Rutherglen and Cambuslang Housing Association

Business Plan Extract 2019 - 2022

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1.1 INTRODUCTION AND CONTEXT

This Business Plan covers the period from April 2019 to March 2022 and will be subject to annual review. The annual review will;

- Assess progress against strategic objectives
- Assess whether these objectives are still relevant
- Review the operating environment to identify any additional risk factors since the Plan was approved
- Review the financial performance against projections
- Review assumptions in the event of any changes in performance

The annual review will take place in February/March each year.

The process of preparing the Business Plan has been reviewed and approved by the Management Committee of the Association.

1.2 BACKGROUND TO RUTHERGLEN AND CAMBUSLANG HOUSING ASSOCIATION

Rutherglen and Cambuslang Housing Association is a Registered Social Landlord based in the Rutherglen and Cambuslang area. The Association is a registered charity and operates under the 2013 Charitable Model Rules and has a membership policy restricting membership to the G72 and G73 post code areas. It has one non- registered subsidiary company, the Aspire Community Development Company which undertakes wider role and community regeneration projects.

The Association was registered with the Housing Corporation as Rutherglen Housing Association in October 1980. The Association's first development contract started on site in 1982. Over the following 15 years it carried out rehabilitation contracts to almost 700 below tolerable standard properties, mainly in Rutherglen but also in Central Cambuslang and Hallside Village.

In 1996 the Association took transfer of 254 houses in the Circuit Estate in Cambuslang from Glasgow City Council. The Circuit programme was its major regeneration project between 1998 and 2006. Overall investment in the estate during the development period was £25M. The association now rents 60 modernised flats and 145 new houses in the area and in addition 60 houses were built for sale and the Association has marketed 15 houses for shared equity.

In 1996/97, the Association successfully bid for the Scottish Homes stock in the area and this was transferred in 1997. The total Scottish Homes Stock at the time of transfer was 265 located in five estates in Rutherglen and Cambuslang.

In recent years the Association has also been involved in the New Housing Partnership programme in partnership with South Lanarkshire Council. This produced 85 new homes for rent over six sites and 95 homes for low cost ownership through funding from the Scottish Executive, private loans and cross subsidy from sales.

In 2010 the Association completed the development of 63 new homes for rent in the Cathkin estate with funding from the Executive's Housing Estate Regeneration Fund as part of the Cathkin Ahead project. This project also saw the construction of 8 shared equity homes. The Association continues to develop small scale new build developments in Rutherglen and Cambuslang.

The Association has invested just over £60 million in the local community through government grants and private loans since its inception.

The Association now rents 818 properties in the Rutherglen/Cambuslang area and provides a full factoring service to a further 356 privately owned properties. In addition ground maintenance services are provides to 518 owner/occupiers.

1.3. MANAGEMENT COMMITTEE

The Management Committee of the Association is elected each year at the Annual General Meeting of its shareholders. Anyone who lives within the Rutherglen and

Cambuslang area can become a shareholder although the Association places particular emphasis on the involvement of tenants in managing its affairs.

The current Management Committee of the Association has a wealth of experience in managing the affairs of the organisation. The committee has a variety of skills and although each is a resident within the community they also possess professional skills which add to the strengths of the organisation. In recognition of the Regulatory and constitutional requirements the Association carries out an appraisal of each members skills and effectiveness each year and a training plan for the committee is in place. The Association recently reviewed its succession planning framework and was completed in 2018. The governance structure of the Association is through a main management committee served by several operational sub-committees and a framework of delegated authorities. The Committee Structure is shown in **Appendix One**.

1.4. STAFF

The Association employs 18 staff to carry out the day to day running of the organisation. The staff is structured into teams to deal with allocations/rent collection, maintenance, development, finance and factoring. The Association receives financial and accountancy services from FMD Financial Services. The Association does not employ any direct labour staff.

The Association is a full member of Employers in Voluntary Housing and as such is tied into that organisations salary negotiation framework, conditions of service and health and safety service.

The current staff structure is shown in **Appendix Two**.

1.5. THE ASPIRE COMMUNITY DEVELOPMENT COMPANY

The Association set up the Aspire Community Development Company in October 2000 to implement its wider role projects. The first of those was the development of the Aspire Business Centre which completed in 2003 and created 12,000 square feet of office space through the redevelopment of the old East Parish Church in Rutherglen. The Centre continues to provide high quality offices for local businesses and ownership was transferred to the association in 2014 as part of a review of the subsidiaries future role.

The company has one other project, the Caledonian Centre in Cambuslang which is a new community facility in the Circuit Estate in Cambuslang which completed in May 2009. The Centre comprises a 100 place childcare nursery which is leased to South Lanarkshire Council and a community wing with training and function rooms. The Centre was developed with input from the local community. Funding was sourced from a variety of funders including Europe, the Big Lottery, South Lanarkshire Council, the Scottish Government, Scottish Enterprise and the Clydesdale Bank.

The Association has in place a Joint Arrangement Deed and Management Agreement with Aspire and continues to provide support and is reviewing its future role in the area.

2. KEY PERFORMANCE INDICATORS AND INTERNAL AUDIT

In preparing this plan the Association has considered several key indicators from our internal and external monitoring framework and the key performance indicators of our business.

As a registered social landlord the Association is regulated by the Scottish Housing Regulator and as such we are subject to an annual risk assessment by the Regulator based on information returns submitted each year including the Annual Return on the Charter, five year financial projections, audited accounts and our loan portfolio. Following the introduction of the revised Regulatory Framework in April 2019 the Association will be submitting its first Assurance Statement to the regulator by October 2019. At the time of publication of this Plan the Association had no engagement with the Regulator with the exception of submitting annual information.

