3 The Association's **four strategic objectives** for the next five years are:

1. To deliver excellent services.
2. To provide popular, affordable, well maintained and energy efficient homes.
3. To support inclusive communities and thriving neighbourhoods.
4. To maintain a resilient community organisation with strong local leadership.

1.4 The Business Plan describes in detail the actions we will take to achieve these objectives. A summary of our main priorities is set out below.

## Business Plan Priorities

- An Investment programme of up to £4m pa to deliver safe, warm homes.
- Develop a new Customer Service Department with digital self-service options for customer
- Complete a new build programme of at least 235 units
- Manage the planned retirement of senior staff
- Proactively manage risks to tenant safety but particularly fire safety
- Increase our management resources for Asset Management
- Support GCC Private Acquisition Programme in pre-1919 tenements
- Ensure all our policy and practice is cognisant of Climate Challenge targets
- Develop the Financial appraisal of projects to minimise risks
- Deliver real reductions in Management and Administration expenditure

1.5 The financial projections accompanying the Business Plan confirm that the Association is in a strong financial position in relation to cash and debt levels, but must also exercise firm control over income and costs to support the growth elements of the Business Plan. Proactive risk management, strong financial controls and reporting, and maintaining the confidence of lenders will all be essential disciplines in pursuing the priorities set out in the Business Plan.

**Achieving our Business Plan priorities**

1.6 Approving the Business Plan is only a starting point, since its ultimate value depends on:

- Ownership of the Plan by the Management Committee and Senior Management Team
- Regular Management Committee and sub-committee reviews of progress and careful tracking of SHA’s finances and risks
- Communicating the Business Plan to the wider staff team, so that every member of staff is clear about SHA’s priorities and how their own job role contributes to these
- Building on SHA’s excellent track record of partnership working.

1.7 The Association will prepare an annual update and review of the Business Plan, and conduct a comprehensive review of objectives and strategy every three years.

1.8 In addition, an Internal Management Plan will be prepared annually to ensure that each team/department is working to the shared objectives of the business plan. This is primarily an operational document in which each of SHA’s teams reviews its performance and sets out its priorities for the coming year. The IMP will focus mainly on operational matters, but is tailored to complement the delivery of the Business Plan.

## **2.0 PROFILE, HISTORY AND ACHIEVEMENTS**

### **Profile of the Association**

- 2.1 The Association operates in a number of neighbourhoods throughout the south side of Glasgow. Our largest presence is in Pollokshields (including parts of Kingston and Tradeston), Cardonald and Halfway, which account for 90% of our housing. The other neighbourhoods where we own housing include Shawlands, Strathbungo, Ibrox, Kinning Park, Langside and Mount Florida.

### **The Association, its services and achievements**

- 2.3 SHA is a community-controlled housing association operating selectively across the south side of Glasgow. Our voluntary Management Committee is mostly made up of local residents, and our housing is community-owned. We employ approximately 70 office-based members of staff, and a further 30 staff members who work in our communities in concierge, housing support and direct labour roles. Our annual turnover in 2020/21 was £15 million (whole Group including subsidiary company).
- 2.4 First set up in 1971, the Association has built up its current stock of 2234 homes through tenement rehabilitation, new build and stock transfer. In addition, we factor 1000 privately owned properties.
- 2.5 Our greatest presence as a landlord is in Pollokshields (including parts of Kingston and Tradeston), Cardonald and Halfway. These areas account for 80% of our housing, while we also own housing in Shawlands, Strathbungo, Ibrox, Kinning Park, Langside, Mount Florida and Penilee.
- 2.6 The Association delivers a comprehensive range of services, all focused on the needs of our customers and communities. These services include tenancy and neighbourhood management; repairs and property management; property development; asset management; housing support services; concierge; environmental works; income advice; and community development and support. We work closely with our subsidiary company, Southside Factoring and Related Services Ltd (SFARS) which provides factoring services on our behalf and acts as managing agent for a growing portfolio of Mid-Market Rent housing.

### **The Association's history and achievements**

- 2.7 The Association was formed as Pollokshields Housing Association by 7 local residents in 1971, and is the second oldest community based housing association in Scotland.
- 2.8 The Association's initial remit was to promote the conservation of buildings in the Pollokshields area and to meet local housing needs, especially the needs of older people and people experiencing family breakdown. An important early achievement was creating what was probably the first sheltered housing in Scotland, at Newark Drive.

- 2.9 The Association was able to pursue a more ambitious programme from the mid-1970s onwards, following the establishment of the Housing Corporation, the introduction of Housing Association Grant (HAG) subsidy, and the development of the Housing Action Area legislation and methodology. These changes led to the Association undertaking whole tenement rehabilitation in Kenmure Street and Albert Drive, new build housing in Melville Street, and additional sheltered housing in Nithsdale Road linked to the original development in Newark Drive.
- 2.10 With the support of Glasgow City Council and the Housing Corporation, the Association expanded its area of operation in 1988, and was re-named Southside Housing Association (referred to throughout the Business Plan as “SHA”). SHA carried out significant tenement refurbishment works along the Pollokshaws Road corridor from Eglinton Toll into Shawlands, followed by expansion into the neighbourhoods of Crosshill, Queens Park, Kinning Park and Cardonald.
- 2.11 Government and GCC funding support for the comprehensive tenement improvement approach tapered off rapidly from the early 2000s. However, SHA has had a continued development role in providing new build housing for special and general needs throughout the 2000s.
- 2.12 SHA experienced dramatic growth in 2011, more than trebling in size following the purchase of around 1,450 homes from Glasgow Housing Association (GHA) under the process known as Second Stage Transfer. As a result, SHA has become a major housing provider in Cardonald and Craigton, and increased our already significant role in Pollokshields.
- 2.13 Over the course of the last 5 years the Association has initiated major regeneration projects in Pollokshields and Halfway. In Pollokshields we have completed the process of demolishing 300 poor standard post war deck access properties and replacing these with 160 new build homes. In Halfway the Association completed a £14m refurbishment of the 220 family homes at Moss Heights and a £2m transformation of the surrounding grounds.
- 2.14 In addition to these major regeneration projects, the Association has had an active new build programme in Manse Brae, Kinning Park, Penilee, and Pollokshields and completed the rescue of the historic tenement at 166 Gorbals Street. In addition to our traditional social housing role, this has allowed the Association to diversify into new tenures such as Mid Market Rent and the subsidiary company Southside Factoring and Related Services (SFARS Ltd.)
- 2.15 The other key feature of the last five years has been the partnership with Glasgow City Council to intervene in sub-standard pre-1919 tenements through a programme of acquisitions, refurbishment and improved management and maintenance. [To date the Association has acquired 203 properties and refurbished 170 of these, 65 for Mid-Market Rent and 138 for Social Housing.]
- 2.16 Although primarily a property based business, SHA has invested significant resources in supporting people and communities. The Association has a specialist Advice team

that has helped households respond to the UK Government's Universal Credit and wider Welfare Reform programme and this team provides specialist services all customers of SHA and SFARS, our wider communities, and to four other organisations:-

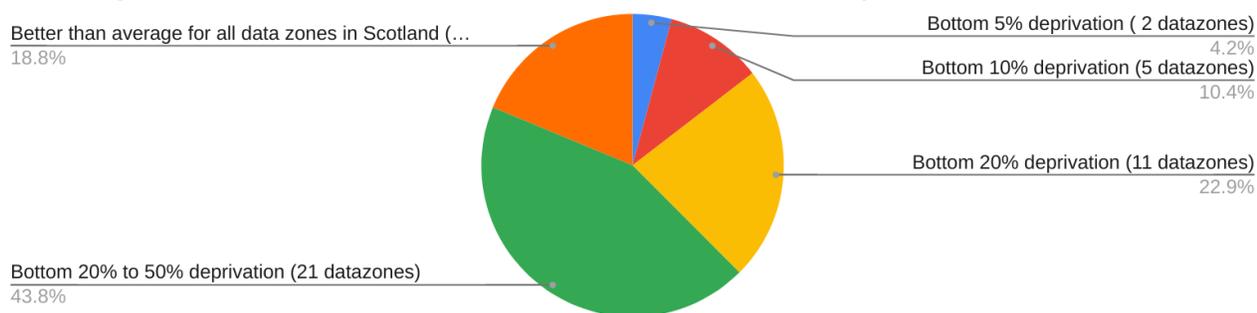
- The Well
- Cathcart HA
- Craigdale HA
- New Gorbals HA

2.17 The Association also has a busy Community Development programme that supports a range of social and community initiatives including School Holidays Food and Activities, Environmental Improvement Projects, Active Travel initiatives and social cohesion programmes, with an underlying theme of tackling poverty.

### Deprivation

2.18 As a service provider, the Association has to take cognisance of the social and economic realities for many households and communities. Consequently there is a strong 'anti-poverty' thrust to much of the Association's work. Our stock at Moss Heights and Berryknowes Avenue in Cardonald and Maxwell Road in Pollokshields fall into the most deprived 5% of data zones in Scotland, showing particularly poor statistics across the seven domains. Five data zones fall within the 10% most deprived areas in Scotland. Eleven fall within the most deprived 20%, 21 within the 20%-50% most deprived, and 9 fall into the 'above average for Scotland' category.

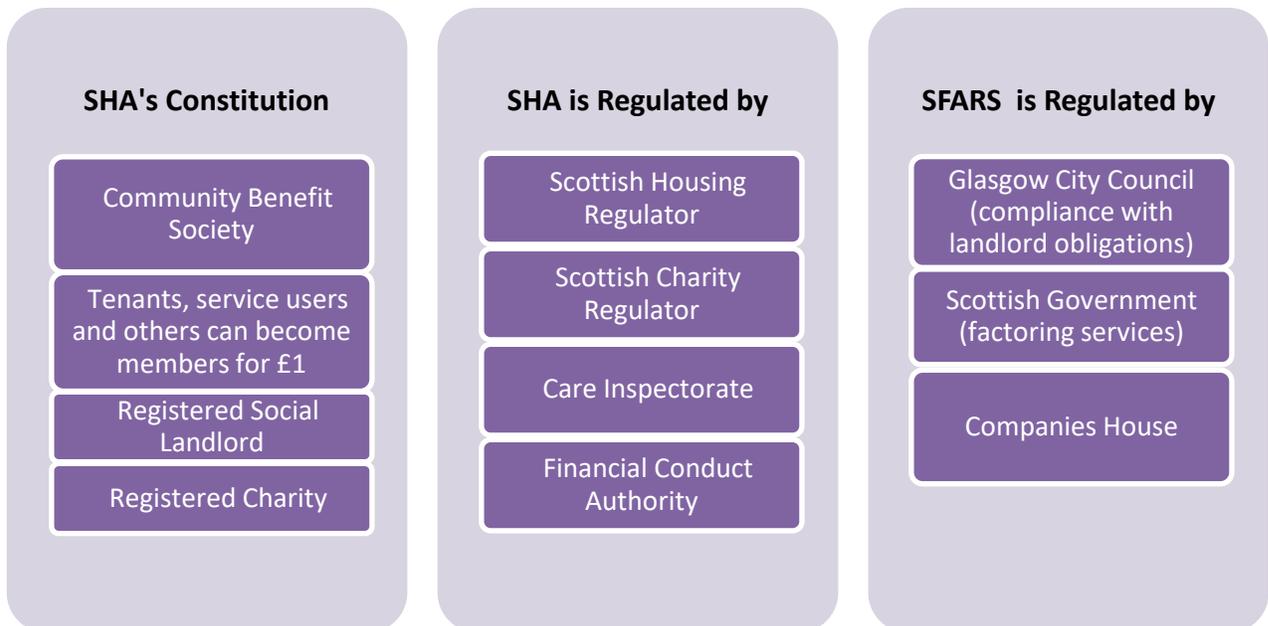
Showing the number of datazones with the least to most deprivation for SHA stock



### 3.0 GOVERNANCE AND LEADERSHIP

#### Governance Model

- 3.1 SHA is a not for profit Scottish Charity and is registered with the Scottish Housing Regulator and the Office of the Scottish Charity Regulator. We have one unregistered subsidiary, Southside Factoring and Related Services Ltd (“SFARS”), which undertakes commercial activities and services.
- 3.2 SHA’s Rules describe our permitted objects and are based on the principle of “one member, one vote”. This ensures that we operate in a democratic manner.
- 3.3 Members may attend and vote at general meetings, seek election to the Management Committee (MC), and vote in the election of Committee members.