The Association has consistently performed well in the areas of maximizing its rental income and maintaining its properties. The table below shows our performance benchmarked against RSL's in our peer group based on 2018 ARC information.

	Benchmark	RCHA
Average Re-let Time in Days	14.97	14.95
Void Loss	2.77%	0.2%
Total Arrears	3.8%	2.85%
Average Time to Complete Emergency Repairs (Hours)	2.0	2.44
% Repairs Completed Right First Time	91.43%	87.00%
Average time taken to complete non-emergency repairs (hours)	3.08	3.34

A comprehensive list of the Associations key performance indicators and benchmarking of some of these with our peer group is contained within **Appendix Three**.

The Association completed a 4 year internal audit programme with The Internal Audit Association in 2017 and, after a competitive tender, engaged Alexander Sloan to carry out this function between 2017 and 2020. The results of our themed inspections to date by both companies, based on the Auditors grading structure of Substantial Assurance, Reasonable Assurance, Limited Assurance and No Assurance are summarised in the table below;

Audit Subject	Date	Level of Assurance
Financial Arrangements	January 2014	Reasonable Assurance
Gas safety Arrangements	January 2014	Substantial Assurance
ARC Reporting	March 2014	Substantial Assurance
Rent Arrears Control	April 2014	Substantial Assurance
Governance and Strategic Control	September 2014	Substantial Assurance
I.T Systems	October 2014	Reasonable Assurance
Budgetary Control	November 2014	Substantial Assurance
SHQS Compliance	February 2015	Substantial Assurance
Risk Management	August 2015	Substantial Assurance
Governance – Strategic Planning	December 2015	Substantial Assurance
Anti-Social Behaviour	January 2016	Substantial Assurance
Tenancy Sustainment	January 2016	Substantial Assurance
Factoring	December 2016	Reasonable Assurance
Gas Safety	November 2016	Substantial Assurance
Audit Subject	Date	Level of Assurance
Procurement	November 2016	Reasonable Assurance
Reactive Repairs	September 2016	Reasonable Assurance
Financial Arrangements*	October 2017	Substantial Assurance

GDPR (review of readiness)*	November 2017	Limited Assurance**
It and Data Security	November 2017	Reasonable Assurance
Arrears*	February 2018	Substantial Assurance
Voids*	February 2018	Substantial Assurance
Governance	May 2018	Reasonable Assurance
Procurement	August 2018	Reasonable Assurance
Development	November 2018	Substantial Assurance
Treasury Management and Financial Viability	February 2019	Substantial Assurance

*Alexander Sloan

** This visit was planned at our early stage of planning for GDPR to provide the association with a framework to work towards compliance.

3. CUSTOMER SATISFACTION

The association collects many statistics on its performance but one of the most important statistics is how our tenants view our performance. We therefore employ independent consultants from time to time to ask tenants views and the most recent survey was carried out in December 2016 and a further survey id scheduled for 2019. The survey did not only cover our performance but also asked tenants what they thought of their neighbourhood and services provided by others.

The survey contained the specific questions that the Housing Regulator expects RSL's to ask tenants so that these can be reported in the Annual Return on the Charter (ARC).

Overall, a total of 486 interviews were carried out with RCHA tenants, representing a 60% response rate and providing data accurate to +/- 2.75% based upon a 50% estimate at the 95% confidence level. Tenant interviews were spread across the Association's stock to ensure coverage of all stock types.

Key Survey Findings

The results of the 2016/17 survey reveal that, in general, the Association is performing to a high standard. The following points show the key findings of the survey:

- Overall satisfaction with the Association as a landlord is very high with 97% of tenants being either very or fairly satisfied. The proportion of respondents very or fairly satisfied with the overall service provided by their landlord has increased significantly since the 2013/14 survey increasing from 85% to 97%.
- Tenants perceptions of the Association have all increased since the 2013/14 survey with the most notable increase in agreement in terms of 'You trust your landlord' which has increased by 17 percentage points from 79% in 2013/14 to 96% in 2016/17.
- The vast majority of tenants were either very or fairly satisfied with the Association with regard to keeping them informed (98%). The main ways in which they wish to be kept informed are in writing, by telephone and via the Association's newsletter. Over three quarters of respondents (76%) use the internet. The proportion of respondents were either very or fairly satisfied with the Association with regard to keeping them informed has increased significantly since the 2013/14 survey increasing from 84% and 98%.

- In terms of participation opportunities, the majority of tenants who had a view were satisfied in this respect (94%), however, 6% were neither satisfied nor dissatisfied. Although the proportion of respondents very or fairly satisfied with the opportunities given to them to participate in the Association's decision making processes has increased significantly since the 2013/14 survey, increasing from 78% to 94%, only 66% of respondents were aware of ways they could become involved.

- 94% of respondents who had a repair carried out in the last 12 months were very or fairly satisfied with the service that they received compared to 2% who were neither satisfied nor dissatisfied and 5% who were neither satisfied nor dissatisfied. The proportion of respondents very or fairly satisfied with the repairs service provided has increased significantly since the 2013/14 survey increasing from 83% to 94%.

- Satisfaction with the customer care aspects of the repairs service was also very high with satisfaction ranging from 91% in terms of the length of time taken to undertake the repair to 96% in terms of the helpfulness of the Association staff involved. Compared to the 2013/14 survey satisfaction with customer care aspects of the repairs service has remained consistent or increased. The most notable increase in satisfaction can be seen in terms of the overall quality of the work undertaken which has increased by 10 percentage points from 82% to 92%.