#### Management Committee and Structures

- 3.4 **Appendix 1** provides information about the current members of the MC. SHA’s governance structure is as follows:

## Governance Structure:



- 3.5 Sub-committees carry out their role under the authority of the MC, with each sub-committee's role and delegated authority being described in the Association's Standing Orders. The structure enables proper scrutiny of all main business areas, while also permitting the MC to focus on providing strategic direction and leadership.
- 3.6 Committee member reviews take place each year, led by the Chairperson. The purpose of the reviews is to help members reflect on their skills and contribution to the MC, and identify what future support the Association can provide. A review of the MC itself is also carried out annually.
- 3.7 SHA has adopted the SFHA Code of Conduct for committee members (September 2020) and the SFHA/EVH Code of Conduct for staff (October 2020). The Codes are supported by a comprehensive set of SHA governance policies and procedures, to make sure that the Association meets good practice and regulatory standards.

### **Subsidiary Company: Southside Factoring and Related Services Ltd (SFARS)**

- 3.8 The Association established SFARS in 2005, principally to manage its factoring role. More recently, SFARS has played a wider role in addressing other group objectives, including the management of MMR housing owned by SHA and others, and of private tenement flats purchased by SHA with funding from GCC.
- 3.9 SFARS is a company limited by shares and the Association is the sole shareholder. It has its own Board of Directors, appointed annually by the Association, and produces its own separately audited financial accounts. SFARS must also obtain the approval of SHA's Management Committee for its business plan and annual budget, and comply with group policies set by SHA. Two members of the Management Committee are also members of the SFARS Board.

## **Senior Management Team**

3.10 The members of the Association's senior management team are:

- Patrick McGrath, Director
- Norma Taylor, Depute Director
- Mandy Wright, Head of Finance
- Donna Reilly, Head of Investment and Development
- Allan Forfar, Head of Housing Services

3.11 All Senior Management Team members are suitably qualified and have a wealth of service and experience in housing. Further details are provided in Appendix 1, along with a chart showing the Association's staffing structure.

## 4.0 THE ASSOCIATION'S MISSION, VISION AND CORE VALUES

4.1 The Association's Management Committee met during 2020 and 2021 to review and revise the Association's Mission, Vision and Strategic Objectives. The Management Committee also reaffirmed the values of the Association, previously developed jointly by staff and committee.

### **Mission**

Southside Housing Association provides quality, affordable and well maintained homes and works with communities and partners to maintain safe, popular and inclusive neighbourhoods

### **Vision**

Southside Housing Association wants to support thriving local communities:-

- We want all our homes to be popular, affordable, well maintained and energy efficient;
- We want customers to receive excellent services from approachable and knowledgeable staff;
- We want to serve the needs of all communities equally;
- We want to work with partners to build popular and inclusive neighbourhoods

### **Values**

4.2 The values below were developed by Staff and Committee in 2017 and during its Business Planning in 2020 the Management Committee re-affirmed these values.

#### **Professional**

- We will act with integrity, we will be impartial in the advice we give and the actions we take, and we will be reliable and competent in our work.

#### **Responsive**

- We will be focused on both the needs of the individual customer and the community.

#### **Progressive**

- We will seek to empower individuals and communities in our work. We will be proactive in addressing problems and we will tackle inequalities where we find them.

## 5.0 THE ASSOCIATION'S STRATEGY AND OBJECTIVES

### Strategic Objectives

- 5.1 This Business Plan is constructed around four strategic objectives that the Management Committee has set. These are set out in the table below, alongside the outcomes we are looking to achieve and the main actions we will take.
- 5.2 The Association's future strategic direction is driven by our focus on Pollokshields, Cardonald, Strathbungo and other SHA neighbourhoods. Moreover, the Business Plan clearly demonstrates financial viability over the short, medium and long term. The main strategic challenge is to increase the levels of investment in tenants' homes.
- 5.3 Accordingly, the Management Committee is not currently planning any fundamental changes in direction that would require strategic options for the organisation to be reviewed at this time. Over the course of the next five years the Association expects a greater focus on investment in our existing homes and meeting EESSH targets and less emphasis in new homes. It expects to deliver some reductions in Management and Administration expenditure reflecting a focus on Value for Money (VFM). In addition, the Association expects to have a greater focus on digital self-service and to execute improvements in weaker areas of service (see Section 7 below).
- 5.4 The retirement of the senior officer during the course of the new BP will require the Management Committee to provide SHR reassurance on its long term viability. The Association will continue to appraise the VFM of individual new build developments. All major investment decisions will undergo an options appraisal and be assessed in line with the Association's Asset Management Strategy. In particular the considerable risks in managing and maintaining high rise housing will receive additional scrutiny, including compliance works relating to fire safety.

## Strategic Objectives, Outcomes and Priorities

Strategic Objective	Intended Outcomes	Operational Objectives and Business Plan Priorities
<p>1) To Deliver Service Excellence</p>	<p>High levels of customer satisfaction with all services</p> <p>SHA services represent value for money</p>	<ul style="list-style-type: none"> <li>○ Establish Customer Service Department by April 2021 <ul style="list-style-type: none"> <li>▪ Fully roll out the customer service dashboard for SHA customers on the new Orchard system by March 2022</li> <li>▪ Fully roll out customer service dashboard for SFARS customers by April 2022</li> <li>▪ Measure customer satisfaction with changes to service delivery</li> </ul> </li> <li>○ Launch digital self-service by July 2021 <ul style="list-style-type: none"> <li>▪ Develop communications strategy to support customers</li> <li>▪ Set clear targets for % of customers who will utilise digital self service</li> <li>▪ Measure and report on digital self-service use.</li> </ul> </li> <li>○ Regularly engage with customers and annually review engagement plans</li> <li>○ Invest in our staff to training and development <b>and maintain IIP and IIYP status</b></li> <li>○ <b>Improve</b> performance on ARC measures where SHA’s current performance is below the top quartile: <ul style="list-style-type: none"> <li>▪ Tenant satisfaction with SHA’s overall services and with the repairs and maintenance service</li> <li>▪ Tenant satisfaction that rent charged is good value for money</li> <li>▪ Repairs appointments kept</li> <li>▪ Rent arrears</li> <li>▪ Time to resolve customer complaints</li> <li>▪ Achieve continuous improvement in the results obtained from SHA’s own programme of customer feedback/surveys</li> <li>▪ Rents and charges are affordable to working households</li> </ul> </li> </ul>

Strategic Objective	Intended Outcomes	Operational Objectives and Business Plan Priorities
		<ul style="list-style-type: none"> <li>▪ Benchmarking outputs for SHA services to outperform national or peer results</li> </ul>
<p>2) To provide popular, affordable, well maintained &amp; energy efficient homes</p>	<p>High rates of customer satisfaction</p> <p>High demand for our homes</p> <p>Lower heating bills for tenants</p> <p>Improve resident safety</p> <p>Reduce Carbon Footprint</p>	<ul style="list-style-type: none"> <li>○ Annual review of Asset Management Strategy</li> <li>○ Annual investment programme of £3-£4m pa set and delivered <ul style="list-style-type: none"> <li>▪ Replace 1400 storage heating systems</li> <li>▪ Replace lifts at Moss Heights</li> <li>▪ Maintain very high safety standards</li> <li>▪ Replace Cladding at 150 Berryknowes</li> <li>▪ All stock to meet the SHQS (taking any opportunities to address stock covered by exemptions or abeyances)</li> <li>▪ All stock to meet EESSH 1 by March 2023 and EESSH 2 by 2035</li> </ul> </li> <li>○ Set an annual private acquisition programme for both acquisition and refurbishment <ul style="list-style-type: none"> <li>▪ All private acquisition stock to be improved within 12 months of acquisition</li> <li>▪ Acquire 50 private acquisition units per annum (subject to GCC funding)</li> <li>▪ All improved private acquisition stock to meet “B” EPC rating</li> </ul> </li> <li>○ Annual New Build programme to target and support neighbourhood priorities</li> <li>○ Complete the current programme of 235 new build homes</li> </ul> <p>All new build and investment in existing stock to deliver carbon reduction targets consistent with City and National carbon reduction targets</p>
<p>3) To support Inclusive Communities and</p>	<p>High rates of resident satisfaction with their neighbourhoods</p>	<ul style="list-style-type: none"> <li>○ Develop Neighbourhood Plans for Pollokshields East, Strathbungo East and Cardonald that link investment, management , maintenance and partnership working (2021/22)</li> </ul>

Strategic Objective	Intended Outcomes	Operational Objectives and Business Plan Priorities
<p>Thriving Neighbourhoods</p>	<p>Strong engagement and participation from all sections of the community</p> <p>Customers experiencing poverty and facing financial risks receive the support they need</p> <p>Help the city to reduce and eliminate homelessness</p>	<ul style="list-style-type: none"> <li>○ Review and renew the role of the Neighbourhood Committees (2021)</li> <li>○ Deliver the Association's Community Involvement and Development Strategy and Action Plan <ul style="list-style-type: none"> <li>▪ Continued investment in a programme of community support activities to promote inclusion, reduce isolation and encourage community cohesion</li> <li>▪ Continued investment in anti-poverty work and advice services</li> <li>▪ Review policy and practice that proactively recognises diversity of needs and addresses inequalities and disadvantage</li> </ul> </li> <li>○ Work with partners and residents to identify and improve public/open/green space within our neighbourhoods <ul style="list-style-type: none"> <li>▪ Respond to the challenge of GCC withdrawal from bulk uplift and other neighbourhood management services</li> </ul> </li> <li>○ Maintain excellent partnership working with other agencies around agreed priorities</li> <li>○ Increase membership of the Association by 20% per annum.</li> <li>○ Allocate homes on the basis of housing need and prioritise homeless applicants</li> </ul>
<p>4) To maintain a Resilient Community Organisation with Strong Local Leadership</p>	<p>Strong role for tenants on Management Committee</p> <p>Value the role of volunteers</p>	<ul style="list-style-type: none"> <li>○ The Association will have a positive agenda of encouraging tenants to fully participate in the Governance of the Association</li> <li>○ The Association will strive to address any inequalities in representation within the communities it serves</li> <li>○ The Association will have an annual appraisals system for Committee Members and a dedicated training and development budget to for voluntary committee members</li> </ul>

Strategic Objective	Intended Outcomes	Operational Objectives and Business Plan Priorities
	Strong financial performance	<ul style="list-style-type: none"> <li>○ Annual budget setting will maximise investment in tenants' homes but avoid any breach of loan covenants               <ul style="list-style-type: none"> <li>▪ Will look to reduce operating costs by 1% annually, in real terms over the course of the BP to create space for increased investment</li> </ul> </li> </ul>
	<p>Strong regulatory compliance</p> <p>The Association will be an excellent employer</p> <p>Strong partnership working</p>	<ul style="list-style-type: none"> <li>○ The Management Committee will annually review performance standards to ensure strong regulatory compliance</li> <li>○ The Association will have a clear Risk Management Strategy and regular reviews of Corporate and Operational Risks</li> <li>○ The Association will have an annual programme of Internal Audit (IA) and an annual improvement programme based on IA recommendations</li> <li>○ The Association will annually review its compliance with regulatory standards and issue an annual assurance statement, this will be supported by periodic external "self-assessment" in addition to the Internal Audit programme</li> <li>○ The Association will be full members of Employers in Voluntary Housing</li> <li>○ The Association will have an annual appraisal system for staff and a dedicated training and staff development plan.</li> <li>○ The Association will maintain its Investors in People and Investors in Young People accreditation.</li> <li>○ The Management Committee and Senior Staff will ensure the Association is active in local, city wide and national partnerships for the benefit of the communities it serves</li> </ul>

## **6.0 STAKEHOLDER RELATIONSHIPS AND PRIORITIES**

6.1 In implementing our strategy, SHA will work closely with our customers and a wide range of public sector and community partners.

### **SHA's Tenants**

6.2 The Association's 2020 tenant satisfaction survey shows high levels of satisfaction with the Association and our services, with significant improvements in comparison with our previous survey in 2019. However over the period of the last Business Plan we experienced significant swings in customer satisfaction and the Association is committed to learning from customers and encourages regular feedback from customers on all services. The 2020 results identified the following priorities for SHA tenants

- 1 Repairs and maintenance – 88%
- 2 Keeping residents informed - 60%
- 3 Communal maintenance e.g. close cleaning, back court maintenance etc. - 32%
- 4 Value for money for your rent – 27%
- 5 Management of the neighbourhood – 26%
- 6 The way staff deal with your enquiries – 23%
- 7 Charging affordable rents – 22%
- 8 Dealing with anti-social behaviour – 13%
- 9 Support and advice on claiming welfare benefits and tackling debt – 7%

6.3 The Association will use our Customer Involvement and Engagement Strategy (August 2020) to guide our commitment to continuous feedback and consultation around services and investment to ensure we are consistently aligned to our customers' needs and priorities.

### **External Partners: Glasgow City Council and Others**

6.4 SHA's main public agency partners are Glasgow City Council (GCC) and its service departments. In particular, Development and Regeneration Services (DRS) has responsibility for strategic housing planning, housing association investment and private housing including registration and enforcement measures. Homelessness Services and support to vulnerable adults and children is delivered through the Community Health and Social Care Partnership. (The Council also devolves some responsibilities to the Glasgow Community Planning Partnership and as with the HSCP, the city is divided into three partnership areas. Both structures have a "south area" that is coterminous and covers all the areas that the Association operates in. In operational terms, the Association relies heavily on the specialist role provided by Neighbourhoods and Sustainability (formerly Community Safety

Glasgow) and pays a levy for each of its properties in management to utilise a range of neighbourhood management supports.

- 6.5 The Association's relationship with GCC is integral to the successful delivery of many of its strategic priorities. This reflects the Council's role as the strategic housing authority and its role in housing investment and homelessness. The most critical issues to be addressed through our joint working with the Council include:
- SHA's role in providing new homes, whether for social rent or for mid-market rent through our subsidiary SFARS Ltd
  - The need to raise standards of property and neighbourhood management in poor quality private housing, particularly older tenement housing
  - Tackling existing homelessness
  - The Council's commissioning and contract management role in relation to SHA's housing support services
  - The Council's strategy for resourcing and delivering public services at neighbourhood level in the future, in the face of large-scale cuts to its budget.
- 6.6 GCC's current Local Housing Strategy (LHS) for the period 2017 to 2022 has two overarching themes, to reduce poverty and to contribute to Glasgow's economic growth. It is likely that a new LHS will be developed during the term of this new Business Plan and SHA will respond and adjust its BP to reflect any materially significant change in strategic direction by GCC. The six LHS strategic priorities are shown below and all are of importance to the communities SHA serves and consistent with SHA's own strategic priorities. Moreover, all of the GCC priorities are matters in which SHA and SFARS Ltd. have a strong track record and demonstrable expertise.
- Promote area regeneration and enable investment in new build housing
  - Manage, maintain and improve the existing housing stock
  - Raise standards in the private rented sector
  - Tackle fuel poverty, energy inefficiency and climate change
  - Improve access to housing across all tenures
  - Promote health and wellbeing
- 6.7 SHA has enjoyed a sizeable development programme supported by Glasgow City Council, and the Council's Strategic Housing Investment Plan (SHIP) published at the start of 2017 confirms its support for a continuing development programme by SHA which will provide new homes for social rent and mid-market rent in a range of neighbourhoods. However as the Association completes the current regeneration plans at St Andrew's Drive we expect the scale of our Development activity to reduce during the course of the next five years. SHA will respond and adjust its Development Plans and BP in response to any changes to a new SHIP from GCC, due in 2022.
- 6.8 The Association has a number of relationships with GCC that are particular to SHA. The Association has historically retained a significant role in Housing Support services but this is much diminished due to the closure of sheltered housing support

services. The Association has developed distinct housing support services for the local Black and Minority Ethnic (BME) community. The Saffron project provides 22 furnished flats with support for young single BME household

- 6.9 In addition to its distinctive Housing Support role, the Association is also the managing agent for the Care and Repair (C&R) service for Glasgow. This is revenue funded by GCC and the city-wide HSCP. A major review of the future of C&R has begun in 2020 and will likely report in early 2021.

### **Lenders and Regulators**

- 6.10 The Association currently has very limited borrowings. The total loans at March 2021 amounted to £1.8m spread over two different lenders. The majority of the loan portfolio is held with the Nationwide Building Society and amounts to £1.7m. The Association holds a smaller loan of just over £106k with Bank of Scotland. In addition to these historic loans the Association put in place a Revolving Credit Facility with Handelsbanken in 2019 for £25m and expects to draw on this in 2021/22.
- 6.11 The Association's main regulators are the Scottish Housing Regulator (SHR), the Office of the Scottish Charity Regulator, and (for our housing support services) the Care Inspectorate.
- 6.12 SHA's strategy and working practices reflect a number of specific SHR priorities. These include a strong emphasis on business planning, effective governance, financial performance and risk management, cost control, asset management, rental sustainability, value for money and tenant safety.
- 6.14 In relation to the Care Inspectorate, the regulatory relationship is now limited to the Saffron Supported Housing Service.

### **Scottish Government**

- 6.15 The Scottish Government is a significant stakeholder for SHA, particularly in relation to funding for housing development and community support activities, housing legislation and statutory guidance, and new powers in respect of some elements of the social security system in Scotland. The Association regularly accesses, directly and/or indirectly, Scottish Government funding particularly for community support activities. The impact of the new Executive Agency of the Scottish Government, Social Security Scotland may be significant in the coming years, particularly given the Association's commitment to anti-poverty work and our investment in advice and advocacy services.

### **UK Government**

- 6.16 The UK Government retains control over most aspects of economic and fiscal policy, and there is clearly potential for macro-economic factors to create uncertainty or turbulence that could affect the Association and its strategy for the future.
- 6.17 Brexit and the politics of austerity had dominated economic and fiscal policy over the past three years, and the potential economic unravelling from Brexit remains

unclear. Nevertheless the consensus amongst mainstream economists is that the UK economy will shrink as a direct consequence of Brexit and this will potentially affect public expenditure and employment levels in the coming years. The direct consequences for SHA are less clear.

- 6.18 The UK and the wider world are currently grappling with the Covid-19 pandemic. The social, economic and financial impact of this existential threat are profound and the impact will be felt for many years. Record levels of borrowing have marked the initial response and the UK economy shrunk initially by over 20% in December 2020 it remained 6.3% below February 2020 levels. The medium and long run impacts from the pandemic are unclear, it is uncertain whether the current UK government interventions are merely delaying an even greater collapse in employment. The only conclusion that SHA can draw from this crisis is that we are entering a period of profound economic uncertainty and the Association's BP needs to reflect the scale of this uncertainty and plan and prepare for serious economic, social and financial shocks by using conservative estimates, prudent assumptions and comprehensive sensitivity testing.

### **Local Stakeholders**

- 6.19 The Association aims to have strong relations with the Community Councils and Council Area Committees in the neighbourhoods it works in. In addition it works with a range of local organisations to support local communities and to jointly deliver shared objectives.
- 6.20 In Pollokshields the Association has good working relationships with the Pollokshields Development Agency, Glendale Women's Café, East Pollokshields Crèche and East Pollokshields Mobile Crèche. It also works with Pollokshields Heritage in protecting the rich built heritage. Faith groups are an important part of civil society in Pollokshields and the Association has good working relations with the Christian churches, Mosques and Madrassas and the local Gurdwaras. , The Association also works with environmental charities such as South Seeds and the Toryglen based charity Urban Roots. In response to the Covid-19 crisis, the Association worked with Pollokshields Mutual Aid and this volunteer led initiative provided emergency food or households in crisis.
- 6.21 In Cardonald the Association works closely with Govan Community Project, formerly Govan and Craigton Integration Network and provides the organisation with a community support flat in Moss Heights. The Association also works closely with Hillington Park Church to deliver a range of support services, and with a range of resident groups established through the Southside Connects programme including the Residents Lounge Group in Queensland, and the residents groups in Berryknowes and Hartlaw. The Association works closely with the SW Food Bank and provided financial and logistical support to the three delivery points during the pandemic.
- 6.22 The Association also works closely with The Well Community Centre off Victoria Road and SHA advice workers provide services to users of The Well on a weekly basis. The Well plans to enter into a lease with SHA for the new commercial unit built as part of the new build development in Allison Street.

## 7.0 PERFORMANCE BENCHMARKING

7.1 Appendix 4 provides an analysis of key ARC outturn figures. This indicates that based on 2020/21 outturns, many of SHA's key performance indicators were in the top quartile of the sector. Performance on investment in our tenants' homes and compliance with SHQS and EESSH is considered in Section 9 on Asset Management below. However a number of performance areas are in the bottom quartile and are the focus of improvement plans.

(i) *Reactive Repairs Completed 'Right First Time'*

This is an area of weakness but the 2020/21 performance outturn (see Table 1 below) shows an improvement in this measure, increased to 96.98% from 91.05%.

**Table 1:**

Indicators	2018/19	2019/20	2020/21	Scottish Average 2019/20
<b>Gross Rent Arrears as a percentage of rent due (Indicator 27)</b>	6.58	5.91	6.04	6
<b>Average days to re-let properties (Indicator 30)</b>	21.07	12.19	38.73	31.8
<b>Percentage of rent due lost through empty properties (Indicator 34)</b>	0.5	0.33	0.61	1.2
<b>Percentage of tenancy offers refused (Indicator 18)</b>	43.55	30.85	38.35	34.4*
<b>Percentage of New tenancies sustained for more than a year (Indicator 20)</b>	93.1	93.57	100%	92.8
<b>Percentage of tenants satisfied with the quality of their home (Indicator 7)</b>	84.57	96.00	96.00	87
<b>Average hours taken to complete emergency repairs (Indicator 8)</b>	1.97	1.72	1.99	3.6
<b>Average length of time taken to complete non-emergency repairs (Indicator 9)</b>	4.25	3.98	2.81	6.4
<b>Percentage of homes with gas safety record renewed by anniversary date (Indicator 11)</b>	99.6	100	100	?