- Almost all respondents were very or fairly satisfied with the quality of their home (98%) However, area based analysis indicates that satisfaction varies from 100% to 89% more locally. The lowest level of satisfaction is in Westburn where 4% of respondents stated that they were dissatisfied and 11% stated they were neither satisfied nor dissatisfied with the quality of their home. Satisfaction with the quality of the home has increased significantly since the 2013/14 survey increasing from 85% to 98%.

- In terms of the ground maintenance to common areas, almost all respondents were very or fairly satisfied. Since the 2013/14 survey the proportion of respondents very or fairly satisfied has increased significantly increasing from 83% to 99%.

- Similar to grounds maintenance the proportion of respondents very or fairly satisfied with the Association's management of the neighbourhood has also increased significantly since the 2013/14 survey with almost all respondents expressing satisfaction in this respect (98%). However, area based analysis indicates that satisfaction varies from 100% to 85% more locally. The lowest level of satisfaction is in the Westburn area where 2% of respondents stated they were dissatisfied with the management of their neighbourhood and 13% stated they were neither satisfied nor dissatisfied.

- Finally, with regard to rents and financial management, tenants were positive about the value for money their rent represents (87% stated that their rent represented good value for money). However the proportion of respondents who said they occasionally had difficulty in affording to pay their rent has increased from 22% in 2013/14 to 32% in 2016/17.

Overall Satisfaction

Scottish Housing Regulator Indicators	**2013/14**	**2016/17**
Taking everything into account, how satisfied or dissatisfied are you with the overall service provided by RCHA? *(% very/ fairly satisfied) NB Quality of services in 2011*	85%	97%
How good or poor do you feel RCHA is at keeping you informed about their services and decisions? *(%very good/ fairly good)*	84%	98%
How satisfied or dissatisfied are you with the opportunities given to you to participate in RCHA's decision making process? *(% very/ fairly satisfied)*	78%	94%
Thinking about the LAST time you had repairs carried out, how satisfied or dissatisfied were you with the repairs and maintenance service provided by RCHA? *(% very/ fairly satisfied)*	83%	94%

Scottish Housing Regulator Indicators	2013/14	2016/17
Overall, how satisfied or dissatisfied are you with the quality of your home? *(% very/ fairly satisfied)*	85%	98%
[IF LIVED IN THEIR PROPERTY FOR LESS THAN 12 MONTHS] Thinking about when you moved in, how satisfied or dissatisfied are you with the standard of your home? *(% very/ fairly satisfied)*	85%	86%
Taking into account the accommodation and services RCHA provides, to what extent do you think that the rent for this property represents good or poor value for money? Is it… *(% very good value/ fairly good value)*	79%	87%
Overall, how satisfied or dissatisfied are you with RCHA ‘s management of the neighbourhood you live in?	88%	98%

4. 2016-2019 BUSINESS REVIEW

During the 3 year period of the Associations last business plan it continued to operate in a challenging environment which not only affected our business activities but also impacted on our tenants. We recognised that the success of the organisation going forward relied on the support that we can offer our tenants to live in affordable well maintained fuel efficient properties and to assist them to overcome the challenges facing them in the current financial climate.

Reduced Government subsidies and a challenging borrowing environment also made it difficult to develop new homes despite the pressure on our housing list. The Association took the decision to take a development break in 2013 due to the increased risk of developing in that environment. An increase in subsidy levels and improved appetite for lending from banks caused it to review that policy and a site start on a 37 new build project in Rutherglen received Scottish Government approval in March 2017 and this is scheduled to complete in May 2019. Although the Association has a track record of development and expertise it assesses the risk of each potential project on an ongoing basis. We are continuing to consider smaller development opportunities that will meet our strategic requirements in the future.

Despite these challenges, however, the association continued to perform efficiently and achieve high performance standards. Our key business objectives over the last three years have been;

- The investment of almost £1.5M in our planned and cyclical maintenance programme in line with our asset management strategy
- The achievement of SHQS in all of our properties apart from allowable exceptions
- The purchase of new integrated housing management, factoring and financial software
- A programme of committee appraisals and training to ensure the strong governance of the organisation

- Continuation of our asset management strategy moving towards achieving the 2020 EESSH standard
- Ensure that the association and our tenants are not significantly adversely affected by the introduction of Universal Credit.
- Addressing succession planning for both the committee and senior staff team
- Provide a range of opportunities for effective resident involvement including governance, satisfaction, scrutiny, participation and communication
- Enhancing our activities through the use of technology
- Construct 37 flats for elderly and infirm tenants in Cathcart Road, Rutherglen
- Consider how we fund/resource a future development programme. This looked at staffing issues and the impact and availability of additional borrowing
- Related to the above and to our succession plan, the committee felt that it may be prudent to carry out a comprehensive review of our future viability as an independent organisation including a review of our financial projections and governance capacity particularly in the next 5 years when there could potentially be significant changes in committee membership and senior staff.

The Association reviewed progress against these objectives in May 2018 to identify achievements and any barriers to success, exploring new issues may have arisen and identifying any opportunities for the following year. The result of this review is as follows;

- **The investment of almost £1.5M in our planned and cyclical maintenance programme in line with our asset management strategy.**

  This was achieved in line with its asset management strategy although some replacement/cyclical cycles were adjusted as a result of condition surveys.
- **The achievement of SHQS in all of our properties apart from allowable exceptions.**

  This was achieved
- **The purchase of new integrated housing management, factoring and financial software.**

  This was achieved and is now integrated with our tenant portal

- **A programme of committee appraisals and training to ensure the strong governance of the organisation.**

  This is ongoing and reviews are carried out on an annual basis. External consultants are used every 3 years and internal reviews are carried out in the intervening years. The next external review is scheduled for 2020.