<b>Percentage of reactive repairs completed right first time (Indicator 10)</b>	97.24	91.05	96.98	92.4
<b>Satisfaction with repairs service (Indicator 12)</b>	93.7	90.60	-----	91.3
<b>Percentage of self-contained properties that meet SHQS (Indicator 6)</b>	85.02	81.35	74.76	94.4
<b>Percentage of stage 1 complaints resolved within SPSO timeframes (Indicator 3)</b>	86.54	89.04		N/A
<b>Percentage of stage 2 complaints resolved within SPSO timeframes (Indicators 4)</b>	78.26	80.95		N/A

- (ii) *Tenant Satisfaction with Repairs and Maintenance Service*  
The 2020/21 analysis (see Appendix 4) puts the Association in the bottom quartile within the sector. This reflected a particularly challenging year with our main all trades contractors Mears / Mitie. Although we successfully tendered and appointed a new contractor in July 2020, we have not been able to collect satisfaction data during Covid-19 restrictions. This is a priority area for improvement.
- (iii) *Rents and Value for Money (VFM)*  
Analysis and benchmarking of ARC indicators relating to rent and VFM highlight key area for improvement. Both indicators on rent arrears and rent collection are in the Sector Lower Quartile and all areas for improvement. Tenant's perception of the VFM of the rents is in the Sector Lower Quartile despite two rent restructurings and highlights the limited scope for rent increases.
- (iv) *Complaints Management*  
The Association's performance on Complaints Management is poor, particularly Stage 2 complaints where performance is in the Sector Bottom Quartile. This is a focus for Management Improvement.

## 8.0 STRATEGIC ANALYSIS

8.1 This chapter sets out the results of the risk analysis completed by Committee members as part of the Business Plan process. It also reports our conclusions about the most critical strategic issues for the Association, taking account of the preceding chapters on our customers and communities, stakeholders and the local housing market.

### Environmental Analysis Results: SCOT and PESTLE Exercises

8.2 The main results of the Association's **SCOT analysis** are as follows:

#### SCOT Analysis (Strengths, Challenges, Opportunities and Threats)

STRENGTHS	CHALLENGES
<ul style="list-style-type: none"> <li>● <b>Governance</b> <ul style="list-style-type: none"> <li>○ Experienced &amp; stable Management Committee</li> <li>○ Good &amp; relationship with partners</li> <li>○ Strong reputation and good compliance</li> <li>○ Robust Procurement Practice &amp; good engagement with customers</li> </ul> </li> <li>● <b>Strong relationship with customers</b> <ul style="list-style-type: none"> <li>○ Broad customer base</li> <li>○ Good customer engagement &amp; involvement</li> <li>○ High rates of trust, confidence and satisfaction</li> </ul> </li> <li>● <b>Financial Stability &amp; Resilience</b> <ul style="list-style-type: none"> <li>○ Financially strong</li> <li>○ Low debt per unit</li> <li>○ Steady income flow</li> <li>○ Strong and developing infrastructure</li> <li>○ Future proofing – investment in technology &amp; IT</li> </ul> </li> <li>● <b>Staff and Services</b> <ul style="list-style-type: none"> <li>○ Strong confidence in competence of staff team</li> <li>○ Good range of support services i.e. welfare rights, handyperson. Saffron etc.</li> </ul> </li> <li>● <b>Asset Base/Housing stock</b> <ul style="list-style-type: none"> <li>○ Stock is sound</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Financial Challenges</b> <ul style="list-style-type: none"> <li>○ Rent affordability and rent collection</li> <li>○ Scale of investment requirements for housing stock</li> <li>○ Increasing demands on finite budget/managing budgets</li> <li>○ Access to funds for Development and Non-Core activities</li> <li>○ Managing loan finance and Covenant risks</li> </ul> </li> <li>● <b>Change Management/Succession Planning</b> <ul style="list-style-type: none"> <li>○ Senior management turnover</li> <li>○ Restructuring of staff team</li> <li>○ Post Covid change                             <ul style="list-style-type: none"> <li>▪ Home working</li> <li>▪ Digital services</li> <li>▪ Less demand for offices</li> </ul> </li> <li>○ Changing customers and changing needs</li> <li>○ New technology &amp; IT</li> </ul> </li> <li>● <b>Asset Management</b> <ul style="list-style-type: none"> <li>○ Multi story stock – expense and demand issues</li> <li>○ Increasing safety, regulatory, etc standards</li> <li>○ EESS 2 and energy efficiency</li> </ul> </li> <li>● <b>Volunteering</b> <ul style="list-style-type: none"> <li>○ Tenant involvement</li> <li>○ Membership</li> </ul> </li> </ul>

<ul style="list-style-type: none"> <li>○ Good understanding of stock &amp; investment needs</li> <li>○ Desirable, popular high, demand neighbourhoods</li> </ul>	<ul style="list-style-type: none"> <li>○ Management &amp; Neighbourhood Committees</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>● <b>Resident Engagement/Involvement</b> <ul style="list-style-type: none"> <li>○ Remote working presents new ways of working with residents</li> <li>○ Partnership with other stakeholders to deliver local benefits</li> </ul> </li> <li>● <b>Exploit External Funding</b> <ul style="list-style-type: none"> <li>○ For development and non-core activity</li> <li>○ SHA has strong financial and organisational capacity to respond</li> <li>○ Potential to expand range of services</li> <li>○ Importance of diligent appraisal of opportunities (challenge?)</li> </ul> </li> <li>● <b>New Technology</b> <ul style="list-style-type: none"> <li>○ New services for customers</li> <li>○ More efficient working for staff</li> <li>○ Air Source Heat Pumps &amp; 107 Niddrie Road – exemplars for new heating technology</li> </ul> </li> <li>● <b>Changes in Senior Staff</b> <ul style="list-style-type: none"> <li>○ New ideas/new directions</li> </ul> </li> <li>● <b>Private Acquisition Programme</b> <ul style="list-style-type: none"> <li>○ Need to have a positive programme to exploit opportunities.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● <b>Economic Uncertainty</b> <ul style="list-style-type: none"> <li>○ Economic costs and downturn linked to Covid &amp; Brexit <ul style="list-style-type: none"> <li>▪ Increased unemployment</li> <li>▪ Growth in poverty</li> <li>▪ Increased rent arrears</li> </ul> </li> </ul> </li> <li>● <b>Financial constraints on partners</b> <ul style="list-style-type: none"> <li>○ Less Scottish Government monies for Development</li> <li>○ Reductions in GCC services, impact on neighbourhoods</li> </ul> </li> <li>● <b>Homelessness</b> <ul style="list-style-type: none"> <li>○ Skills &amp; resources to manage demanding problem</li> </ul> </li> <li>● <b>Fraud and Cyber Threats</b> <ul style="list-style-type: none"> <li>○ Increased home working brings greater risks</li> <li>○ Cyber threats</li> <li>○ Opportunities for frauds</li> </ul> </li> <li>● <b>Changing regulation and legislation</b> <ul style="list-style-type: none"> <li>○ Building standards</li> <li>○ Cladding risks on high rise stock</li> </ul> </li> <li>● <b>Sector consolidation</b> <ul style="list-style-type: none"> <li>○ Risk of being taken over</li> <li>○ Threat of taking over failing organisations</li> </ul> </li> </ul>

### PESTLE Analysis

8.3 In addition to the SCOT analysis completed in November 2020 at a Committee Strategy Planning event, the Management Committee carried out a PESTLE analysis (Political, Economic, Social, Technological, Legal and Environmental), in April 2021 at a session facilitated by consultant Heather Ballantyne.

### **Political Challenges**

- Brexit – concerns that we will see rising costs in materials, labour shortages in key trades etc.
- COVID impacts – growths in unemployment and changes in direct and indirect taxation and grant priorities to pay for COVID costs.
- Policy changes at UK and Scottish Government level to tackle Climate Change challenges and Net Zero Targets.
- Declining role and funding of local authorities and the threats and opportunities this brings for housing associations
- Indy Ref 2 – and political uncertainty, changes to Scottish Government funding etc.
- Scottish Government house building targets.

### **Economic**

- Inflationary Risks – due to both Brexit and Covid.
- Tax rises linked to constitutional change.
- Growing financial burden due to decline in local authority funding.
- Spike in business failure and unemployment post COVID
- Linked to inflation pressures may be increased cost of borrowing
- Financial penalties of Net Zero Emission targets and rising energy costs.

### **Social**

- Demographic change – falling birth rates, ageing population, impact on health and social care and housing demand.
- Digital inclusion / exclusion impacts
- Health inequalities and social isolation
- Homelessness – major policy area unresolved
- Changing customer aspirations – where does high rise sit?
- Demand for social housing – Brexit leading to less EU nationals, falling demand

- Work/Life balance post Covid – more home working permanently, impact on women in particular
- More homeworking – impact upon space standards in homes?

### **Technological**

- Growth in digital and social media leads to cultural shifts in tolerance and service expectations
- Digital inclusion and exclusion
- Greater demand for online services
- Greater use of digital feedback for business intelligence
- Cyber threats and fraud risks

### **Legal**

- New regulatory demands governing information and data and personal privacy.
- Employment Law post Covid-19
- Increased safety legislation – fire risks etc
- Increased building standard legislation around energy performance
- Equality legislation and expansion of demands
- Confusing regulatory framework – too many regulatory bodies

### **Environmental**

- Climate change policy and legislation and Carbon Reduction targets
- New standards – Passivhauss and EnerPhit
- Insulation in buildings, heating choices, flood prevention work
- Impact on how we source materials for buildings
- Shrinking role of local authority and impact on SHA
- Transport – electrification of our fleet

## **Key Conclusions from the Strategic Analysis**

- 8.4 The strategic planning sessions and the use of the SCOT and PESTLE planning tools, helped set the Association's Business Plan strategy. In some cases the Association's ability to manage external factors or pressures is limited. Changes in interest rates, inflation, government policy on taxation etc are all beyond the Association's ability to control or influence, but the strategic priority is to ensure that the organisation is financially strong and has sound Governance so that it can withstand these shocks. Risk Management is key to ensuring we can navigate through these external changes.
- 8.5 However some of the strategic planning points to internal factors which we can directly control. These include:-
- Recognising our limited ability to increase rental income
  - Our low debt
  - Our need to address shortfalls in SHQS and EESSH compliance
  - Service areas we can improve on
  - Making the right investment decisions to complement a growing digital age or the need to reduce carbon emissions
- 8.6 Underpinning all these considerations is the importance of financial strength and sound Governance, and these remain key organisational priorities irrespective of shifting internal and external changes.

## 9.0 ASSET MANAGEMENT

### Overview

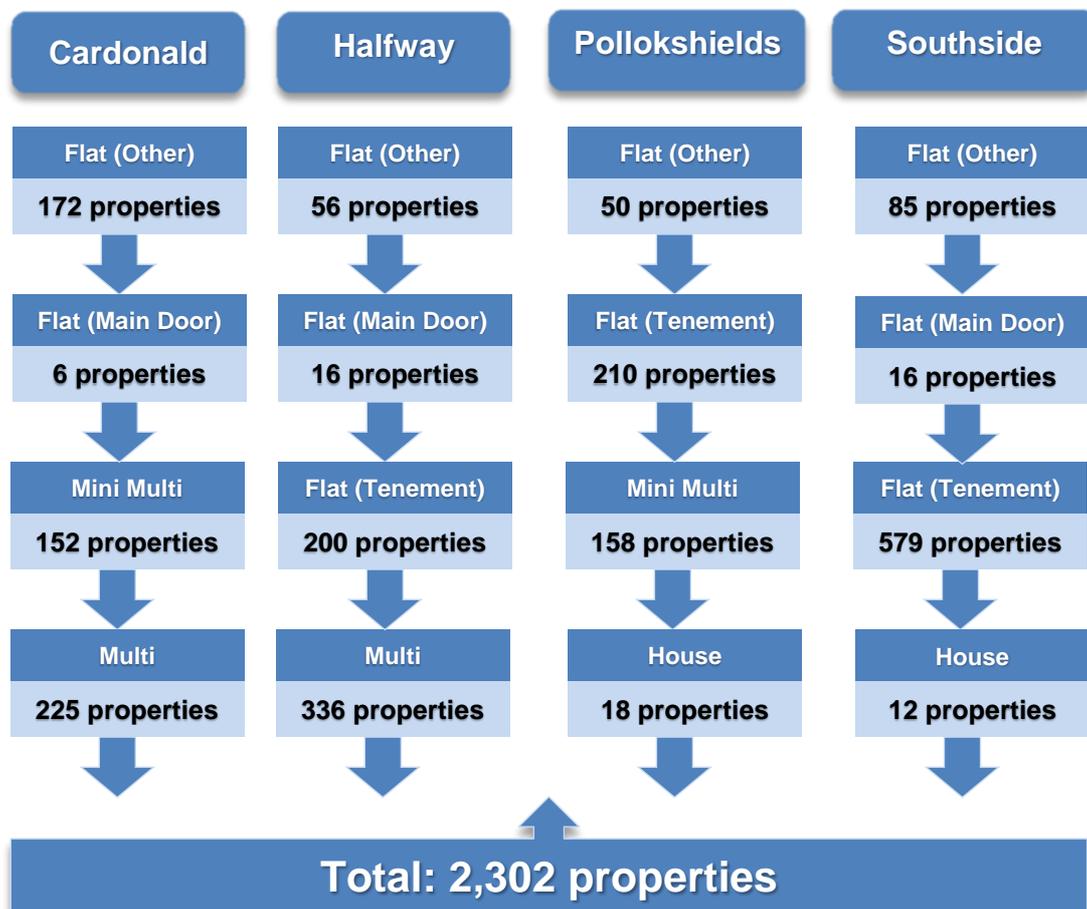
9.1 SHA aims to protect and maximise the value of our assets by providing high quality, affordable homes that our customers want to live in, while maintaining the Association as a viable business. Our main asset management activities are:

- Managing and investing in our existing housing stock.
- Improving energy efficiency, to help reduce tenants' fuel bills and fuel poverty.
- Building new homes to meet housing need and contribute to regeneration.
- Acquiring and repairing existing homes, to be managed by the Association (homes for social rent) or our subsidiary SFARS Ltd (homes for mid-market rent).
- Providing factoring services to home owners.
- Maintaining the external environment and improving standards of neighbourhood management.

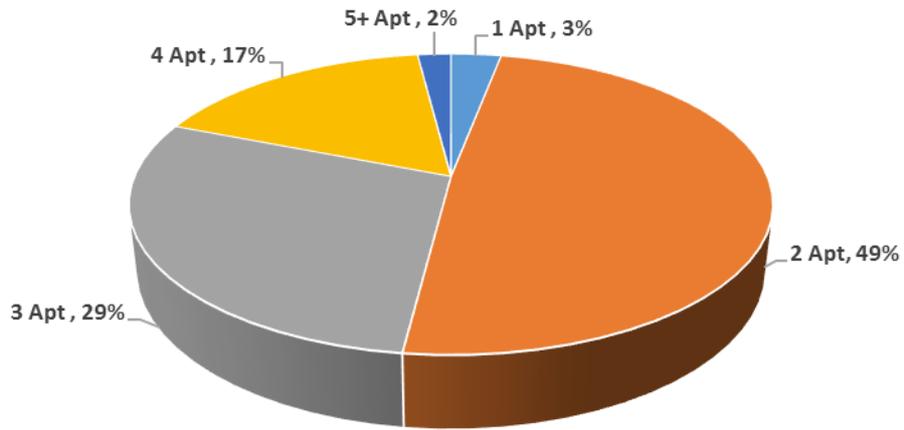
### Stock Profile

9.2 The following charts illustrate the main characteristics of SHA's social rented housing stock.

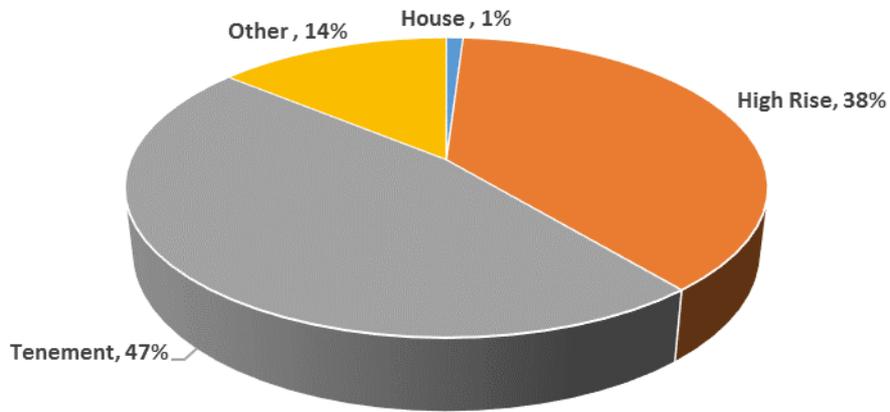
#### Distribution by Neighbourhood, House Types, House Sizes and Date of Construction



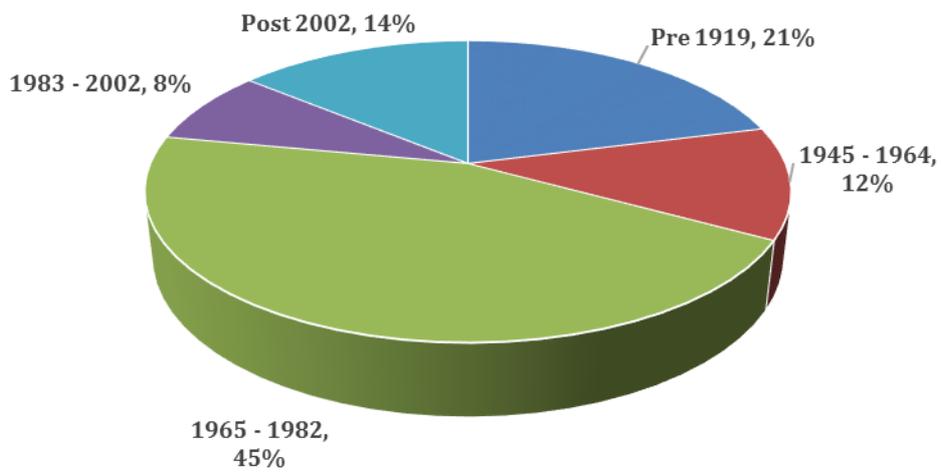
### House Size



### House Type



### Date of Construction



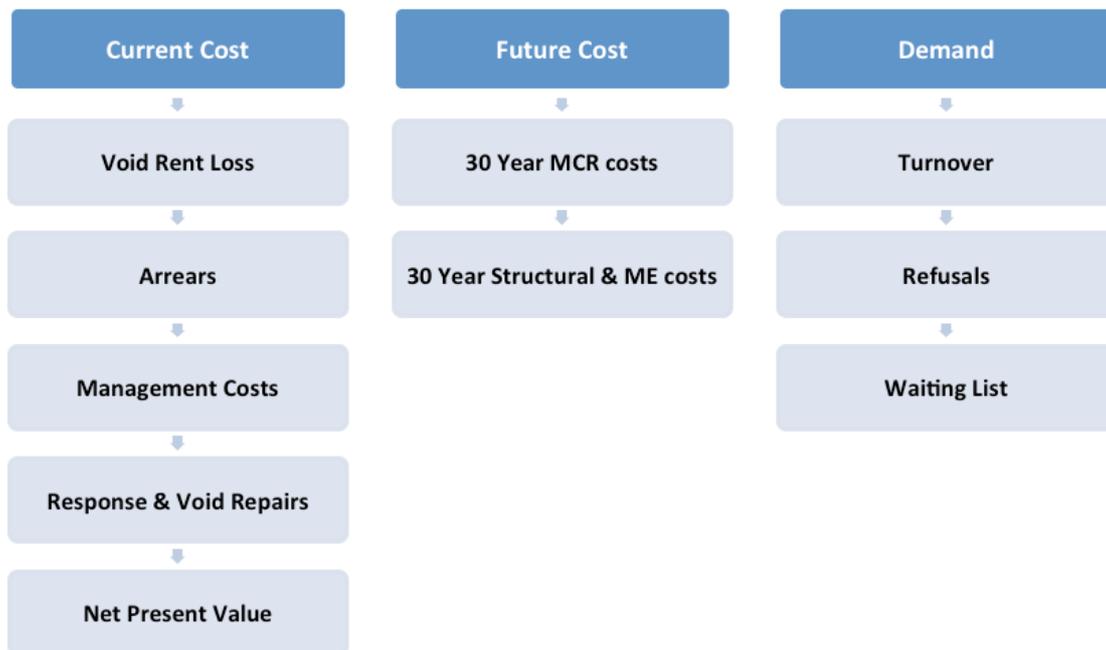
9.3 In summary:

- 85% of our housing consists of tenement flats and multi storey flats
- Houses account for a very small proportion of our housing – only 1%
- 2 apartment (1 bedroom) homes account for nearly half (49%) of our housing, followed by 3 apartment (2 bedroom) homes (29%) and 4 apartment (3 bedroom) homes (17%). Only 2% of our homes are 4 beds or more.
- 45% of our housing was built during the boom years of council housebuilding between 1965 and 1982. Pre-1919 tenements housing accounts for 21% of our housing stock and homes built post 2020 have increased to 14%.

**Asset Management Strategy**

9.4 SHA developed a new Asset Management Strategy that was approved in February 2018 following a large-scale review of our asset management information base that was supported by consultants Arneil Johnston.

9.5 The aim of the Asset Management Strategy is to deliver an integrated approach that addresses demand for our housing; meeting tenant needs and aspirations; ensuring effective management and maintenance; and ensuring effective investment and financial planning. In developing the asset management approach, we have analysed a wide range of data summarised below:



9.6 Given the proportion of SHA’s stock that is high rise housing, the importance of good asset management is critical. The early work by Arneil Johnstone identified 13% of SHA’s housing stock as being in the “red” category and exhibiting a mixture of concerns across a number of indicators including

- Higher arrears and/or high management costs
- High repairs costs
- High capital spend requirements
- Weaker demand

9.7 The initial Arneil Johnstone work was based on the stock condition research available in 2017, but this data has now been superseded by major stock condition research completed in 2020 and updating the Asset Management Plans to account for this new data is an important management task for 2021.

### **Stock Condition**

9.8 The Association commissioned three separate stock condition surveys in 2019 and reported on these in June 2020, The three research reports are:

- **Michael Dyson Associates** – Property components throughout the stock.
- **David R Murray**: Mechanical and Electrical Common Services Condition Surveys: High rise, Mini Multis and Deck Access stock.
- **Curtin's**: Structural Condition Surveys: High rise, Mini Multis and Deck Access stock.