- **Continuation of our asset management strategy moving towards achieving the 2020 EESSH standard.**

  This is still work in progress but we are already well ahead and will meet the target by 2020.

- **Ensure that the association and our tenants are not significantly adversely affected by the introduction of Universal Credit.**

  The Governments intervention on the bedroom tax made this less of an issue initially but full Universal Credit has now been rolled out in our area and it is therefore something the Association should be mindful of and continue to work on. We are providing IT assistance in the office and staff will soon have tablets (portable internet access) when visiting tenants homes and this will help. We are constantly including articles in our newsletter and signposting tenants to advice agencies.

- **Addressing succession planning for both the committee and senior staff team.**

  The Association agreed a Succession Plan April 2018 and this has produced some further options. It is still a high priority for the Association particularly in relation to Governance.

- **Provide a range of opportunities for effective resident involvement including governance, satisfaction, scrutiny, participation and communication.**

  We continue to get very limited feedback on efforts to engage directly with tenants. During our rent increase review in 2018 we asked for tenants who would be interested in joining focus groups particularly to look at rents and affordability. It was thought that this would generate some interest particularly when it was included in a rent increase letter. Only one tenant responded and we are continuing to look at options.

- **Enhancing our activities through the use of technology.**

  Our new website was launched in December 2018 and this gives tenants a variety of online options from paying rent to reporting repairs and providing online feedback to our service and potentially online forums. This last option may provide an avenue for focus groups to provide feedback as it is easier to do this online, at home than attend meetings. Tenants will also have access to their tenant letter data base and a repairs history. As noted above staff will also carry tablets on home visits to access Universal Credit accounts and to access our rent accounting system.

- **Construct 37 flats for elderly and infirm tenants in Cathcart Road, Rutherglen.**
  This is on site and due for completion in May 2019

- **Consider how we fund/resource a future development programme. This looked at staffing issues and the impact and availability of additional borrowing.**

  Our development programme continues to be small scale and can be administered by the current staff team who have the requisite experience. It is unlikely that the programme will increase to such an extent that we need to look to buy in services but that would be the preferred option rather than employ additional staff. All of our current lenders with the exception of the Nationwide Building Society have expressed a willingness to lend on development projects on the basis of an assessment of the Association financial position and projections.

- **Related to the above and to our succession plan, the committee felt that it may be prudent to carry out a comprehensive review of our future viability as an independent organisation including a review of our financial projections and governance capacity particularly in the next 5 years when there could potentially be significant changes in committee membership and senior staff.**
  As part of the process of preparing this business plan the Association carried out a full review of its 30 year financial projections, this was completed in March 2019. Following on from this an options appraisal will be carried out in the early part of this business plan.

The Association has therefore achieved its objectives over the previous three years although some aspects of these will carry forward into this business plan.

5. Vision and Strategic Objectives: 2019-22

The Association's Management Committee and staff carried out a review of its business at a strategy day held in January 2019. Committee spent some time looking at the Scottish Housing Regulators guidance on the preparation of business plans.

Committee reviewed our current aim, strategy and objectives and analysed the its current operating environment and its overall performance over the previous 3 years. This analysed;

- 38 performance indicators for the previous 3 years from the Associations ARC return benchmarked against its peer group
- Progress towards achieving EESSH by 2020
- The results of its 25 internal audit reports covering the previous 3 years
- The results of its most recent comprehensive tenant satisfaction survey

Following on from this a SWOT analysis was carried out by the management committee the results of which are shown in Figure 1.