### **Overall 30 year costs**

9.9 The cost projections across the three surveys are as follows:-

- Michael Dyson Associates (Components) = **£75.6 million**
- David R Murray (Mechanical & Electrical) = **£24.7 million**
- Curtains Consulting Limited (Structural) = **£39.4 million**

### **The total for the 30 years is £139.7 million**

9.10 The Annual projected cost therefore works out at **£4.65 million**.

9.11 Calculating the costs on a per household basis over the 30 years works out at **£61.96k (62K) per dwelling**

9.12 Both the Michael Dyson and Curtains costings exclude professional fees, preliminaries, interest and VAT whereas the D R Murray survey includes these add on costs.

9.13 No cost provisions are included for low rise stock lift replacement in either the Michael Dyson or D R Murray stock condition surveys and for the purpose of our financial projections, these have been added separately. The low rise sites with lifts include Herriet Court, Nithsdale & Newark Drive, 1594 – 1596 Pollokshaws Road, Prospecthill Road, Strathbungo Church and new build sites with lifts installations.

9.14 The strength of the stock condition research is that it is comprehensive and reflects the specialist nature of the SHA stock including the significant structural risks associated with high rise stock and the high prevalence of specialist mechanical

and electrical equipment in our housing stock. However the fact that we have three different source documents has made it difficult to avoid some duplication between the separate research reports. Moreover the structural engineer reports assume very high levels of expenditure in approximately 20 years' time which is predicated on retaining this housing stock. However at this stage, the high rise stock will be over 70 years old and an option appraisal at this time is likely to project a managed decline of this stock rather than a further round of major renewal.

- 9.15 Reflecting the concern at the potential for duplication of costs in three separate stock condition reports, and the high levels of revenue expenditure, the financial projections have assumed some savings in overall costs. However asset management investment costs are projected to rise by 1% annually in real terms. This reflects a prudent approach to managing a key risk.

### **Benchmarking Results for Demand and Stock Performance**

- 9.16 Demand for the Association's stock is generally good, when compared with our local peer group RSLs and the national average for all social landlords. SHA's tenancy turnover rate was slightly higher than the national average in 2019/20, but our performance was substantially better than the national average on time taken to re-let empty properties, void rent loss, new tenancy sustainment and new tenant satisfaction with the standard of the home.

#### **Re-letting empty homes: comparative performance (source: SHA ARC data 2020/21, National data 2020)**

	<b>Southside HA</b>	<b>Average all Scottish social landlords</b>
% of lettable self-contained houses that became vacant in year	6.9%	9.36%
% of tenancy offers refused	38.35%	34.4%
% of rent due lost through properties being empty	0.61%	1.2%
Average calendar days to re-let properties	38.73 days	31.8 days
% of new tenancies sustained for more than a year	92.12%	88.9%

- 9.17 Most of SHA's housing stock is located in stable neighbourhoods. Almost three-quarters of our tenants have lived in their neighbourhood for at least 5 years, and in our most recent Tenant Satisfaction Survey, 96% of respondents described the neighbourhood they lived in as a good or very good place to live, an increase of six percentage points since the 2014 satisfaction survey.

### **EESH1 and EESH2**

- 9.18 Complying with Scottish Government Energy Efficiency Standards in Social Housing) property standards is the single biggest management challenge that the Association faces over the course of the BP. Our current Scottish Housing Quality Standard compliance rate is 81.85 %(percentage of properties meeting SHQS at year end) in contrast with a national rate of 93.85%). Similarly our EESH

compliance performance is 79.6% compared to a national performance figure of 87.13% (percentage of self-contained properties meeting EESSH, SHA figures for 2019/20, national figures for 2018/19).

- 9.19 The electric heating systems in our high rise housing stock are a major contributing factor to these low compliance rates. The pre-1919 tenements also contribute to compliance challenges, particularly as we are annually acquiring poorer quality tenement flats under the Private Acquisition programme.
- 9.20 The Association has ambitious proposals for replacing poor electric heating systems but these have had associated challenges in terms of planning restrictions. Many of these challenges have now been resolved and the first three years of the new BP will see intensive investment in new heating systems. We expect to meet EESSH1 target by March 2023 and EESSH2 by 2035 (although we note the aspirational demand of EPC Band B is particularly challenging). The Association notes that a review of EESSH 2 is likely to be accelerated, reflecting public criticism of its misalignment with Net Zero Emissions targets.

## 10.0 FIVE YEAR INVESTMENT PRIORITIES

10.1 The shorter term investment priorities identified and confirmed through the stock condition survey information include:-

- Heating Renewals – Queensland, Berryknowes, Hartlaw/Chirnside, mini multis
- Lift renewal at Moss Heights
- Kitchen renewals – various properties
- Communal Electrical works in high rise and deck access properties
- Ventilation works in high rise and deck access properties
- High rise structural and external decoration works

SHA Five Year Investment Programme					
Year	2021/22	2022/23	2023/24	2024/25	2025/26
Major Repairs (Capital)	£4,671,173	£2,807,986	£2,892,226	£2,978,993	£3,068,362
Major Repairs (Revenue)	£1,274,047	£743,562	£765,869	£788,845	£812,510
Total	£5,945,220	£3,551,548	£3,658,095	£3,767,838	£3,880,873

### New Homes

10.2 The Association will complete new homes by the end of 2022

- Allison Street (49 units)
- Phases 2 & 3 St. Andrews Drive (91 units + 29 Shared Equity)
- Pollokshields Tenements (6 units)

10.3 Following on from this the only pipeline project is Moss Park Boulevard church site. There are project proposals under review for Albert Drive. The Association has financial capacity to build more homes but this has to be balanced against borrowing requirements for its existing homes. However the Arneil Johnston appraisal of the Business Plan financial projections indicates that the Association can accommodate new build opportunities.

### Private Acquisition

10.4 The Business Plan includes financial projections for finishing any remaining refurbishment work on private tenement acquisitions. Any new acquisitions will be 100% grant funded and therefore will not impact on the Business Plan assumptions. The Association expects the rate of private acquisitions to slow and to be closely linked to Council regeneration priorities in Pollokshields.

## 11.0 VALUE FOR MONEY AND RENTS

### Introduction

- 11.1 A key priority for the Association is to provide our customers with affordable, high quality homes and services. In doing so, we aim to work efficiently by making the best use of our assets and resources. Achieving Value for Money (VFM) is therefore central to our business planning approach.
- 11.2 SHA's main tools for achieving VFM are:

- Our asset management approach, as described in Chapter 9
- Gathering information about customer satisfaction and priorities, and using this knowledge to make changes and improvements.
- Our VFM framework and the associated programme of service and activity reviews
- Benchmarking our performance and costs against other social landlords, locally and nationally
- Reviewing rents annually in consultation with our tenants, to make sure they are affordable to tenants while also meeting the financial requirements of our Business Plan.

### Rents and Affordability

- 11.3 When setting our rent the Association takes full cognisance of the outcomes and standards set out in the Scottish Social Housing Charter. The relevant outcomes and standards are:

#### **Charter Indicator 13: Value for Money**

Social Landlords manage all aspects of their businesses so that:

- *Tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.*

#### **Charter Indicators 14 & 15: Rent and Service Charges**

Social Landlords set rents and service charges in consultation with their tenants and other customers so that

- *A balance is struck between the level of services provided, the cost of the services, and how far current and prospective tenants and other customers can afford them.*
- *Tenants get clear information on how rent and other money is spent, including any details of individual items of expenditure above thresholds agreed between landlords and tenants.*

- 11.4 In addition to the above standards, there are some fundamental principles and objectives that the Association applies when setting rents and considering our annual rent increase:-

**Aim 1 - Financial Viability** – Ensure that rents charged will raise sufficient revenue to meet the Association’s current costs and future costs as identified in our current Business Plan and recently completed Stock Condition Survey. These costs include:-

- Provision of Housing Management services within the property and the surrounding area.
- Costs associated with undertaking day to day repairs on properties.
- Major Repairs/Planned Maintenance – Heating renewal, kitchens, bathrooms, windows, fire doors, lift renewal, common electrical upgrades, smoke alarm renewal etc.
- Cyclical Maintenance – Electrical testing, common area painting and gutter cleaning.
- EESSH and SHQS Scottish Government compliance.
- Loan charges and repayments to fund the building of new homes to meet housing demand.
- Insurances.
- Provision for voids and bad debts arising from non-payment of rent.
- Contingencies and Risk Management.
- Staff costs associated with providing a housing management and maintenance service to our customers

**Aim 2 – Affordability/Value for Money** – The Association strives to set rents which offer value for money and, as far as possible, are affordable for tenants. It is well rehearsed that our rents are on average higher than many other housing associations and that some of this disparity relates to the Stock Transfer from GHA. Some of the characteristics of these properties such as the Concierge and lifts are expensive and have an impact on rent levels.

Value for money and affordability is covered in more detail within the report below.

**Aim 3 – Fair and Transparent** – The overriding principle of introducing the new rent structure in 2015 and 2019 was to ensure that we had a consistent approach to rent setting, which would be fairer, easier to understand and more transparent.

We refined this during our Rent Review in 2019 which responded to the results and feedback from the 2019 Tenant Satisfaction Survey and affordability challenges relating to our smaller properties.

The overall outcomes from our 2019 Rent Review included:-

- 73% of rents decreasing with just 27% of rents increasing.
- All 2 apartment (1 bedroom) properties seeing a reduction in rent, regardless of the building type.
- All mini multi and high rise properties seeing a reduction in rent, regardless of property size.
- The majority of our deck access properties seeing a reduction in rent.

Overall the rent review has delivered on the principles of fairness, transparency and understanding. However it is essential that as an Association we continue to review and monitor, in conjunction with our tenants, the rents we set on an annual basis to continue to meet these principles.

**Aim 4 – Consultation** – It is important that the Association consults with our tenants on the proposed annual rent increase and that the rationale behind the proposed increase is fully explained to allow tenants the opportunity to express informed views.

- 11.5 In addition to two major rent restructuring exercises in 2015 and 2019, the Association has engaged Arneil Johnston to work with the Association on addressing VFM challenges. Reports to the Management Committee in 2020 and 2021 have highlighted scope for addressing the Association’s Management and Administration (M&A) costs and this Business Plan includes a target of annual real reductions in M&A costs of 1% for the next 5 years. (Appendix 5)
- 11.6 In addition, a priority of this Business Plan cycle is to ensure that the major investment programme and annual maintenance expenditure are well integrated and deliver efficiencies in expenditure. A priority in the Business Plan is that any savings in capital investment is translated in rent increases below the CPI +0.5% ceiling.

#### **Rent Assumptions in the Business Plan**

- 11.7 Senior staff and Committee members participated in three strategy days to develop the new Business Plan.
- 11.8 Most of the focus in the sessions was on our vision, objectives and priorities for the next five years. The highest priority focussed on investing in our existing stock to the tune of £3-4 million per annum. However there was discussion on other priorities such as:-
- New Build Housing Programme
  - Private Acquisitions
  - EESSH & SHQS compliance
  - Fire Safety
  - I.T. Infrastructure and Digital Inclusion
  - Reduced Council services

The majority of these priorities rely on adequate levels of rental income to fund the investment and desired service delivery levels.

- 11.9 Assessing the financial health of the Business Plan is probably more important than ever right now as we consider the risks and opportunities we face as a landlord both living with and post COVID-19. In particular, Covid-19 recovery decisions are needed to protect financial viability, ensure sustainability and secure Value for Money (VFM) going forward.
- 11.10 Uneconomic rent increases could endanger the short and long term viability of the Association and seriously impact on our ability to manage and maintain our housing stock and meet our loan covenant and repayment requirements.

- 11.11 To balance the demands between keeping rents affordable and ensuring the expenditure assumptions in the Business Plan are viable and sustainable, we have set a ceiling on annual rent projections of CPI (inflation) +0.5%. This is coupled with plans to deliver real efficiencies in expenditure over the initial 5 years and where possible to deliver lower than the ceiling rent increases. The risk to this assumption is the ability for tenants to meet their rent commitments during periods of economic challenges and uncertainty which at the moment is heightened by the Covid-19 pandemic and Brexit.
- 11.12 When considering the annual proposed rent increase or the long run rent increase assumptions, the Management Committee has to reflect on the complex inter-relationship between
- Cash Flow
  - Lending covenants
  - Asset cover
  - Meeting SHQS and EESSH obligations
  - Rent affordability

### **Rent Affordability**

- 11.13 It is important that the level of rental income generated can support the projected business activity but this must balance against the affordability of rents for our tenants.
- 11.14 We have applied an inflation (CPI) + 0.5% increase to our rents across the life of our Business Plan. Any changes to rent increase assumptions, even in the short term, have a bearing on the long-term sustainability of the plan. When considering rent increase strategies going forward, we must ensure a minimum income level is maintained. This level can be measured in line with the forecasting of operational and administrative expenditure.
- 11.15 The impact and potential impact of Covid-19 is a risk. While we have not seen a significant increase in arrears since April 2020, there has been a shift upwards in the numbers claiming universal credit. Given the uncertainty around future employment levels, there remains the potential for an increase in arrears. This will need to be tested in the Business Plan both over the short and longer term.
- 11.16 Likewise, tenants' ability to afford their rents and ensuring we are assessing any risks arising from affordability on future rental assumptions will be critical. It is important the Business Plan capacity for any predicated increase in bad debts be regularly tested.
- 11.17 The recent rent review has been positive in making more of our rents affordable. **Appendix 6** examines the affordability of the Association's rents using the SFHA affordability test "an affordable rent should be no more than 25% of the net income".
- 11.18 Appendix 6 demonstrates that the Association's rents pass the affordability test in all but one of the categories and this is an improvement on previous years, where we failed on a number of categories. This reflects the sustained work over the last 10 years to tackle the legacy of high GHA rents.

11.19 The Association tries to hold annual rent increases to below the Scottish average (see Table 1 below for the last 9 years).

**Table 1: Comparison of SHA Annual Rent Increases with Sector Averages**

Annual % Rent Increase	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
SHA Rent Increase	2.2%	1.7%	3.75%	3.3%	0.5%	1.5%	2.25%	3.5%	2.9%	2.2%
Scottish Avg Rent Increase	4.7%	4.8%	3.7%	3.55%	2.66%	1.9%	2.3%	3.2%	2.97%	?

11.20 In seven of the last nine years we have implemented below average rent increases and over the nine years SHA rent levels have increased by 8.18% less than the Scottish average. In addition, the rent restructurings have re-balanced the burden that had been on smaller, flatted accommodation.

**Impact on Business Plan Rent Increase of 1%**

11.21 The effect of the 1% rent increase in 2021/22 is illustrated below (average rents are used for these calculations)

Average weekly rents 2020	1 Apt	2 Apt	3 Apt	4 Apt	5+ Apt
Current weekly rent 2020/21	£69.93	£78.45	£90.22	£101.81	£115.43
1% weekly rent increase	£0.70	£0.78	£0.90	£0.88	£1.15
New rent 2021/2022	£70.63	£79.23	£91.12	£102.83	£116.58

11.22 In monetary terms this works out overall at approximately £0.92 on an average weekly rent. The additional income generated by a 1% rent increase is approximately £98,229 per annum.

## **12.0 ORGANISATIONAL RESOURCES AND DEVELOPMENT**

### **Premises**

- 12.1 The Association delivers its key services from its main office at 135 Fifty Pitches Road and from a sub office at 435 Shields Road. Both offices have disabled access and the Association is committed to adapting them further if appropriate. The main office at 135 Fifty Pitches Road is wholly owned by the Association and this asset was bought in 2013. The Association utilises only part of the building and has commercial tenants, Aberlour Child Care Trust, on the first floor. As a direct consequence of Covid-19, the Association lost its main commercial tenant, Amey Ltd. in the autumn of 2020, and now has two of the six units lying empty. These units are being actively marketed at present but the Business Plan has made no assumptions about future rental income, again reflecting a trend within our financial projections to keep income assumptions conservative post Covid.
- 12.2 The local office in Pollokshields, based at 435 Shields Road, is wholly owned by the Association and a range of front line services are delivered from these premises. However reflecting the pressures on communities from Welfare Reform, the main service delivered from this office is Welfare Rights.

### **Impact of Covid on Service Delivery Points**

- 12.3 For much of 2020 and 2021, the Association's two service delivery points have been closed to the public. It is unclear when these restrictions may ease. One impact of the pandemic has been to accelerate the move to home working, the equipping of staff with mobile working capacity and to develop digital self-service options for customers. The investment in phone systems in recent years has proved a valuable investment and allowed customers and staff to interact as normal despite Covid restrictions. A key feature of service delivery over the course of the next Business Plan will be to exploit the investment in modernising our IT systems which took place in 2020/21.

### **Staffing Levels and Workforce Planning**

- 12.4 The Association currently employs 101 staff (see organisation structure chart Appendix 1.). This includes part time and temporary members of staff with the majority based in the main office at Southside House. There are 74 office based staff and 27 fixed site concierge, mobile facilities and housing support staff.
- 12.5 The Association provides staffing services to its subsidiary SFARS Ltd. This is regulated by a formal Service Level Agreement entered into by both organisations.
- 12.6 The Association is currently restructuring its staff teams to better utilise the investment in IT and to respond better to a greater emphasis on remote working. The Association is committed to supporting staff with further education opportunities including day release where this is appropriate. Our objective is to have a highly trained, qualified and motivated workforce.

## HR Support

12.7 Historically the Association relied exclusively on Employers in Voluntary Housing (EVH) to provide HR advice and support to the Association. However since 2012 the Association has a dedicated HR management post, but we continue to rely heavily on specialist advice from EVH and, when necessary, specialist legal advice. The HR management role is not part of the senior management team but is supported by

- Director
- Depute Director
- Head of Finance
- Head of Investment & Development
- Head of Housing Services

12.8 The Association has a structured staff appraisal and development process. All new staff receive an induction and thereafter an annual appraisal. Staff appraisals inform the development of an annual training plan. The Association has an HR Strategy (approved January 2018 and reviewed in January 2021) The Association has Investors in People accreditation, Gold Award as well as Investors in Young People accreditation.

## Staff Remuneration

12.9 The Association are full members of EVH and comply with the standard terms and conditions developed by EVH. All members of staff, including senior management, are paid in accordance with the EVH grading and salary structure.

## Pensions

12.10 The Association has a complex set of pension arrangements reflecting the historical development of the organisation. The traditional final salary (SFHA) pension scheme was closed in 2011 and initially replaced with a Career Average Related Earnings (CARE) scheme plus a top up defined contribution (Scottish Widows) scheme. However since the introduction of a defined contribution scheme within SHAPS, the Association has closed the Scottish Widows scheme and now offers all non-GHA transfer staff a defined contribution option. This scheme offers an employer contribution of 10% subject to a matched contribution of 5% by the employee. In addition the staff who were previously in the Scottish Widows scheme receive an additional employers contribution linked to a further employee contribution.

Pension Position at October 2020	Strathclyde Pension Fund	SHAPS
Staff Numbers in each pension scheme	16	75

12.11 In the case of the SHAPS DC fund, the 2018 actuarial valuation resulted in a protracted period of review due to a change in valuation methodology by The Pensions Trust. The valuation initially resulted in a materially lower reduction in

deficit (£10m) than had been anticipated. The Employers Committee (EC) subsequently challenged the new methodology and assumptions applied. A consultation period then followed between the EC, the Scheme Committee (SC) and the TPT. As a result of this activity, the EC submitted a proposal to the SC in early May 2019 which contained a revised set of assumptions which would achieve a “method neutral” position for both past and future service contributions i.e. as if the new methodology had not been introduced. A positive response was received from the SC and a set of assumptions was agreed which achieved a “method neutral” position and a deficit of £121m (a reduction of £77m).

12.13 Based on the 2018 valuation, there has been an improvement in the performance of the fund since 2015. There has been an increase in the assets and the deficit and overall the “Funding Level” has risen from 76% to 89%. SHAPS retained its low risk covenant classification which means the covenant is strong. As a result of this review the SC agreed to maintain the aggregate deficit recovery contributions at the current level and retain the 3% per annum annual increase with the Scheme still expected to achieve full recovery by the 30th September 2022. The Association’s deficit level for 2020/21 is £128,318.

12.14 In addition, there will be an assessment of the funding position at 30 September 2021, taking in to account the deficit contributions payable to 30 September 2022. If the results show the deficit has not been cleared then the deficit contributions will continue until 31 March 2023 as follows:-

- If the deficit is more than £5m, deficit contributions equal to those payable from 1 April 2022 will be payable from 1 October 2022 until 31 March 2023; or
- If the deficit is between £0m and £5m, deficit contributions equal to 50% of the deficit contribution from 1 April 2022 will be payable from 1 October 2022 until 31 March 2023.

12.15 Since the above assessments were concluded, the impact of COVID on the fund has been closely monitored by The Pensions Trust. The initial updates in March and June 2020, indicated equity values had fallen along with further reductions in gilt yields, although the impact for SHAPS had been limited somewhat by their investment policy. As at 30 June 2020 both the assets and value of liabilities had increased but overall there had been some improvement which meant the estimated ongoing funding level was 88%.

### **Strathclyde Pension Fund**

12.16 With regards to the Strathclyde Pension Fund (SPF), there are currently 16 active members. As at 31<sup>st</sup> March 2020 the total value of the Association’s unfunded liabilities in this Fund were £387,000. The deficit payment in the year to the Fund was £6k. SHA will face an increase to deficit contributions once it is within a few years of all active members leaving the scheme as the last participant will trigger the debt.

12.17 As the average age of the members has now reached 52 years we are moving closer to this point. The potential increase in deficit has been provided within the Business Plan projections and will be closely monitored against future valuations of the SPF. The Management Committee continues to monitor the performance of

both schemes and takes independent professional advice where and when appropriate.

### **Information and Communications Technology (ICT)**

- 12.18 The Association has on-premise servers which hold all our systems and data. These servers are supported by an extended warranty. The Association has a programme in place for renewing hardware and software, and the physical servers were updated in 2019, with software upgrades ongoing to support our COVID response and improve the home-working experience. Our annual budgets reflect an ongoing commitment to keeping office-based and mobile technology up-to-date and fit-for-purpose.
- 12.19 The Association has a specialist IT support firm, Tecnica Ltd., who were appointed in December 2019. Tecnica provide a variety of core IT services, including:
- Responsive first and second line end-user helpdesk support and active directory management (in line with agreed SLA);
  - Network perimeter monitoring and maintenance;
  - Upgrades and updates to environments; and
  - Supporting in the improvement of equipment, environments, security, connectivity and user experience.
- 12.20 Since 2019, the Association has been undertaking an extensive business improvement programme. A main component of this programme was the procurement and implementation of a new enterprise resource planning (ERP) solution. Having selected Orchard Information Systems in early 2020, the Association is introducing new core housing, asset and finance systems, along with digital customer solutions and SQL server reporting services (SSRS) data management and reporting suite, in two phases, which will support the organisation to be more efficient and effective. This project will be fully delivered and embedded by April 2022 and, until then, some processes will continue to use the Omniledger system. In addition to the new ERP solution will be a selection of niche applications to support additional business processes. These include IRIS payroll, AdvicePRO, 3CX (Phone System), MS Office, Zoom and GoToMeeting (Video Conferencing) and Care & Repair database.