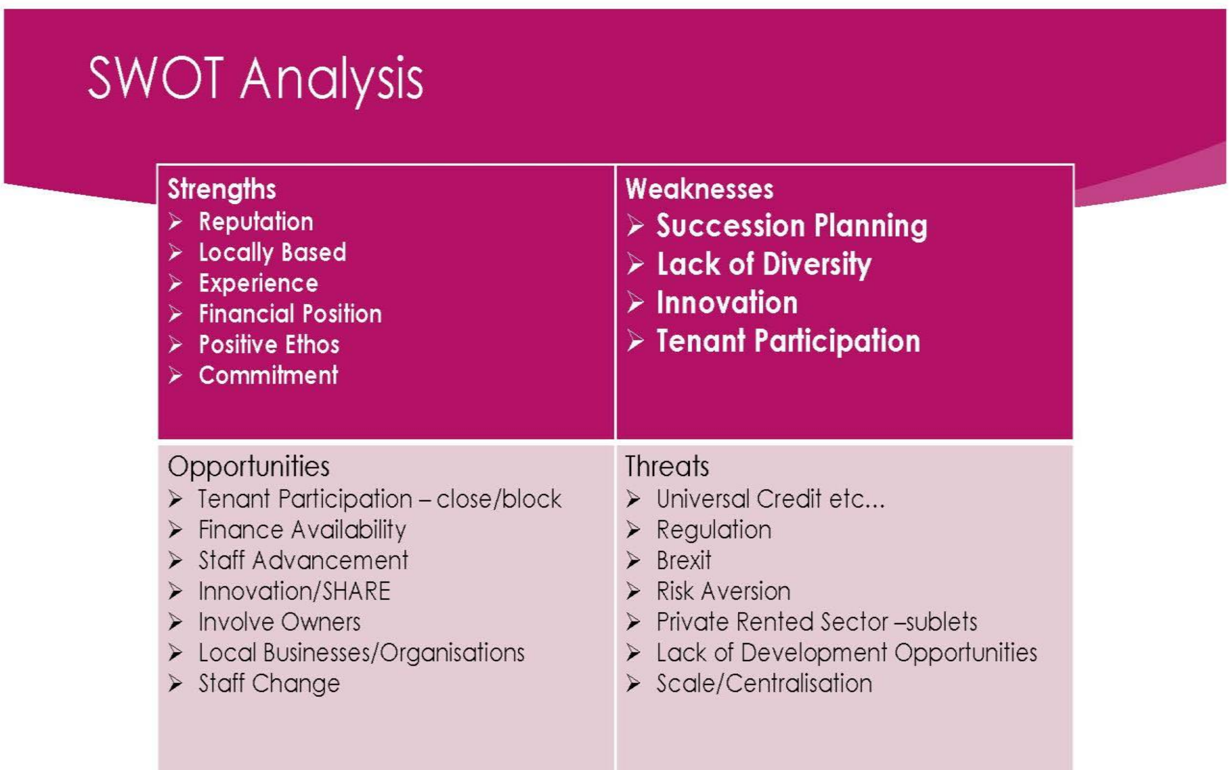


Figure 1- SWOT Analysis

This informed an agreed vision for the organisation over the course of the business plan. as follows:

“To continue to provide good quality housing, promote innovation and encourage community involvement”

Following on from this, six strategic objectives and associated actions to achieve these were agreed to enable the Association to achieve this vision, as follows:

- **Provide quality homes and services at the right price for our tenants**
  - Carry out scheduled tenant satisfaction survey and analyse results in relation to services and produce action plan to address any issues
  - Continue to invest in properties to meet EESSH
  - Review our services to ensure we provide value for money
  - Develop web site for ongoing feedback

- **Focus on innovation and growth to deliver quality homes and services**
  - Continue to develop new homes within our financial capabilities
  - Look at enhanced options/specification for new house building for particular needs

- **Engage with our diverse communities**
  - Review resident participation strategy
  - Engage with local businesses
  - Engage with disability/ethnic minority groups
  - Engage with schools/colleges

- **Addressing staff succession planning and develop the skills of our team**
  - Plan for succession
  - Look at existing structure

- **Ensure that the association and our tenants are not significantly adversely affected by the introduction of Universal Credit.**
  - Continue to update advice to tenants
  - Provide advice surgeries in office
  - Provide online assistance in office
  - Liaise with partner organisations over implementation

- **To consider the risk that Brexit presents to our continuing ability to deliver for our tenants and others who rely on the services we provide**
  - Include sensitivity analysis in our financial projections to cover issues raised by Brexit

- Review loan interest rates when taking out new loans

6. RISK MANAGEMENT

The Association has developed a robust approach to risk management. The following key principles outline the responsibilities for risk management and internal control:

Governing Body (Management Committee)

The Governing Body is responsible for overseeing risk management in the Association as a whole, specifically:

- Agreeing the risk management framework within the Association
- Setting the risk appetite for the Association
- Directing the risk strategy
- Receiving reports and demand action where appropriate

Management Team

The management team is led by the Director and has responsibility for:

- Implementing policies on risk management and internal control.
- Identifying and evaluating the key inherent risks faced by the Association. These risks will be set out in a "risk register".
- Providing adequate, timely information to the Governing Body and its sub committees on the status of risk and controls.
- Undertaking an annual review of the effectiveness of the system of internal control and providing a report to the Governing Body.

Operational staff are responsible for the co-ordination of the risk management review and liaison with the Finance team on the transfer of risks to insurers, where appropriate.

Finance, Risk and Audit Sub Committee

The Finance sub-committee satisfies itself that the risk management process is effective, taking advice from the senior management team and internal audit. The internal audit function has a central role in reviewing the governance, risk and control issues within the Association. Advice is also obtained from the external auditor as part of the review of governance in the annual audit.

Risk management incorporates a number of elements that together facilitate an effective and efficient operation, enabling the Association to respond to a variety of operational, financial and commercial risks. These elements include:

Policies and Procedures

Attached to key risks are a series of policies that underpin the internal control process. The policies are set by the Management Committee and implemented and disseminated throughout the Association by the management team. Written procedures support the policies.

Quarterly Reporting

Comprehensive quarterly reporting on performance is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the management team or by the Management Committee on a quarterly basis as appropriate.

Business Planning and Budgeting

The business planning and budgeting process is used to set objectives, agree action plans and allocate resources. Progress towards meeting Business Plan objectives is monitored quarterly.

Risk Register

The risk register is compiled by the management team and helps to facilitate the identification, assessment and ongoing monitoring of risks significant to the Association. The document is formally appraised annually as part of the Business Plan process but emerging risks are added as required. The management team also reviews the document on a six monthly basis.

Internal Audit Programme

Internal audit is an important element in the internal control process. Internal Audit ensures that risk management is embedded within the Association and is responsible for carrying out individual assignments to enable the delivery of proactive advice to the Management Committee. The internal audit programme will address the key risks within the Association, effectiveness of the internal control system, and the extent to which it can be relied upon however as importantly it will focus on providing and enhancing good practice within our activities.

External Audit

External audit provides feedback to the Governing Body on the operation of those aspects of the internal control system reviewed as part of the annual audit. They shall also provide a comment on the general governance arrangements within the Association.

7. SHQS AND EESSH

All of the Associations properties achieved the SHQS in 2015 with the exception of those with permitted exemptions. These were areas where it is physically impossible to achieve improvements in older tenement stock and where door entry systems cannot be upgraded because owners will not contribute to the cost.

Moving forward, the Association is confident that it will meet the 2020 EESSH standard and that we have the resources within our asset management strategy to achieve this. A summary of our progress to date is included **Appendix Four**

8. 30 YEAR PROJECTIONS AND BUDGET

INTRODUCTION

The main focus of the Association is on the improvement and management of housing in the Rutherglen and Cambuslang areas of Glasgow. To this end the Association owns 855 fully rented and 9 shared ownership properties. In addition it also provides a full factoring service to a further 351 owners and ground maintenance services to a further 593 owners. Included in the 855 properties are 37 units due to be completed early April 2019.

The Association starts the period under review with projected cash reserves of £1.33m and loan debt of £10.4m.

The Association's Maintenance Manager has just completed a comprehensive review of all its planned and cyclical costs, including all component replacements and this is incorporated into these projections.

The end result of these projections show that whilst cash will remain at around £1m over the next three year period, once various loans and the current pension deficit is repaid the cash reserves increase, whilst at the same time delivering a high level of service to its customers and delivering its planned maintenance programme.

CURRENT OPERATING ENVIRONMENT

In considering the main assumptions to be employed within the business planning model recognition requires to be taken of the current financial and political climate which the Association is expecting to operate within.

Main factors include:-

- Global economic and political climate including Brexit
- UK Government cuts
- Welfare reform
- EESH
- Pension deficits
- Low interest rates, but rising
- UK headline inflation
- Increased lender and SHR interest
- Expectation of service level improvements

Within this plan the following material assumptions should be noted:-

- No new build activity, other than in year one.
- Inflation levels at 2% over the long term
- Rent rises at CPI plus 1% for the first 5 years and then CPI only thereafter
- Bad Debts increasing over the long term, reflecting welfare reforms
- Staff structure to remain constant given that it meets current operational needs
- Planned maintenance costs updated January 2019
- Real maintenance cost increases at 0.5% over 30 years
- Real increases of 0.5% in management costs until year 10
- All staff to remain in their present pension scheme arrangements
- LIBOR/BASE rate increases annually up until a maximum of 4% by year 7
- No requirements for additional debt, after year one development
- All debt repaid by year 26
- Increased rent arrears to reflect effects of welfare reform

ASSUMPTIONS AND COMMENT

Base Data and Stock Levels

The Association's rented housing stock levels at the start of 2019/20 comprises of 855 general rented units and 9 shared ownership properties.

Rental Policy

Recent rent level comparisons from the SHR website notes the following information:-

Average Weekly RSL Rents – Local Landlords (2017 - 2018)					
	Rutherglen & Cambuslang	Barrhead HA	Rosehill HA	Paisley HA	Williamsburgh HA
1 Apt	£39.64	£61.75	n/a	£54.26	£54.77
2 Apt	£56.56	£73.72	£63.92	£78.98	£65.05
3 Apt	£79.68	£86.46	£71.91	£83.29	£74.04
4 Apt	£90.02	£92.55	£71.53	£89.75	£82.53
5+ Apt	£114.01	£112.90	£76.39	£105.06	£94.62

Information from the Scottish Housing Regulators website

As can be seen from the above, the Association's rents for the one and two apartment properties are significantly less than those of their peer group equivalents. Conversely, for the 5 and over apartment sizes the Association's rents are the highest in the selected peer-group.

The Association is attempting to address this by applying a flat rate increase for all tenants, rather than the more usual straight percentage increase. This will have the effect of reducing these differentials.

For 2019/20 the Association has approved a rent increase of 3.5%, being approximately CPI plus 1% (roughly equivalent to RPI). To ensure longer-term viability it is the Association's intention within this base model to increase rents by CPI plus 1% for the first five years and by CPI only thereafter.

As at January 2019 around 39% of tenants are in receipt of full housing benefit with a further 16% on partial housing benefit. In addition, the Association has 18% of its tenants now in receipt of universal credit, giving a total of 73% of its tenants receiving some form of benefit assistance. The past 12 months has seen about 10% of the Association's tenants move from claiming housing benefit to claiming universal credit. Of the 149 tenants on universal credit, 109 are in arrears totalling £83,284, showing the need for prudent assumptions when estimating voids and bad debts moving forward.

The base model assumes rents increasing at inflation (CPI) plus 1% for the first five years and thereafter at CPI only. This will be subject to review on an annual basis with a view to keeping rent increases to a minimum where possible. The Association considers the potential for affordability issues with its tenants but at present foresees no material concerns in this respect.

The following sensitivities were carried out on the rent increase assumptions. If rents were to be at CPI plus 1.00% for 10 years instead of 5 years, the cash balance at year 30 would increase by £7.4m. Conversely, if the increase over the next 5 years was at CPI plus 0.50% cash at year 30 would reduce by £3.3m and if the whole 30 years were running rent increases at CPI only cash would reduce at year 30 by £6.6m. At no point would this produce a negative cash figure.

The ability of the Association to apply continued restricted increases will depend upon changes in the economy and performance compared with the approved business plan.

Net rent arrears as at 31 March 2018 were 2.00% (2017 – 1.5%) compared with a national median of 2.3%, per the Scottish Housing Regulator's published statistics.

Gross arrears as at 31 March 2018 were 3.11% and this model has this figure increasing to 5% by year 3 and remaining at this level until year 7. From year 8 this reduces to 4% and remains at this increased level for the remainder of the 30 year period. This increase is to recognise the impact of universal credit and welfare reform.

Voids and Bad Debts

For the year to 31 March 2018 voids and bad debts for the Association's stock were 0.30% (2016 – 0.30%) and 0.70% (2017 – 0.40%) respectively. The national median for 2018 was voids 0.60% and bad debts at 0.60%. It can be seen that the Association is operating in line with or better than the national average.