### **Disaster Recovery and Business Continuity**

- 12.21 The Association's Business Continuity Plan was approved in March 2021. The Management Committee took the view when approving this policy that the experience of the pandemic, which shut offices and forced remote working, provided real time testing of the Association's ability to sustain its operations.

## **13.0 SOUTHSIDE FACTORING AND RELATED SERVICES LTD**

### **Background**

- 13.1 SFARS Ltd was established by Southside Housing Association Ltd in 2005 to deliver commercial activity that could not be provided by the charitable parent company.
- 13.2 SFARS Ltd is a private company limited by shares. Southside Housing Association is the sole shareholder. SFARS operates as a non-charitable subsidiary of the charitable 'parent', Southside Housing Association. The relationship between the two organisations is set out in an Inter-Group Agreement (Independence Agreement) while there is also a Service Level Agreement in place between the two companies.
- 13.3 During its initial years of trading the focus of SFARS' work was to extricate the non-charitable factoring work from the charitable parent company. More recently the Board of SFARS and the Management Committee of Southside Housing Association approved an expansion of the SFARS remit, to include Mid Market Rent.
- 13.4 SFARS has its own Board of Directors. Board members are appointed by Southside Housing Association, but the SFARS Board has the ability to make decisions independently of the Management Agreement within an agreed remit. (See Inter Group Agreement and Service Level Agreement). The most important controls available to SHA as the parent are the right to approve the SFARS business plan and budget, to set group objectives and policies, and to appoint and remove SFARS Board members. The SHA Management Committee also maintains a strategic overview of SFARS' performance and risk exposure.

### **Aims and Objectives**

- 13.5 The Memorandum and Articles of Association of SFARS Ltd set out the object and powers of the company. However the principal aims of SFARS are
- To advance the aims and objectives of Southside Housing Association, and
  - To deliver an excellent service to customers.
- 13.6 The aim of the current SFARS Business Plan is to advance the aims and objectives of SFARS and in turn SHA. In particular over the life of the Business Plan, the following objectives are set
- To consolidate and develop the financial independence of SFARS.
  - To deliver an efficient and effective factoring service to SHA and other customers.
  - To expand the range of affordable housing provision to south side residents.

## **Relationship between Southside H.A. and Southside Factoring and Related Services Ltd**

- 13.7 SFARS was established to deliver commercial activities, principally factoring, that could not be delivered through the charitable housing association. SFARS has operational independence to manage these commercial activities, however SHA retains the ultimate strategic control through its power to appoint or dismiss the SFARS Board.
- 13.8 To ensure a good working relationship between both parts of the group a number of measures are in place, including,
- SFARS Board receives copies of SHA Management Committee minutes
  - SHA receives and considers the minutes of SFARS Board meetings
  - Joint meetings of both boards are held when necessary
  - SFARS Board members contribute to the SHA Business Plan process
- 13.9 The Service Level Agreement and the Inter Company Agreement set out in more detail the division of roles and responsibilities in relation to a range of activities including budget setting, the setting of charges etc.
- 13.10 The apportionment of costs is considered carefully, to enable SFARS to run a sound commercial business and offer value for money for its customers, while also enabling the recovery of SHA management costs for services provided to SFARS.
- 13.11 The range of services offered by the factoring staff overlaps with the services provided by housing management staff, particularly in relation to estate management. Factoring staff manage all insurance claims and tender and manage the insurance contract. They also manage the liaison requirements with owners for services and for any major works. The housing association is already charged a lower management fee for its 1,300 properties in mixed tenure buildings, reflecting efficiencies that exist from the economies of scale offered by such a large portfolio of properties.
- 13.12 In terms of the apportionment of costs to the factoring business, overheads are set at 10% of the overall SHA costs, this seems a reasonable estimate based on a consideration of the size of the SFARS turnover, the floor space and the number of direct staff. The Business Plan assumes a reasonable recovery of maintenance and finance staff time reflecting the input these departments have into factoring business. For the salaries of the staff directly involved in factoring, a 95% apportionment has been used reflecting the fact that some time is spent supporting maintenance, housing management and development staff, and also the work that is done on shared ownership and shared equity sales.

### **Factoring Business**

- 13.13 SFARS Ltd delivers a factoring service to customers. There are three categories of factoring customers.
- (i) Owners of flatted accommodation in tenements where SHA is a co-owner.
  - (ii) Owners of flatted accommodation where there is no SHA ownership interest.

- (iii) Commercial owners of properties that are also part of a tenement or shared property.

The SFARS Board sets an annual budget and a three yearly business plan but these have to be ratified by the Association's Management Committee.

### **Review of SFARS Ltd**

- 13.14 In 2021, the Audit Committee reviewed an Internal Audit report on the operation of SFARS and this prompted the programming of a strategic review of SFARS which is scheduled for 2021/22.
- 13.15 The Review will reflect on the tension between the social purpose of SHA and the commercial purpose of SFARS and consider
- The significant regeneration focus of new factoring activity,
  - The strategic relationship with Glasgow City Council,
  - The organisational changes that have taken place within SHA as part of the Business Improvement Programme.

### **SFARS Business Plan**

- 13.16 SFARS sets its own Business Plan and annual budget but both have to be ratified by SHA's Management Committee.

## 14.0 CORPORATE RISK ASSESSMENT

14.1 The Corporate Risk Register (see **Appendix 5**) provides our assessment of the major risks that may affect the Association's overall strategy and priorities.

14.2 The Register includes scoring of each identified risk in terms of:

- Its **likelihood and potential impact**,
- **Gross risk** (the risk if no action is taken) and **net risk** (the risk after measures to control the risk are applied).

Scoring is carried out using a scale of 1 (lowest risk) to 5 (highest risk), with the scores multiplied to arrive at an overall risk score for both gross risk and net risk.

14.3 The full Register records risk scores for both gross risk and net risk, as follows:

Risk Rating	Risk Score	Risk appetite response
High	16 - 25	Unacceptable level of risk exposure which requires action to be taken urgently.
Medium	10 - 15	Acceptable level of risk - one which requires action and active monitoring to ensure risk exposure is reduced.
Low	1 - 9	Acceptable level of risk based on the operation of normal controls. In some cases it may be acceptable for no mitigating action to be taken e.g. net risk < 4.

14.4 The Corporate Risk Register was reviewed and updated in 2021, and approved by the Management Committee in July 2021.

### Internal Audit

14.5 The Association has an established Internal Audit programme and Internal Auditors report quarterly to the Audit Committee. The Association will tender for new Internal Auditors in 2021/22.

### Self-Assessment Against Regulatory Standards and Annual Assurance Statement

14.6 This is a regulatory requirement and the Association ensures that it meets its annual obligation, but in addition it procures external consultants every three years to provide independent assurance to the Board. The most recent external validation of the Association's Self-Assessment was carried out by North Star Consulting in 2018. A new external self-assessment which will inform the Annual Assurance statement in 2021 is currently being carried out by John Mulholland Consultancy and will report to Committee in Autumn 2021.

## 15.0 BUSINESS PLAN FINANCIALS

15.1 All of the Association's proposals in this Business Plan are underpinned by the Association's finances, and the strength of its financial projections. The Association's Management Committee commissioned Arneil Johnston consultants in 2021 to review our existing financial plans, and to update our Business Plan financial model. The review has informed the financial assumptions underpinning this Business Plan. The Arneil Johnston review is included as Appendix 2 and includes 30 year cash flows.

### Baseline Assumption

15.2 The Business Plan includes the following base assumptions.

#### Stock Numbers

- Social Housing 2088
- Mid Market Rent 233
- New Homes 235

#### Inflation Assumptions

- Base Inflation CPI (2% per annum)
- Reactive, Voids and Cyclical Maintenance – CPI only
- Staff Costs – CPI only
- Other Expenditure – CPI only
- Investment Expenditure – CPI +1% p.a.
- Other Capital Expenditure – CPI only
- Rent – capped at CPI +0.5%

#### Voids and Bad Debts

- Void Rent Loss 1.5% p.a.
- Bad Debt Contingency 2% p.a.

### Key Risks

15.3 The work by Arneil Johnston highlights two main risks within the Business Plan

- Rent Affordability
- Investment Spend

15.4 In response to these risks, the sensitivity tests carried out by Arneil Johnston capped rent increases at CPI +0.5%, but also tested lower rent increases. While above inflation rent increases are required throughout the plan, efficiency savings in investment expenditure in particular allow scope for lower rent increases.

15.5 The scale of investment expenditure suggests that efficiencies are realistic. The capital investment of £57k per unit is above sector averages. Coupled with expenditure on Responsive, Void and Cyclical works, a projected spend of £85k per unit is again higher than sector benchmarks which range from £60-80k per unit. This suggests there is capacity for efficiencies within these expenditure assumptions. Moreover, there is a real inflation increase of 1% p.a. throughout the life of the plan and this again provides comfort on this key expenditure risk.

## **Debt and Borrowing**

- 15.6 The Association has one of the lowest debt profiles per unit in the Scottish social housing sector. Historic loans of £2m are all due to be repaid within the first 10 years of the Plan. In addition, the Association has an unused revolving credit facility with Handelsbanken for £25m. While it is expected that drawdown will begin in 2021, this facility provides additional comfort for projected expenditure and/or increased Development, Private Acquisition or sector consolidation. The baseline projections indicate that the Business Plan has the potential to breach existing loan covenants and this risk will be carefully managed by the Association. The Major Investment Expenditure has already been arbitrarily smoothed within five year bands and year on year expenditure plans will be carefully planned and early discussion with lenders will be part of this annual process.

## **Sensitivity Testing**

- 15.7 The work by Arneil Johnston includes the testing of the baseline assumptions against a range of alternative scenarios. Alternative rent, investment and new build scenarios are tested. Whilst the impact of stand-alone scenarios are challenging, with appropriate management responses the Business Plan has capacity to withstand risks. Whilst the Management Committee must carefully monitor the performance of the Plan, alternative outcomes on rent affordability, investment efficiencies, and management and administration cost efficiencies are deliverable.

## **COVID-19**

- 15.8 It looks like the current legal, social and economic restrictions, as a result of the pandemic, will be with us for some time and will have significant social and economic impacts. The reality of higher unemployment, and how this might translate into higher arrears and higher voids have all been considered in preparing the BP. Expenditure assumptions have been prudent and income assumptions have been conservative.
- 15.9 The Government sets an inflation target of 2%, which is deemed a reasonable level to keep inflation low and stable. At the time of drafting this Business Plan the inflation rate (CPI) has risen to 2.4% (June 2021), up from 0.5% in September 2020 when our current rent increase was set. Some forecasts suggest inflation will continue to rise in 2021.
- 15.10 Regular testing of the Business Plan for fluctuating inflation and interest rates will be important, especially in terms of current & future borrowing assumptions. In addition, income and expenditure with inflation-linked assumptions will need to be tested, particularly in terms of the effect on rent increases.

## **Conclusion**

- 15.11 The work by Arneil Johnston concluded that the Association's Business Plan was financially viable and fundable in short, medium and long term.