In the base model voids have been increased to 0.50% and bad debts at 1.00%, with sensitivity testing assuming both increase by a further 1.00% in total. These increased assumptions represent an increase in rent losses over the long term to reflect ongoing welfare reform and prudent financial planning. This increase is a business planning assumption as opposed to a specific target.

Other Income

This includes rent and service charge income from the business centre tenants, commercial rents from two shops, management fees from the 351 properties the Association factors and charges for ground maintenance work on a further 593 properties.

The Association is in the process of reviewing its factoring charges but any increases have not been included in these projections until any increases are known.

Major Repairs

In November/December 2018 the Association's Maintenance Manager updated the Association's life cycle costings. This is a comprehensive, scheme by scheme, analysis of all the Association's housing stock looking at estimated replacement dates and costs for all component replacements going forward. John has extensive experience of the Association's stock and this updated plan has been incorporated into these current 30-year projections.

As a result of the above the Association now has comprehensive 30-year life cycle costings to inform its financial planning. Over the 30 years the Association is planning on investing over £23m on component replacements, with a further £12.2m due to be spent on other planned and cyclical maintenance.

The planned spend is profiled as follows:

Years 1 – 10	£6,161,109
Years 11 – 20	£10,727,084
Years 21 – 30	£6,491,721
Total Estimated Spend	**£23,379,914**

Assumes inflation at 2% and a real cost increase of 0.05% p.a. for the whole 30 years.

The Association's stock is 100% SHQS compliant and full compliance with EESH is planned before the 2020 deadline.

The base model assumes that planned maintenance costs run out at CPI plus 0.50% for the whole 30 years. If these costs were to be at CPI only there would be a savings over the 30 years of £3.9m.

A sensitivity was also ran assuming that all planned maintenance costs increased by 5%. This would result in an additional £1.8m of costs over the 30 years.

Taking account of our knowledge of the stock, the Association is satisfied that costs can be contained within sums provided for in the financial model.

Cyclical and Non Component Planned Maintenance

Cyclical and non-component planned maintenance costs per unit are estimated at an average of £476 per unit per year averaged over the 30-year period of the projections. These costs are based on updated revisions to the cyclical maintenance programme, in January/February 2019. These cyclical costs include the installation of smoke alarms and heat detectors in line with the recent Scottish Government guidelines. It also provides for their subsequent replacement.

Costs include painter work, gutter cleaning, electrical checks, gas safety checks, roof anchors, smoke detectors and CO^2 detectors and ground maintenance costs.

Taking account of our knowledge of the stock, the Association is satisfied that costs can be contained within sums provided for in the financial model.

Reactive Maintenance (inc. Void Repairs)

Over the last three years reactive repair costs have been:

2015/2016	£444 per unit per annum
2016/2017	£507 per unit per annum
2017/2018	£433 per unit per annum

These projections start from an assumption of £476 per unit per annum and this figure is increased each year in line with inflation plus a real cost increase of 0.5% per annum over the whole period. The Association does not use a single "all trades" contractor, feeling it gets better value for money using specialist trade contractors.

Taking account of our knowledge of the stock, the Association is satisfied that costs can be contained within sums provided for in the financial model.

Management and Administration

The Association's management and administration costs cover all staff and overhead costs related to the running of the Association. Over recent years the Association's costs per unit have ran at about £100 above the national medial (see table below). However, there are various cost savings included in these projections which should bring the Association more in line with the national average, as the Association continues to strive for better value for money within its operating costs. Such cost savings include insurance costs and salary costs.

	Rutherglen HA	National Average
2015/2016	£1,270	£1,193
2016/2017	£1,378	£1,228
2017/2018	£1,417	£1,270

Statistical data taken from Scottish Housing Regulator's website.

Management costs are assumed as increasing in real terms by 0.5% per annum until year 10. This is a prudent planning assumption as opposed to a specific target.

Sensitivities were ran to test the impact of saving £50,000 per year on management costs and if achieved would result in savings of £3.0m over the 30 year period.

Likewise, an increase in management costs of 5% would result in cost increases of £3.0m.
Subject to no other material adverse changes this position could be managed by the Association.

Other Fixed Assets

The long-term projections include replacement costs for furniture, fittings and equipment, and upgrading ICT over the plan period. The total expenditure on these items over the 30 years is £814,465, with an average annual spend of around £27,149. The largest part of this will be spent on maintaining and improving and developing the Associations IT and communications systems.

Cash Management

As at 31 March 2019 it is projected that the Association will have £1,330,404, in cash reserves.

Due to the size of its planned maintenance programme and its contributions towards the past pension deficit the level of cash is expected to reduce to £890,453 by the end of year three. At this point the pension deficit payments should end and in year five, two of the Association's loans are repaid. At this point the Association's cash levels steadily increase ending the 30 year period at £23.7m. This is not to suggest that the

Association is planning to build cash up to £23.7m, but it does demonstrate its ability going forward to generate sufficient cash to deliver its plans.

This is consistent with the Association's objectives of maintaining sufficient cash reserves to meet its needs, ensuring that the properties are maintained to a high standard of repair, whilst ensuring that rents remain affordable for the Association's tenants.

Loan Finance and Stock Value

As at 31 March 2019 the Association expects its loan debt to be £10.4m The Association's lenders are RBS, Bank of Scotland, the Clydesdale Bank and the Nationwide.

At 31 March 2018 the Association had an average debt per unit of £10,740. This is in line with the Scottish national average of £10,584 per unit.

Net debt per unit as at 31 March 2018 was £8,612 per unit, compared to a national average of £7,315 per unit, slightly higher than the Scottish national average.

At the end of year one the mix of fixed interest debt to variable debt is 23% to 77%. This is currently outside the recommended mix in the Association's Treasury Management Policy which recommends that the fixed element should be between 40% and 60%. The reason for this is the recent ending of two fixed rate loans. It is the Association's intention to review this following the completion of these projections with a view to selecting appropriate variable rate loans to fix longer term.

These projections show BASE rate and LIBOR increasing from its current levels of 0.75% and 0.86% respectively to 4.00% by year 7 and remaining at that level for the remainder of the 30 years. Sensitivity testing has been done to test the impact of rates increasing to 6% which would show a reduction in the cash at year 30 of £1.0m.

The Association has no specific loan covenants with the Nationwide Building Society but it does have several covenants to meet with its other three lenders. These are set out in the financial projections in the form of a dashboard showing all of the covenants for the next 10 years. In addition to the dashboard there are calculations for the whole 30 year period. In all cashes the covenants are showing as met.

It is also worth noting that the level of security held with each lender is significantly more than the debt held, which will be to the Association's advantage should it require further borrowing.

Sensitivity Analysis

Sensitivities are largely modelled on varying rent increases, changing inflation assumptions, void and bad debt losses, management and maintenance costs and reductions to net income.

A range of both positive and negative sensitivities were applied to the base model with the results shown in the financial data. None of the negative sensitivities on their own made the cash go negative, nor did they breach any covenants.

In addition to the above a couple of negative scenarios were ran where three of the negative sensitivities were ran together. Even with these the cash remained positive – however one loan covenant was breached in year 12. However, this would not happen because corrective action on the income side would have been made well in advance of this.

The sensitivity testing showed that the Association has the ability to withstand several negative impacts simultaneously and maintain positive cash levels.

Risk Management

The Association regularly considers risks facing the organisation and updates its risk register accordingly. Risks associated with welfare reform, rent arrears, stock condition and loan agreement compliance, all feature as main risks for the Association.

Summary

The Association commences the plan period with total reserves of £17.8m.

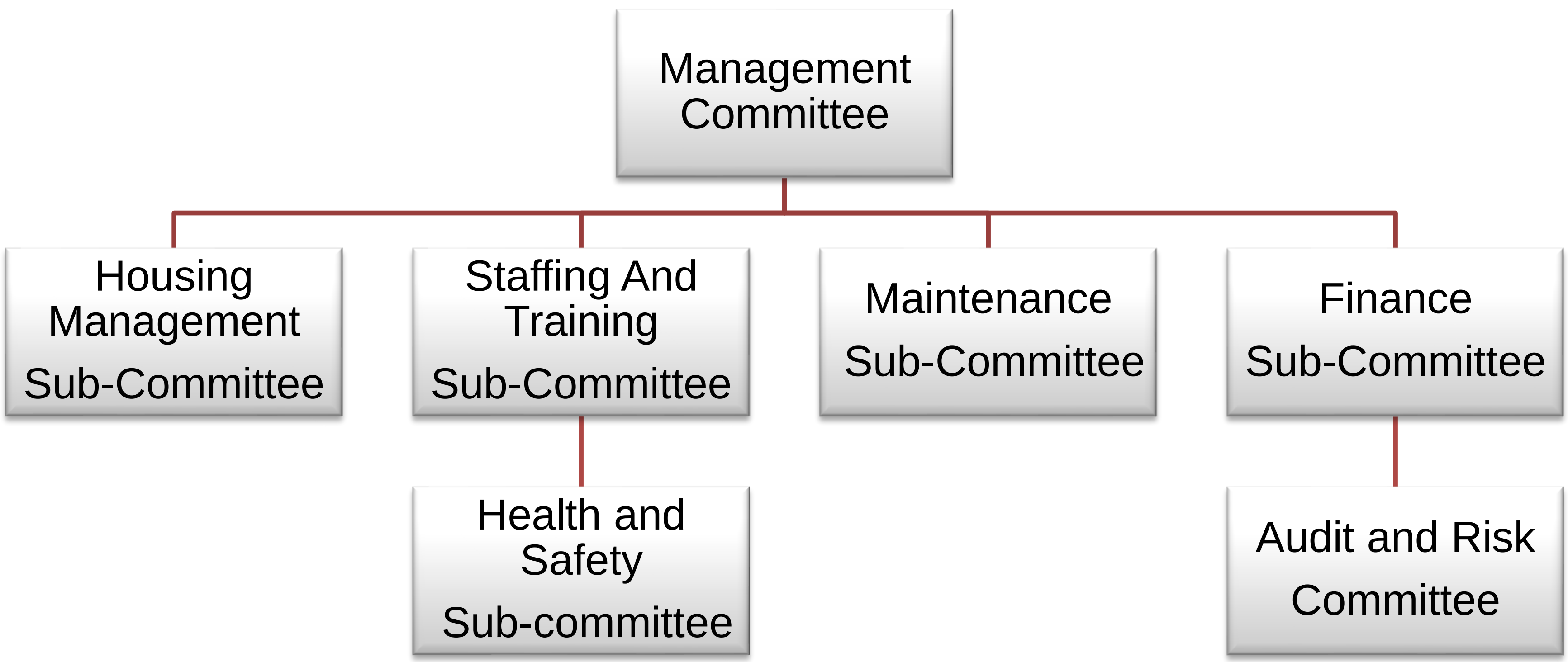
Based on reasonable assumptions the Association's financial projections show annual surpluses and confirm more than adequate liquidity in order to allow implementation of the financial plans. No material concerns arise in respect of loan covenant compliance and the Association continues to operate in a satisfactory manner throughout the period of these projections.

The sensitivity analysis undertaken by the Association shows that each of the adverse scenarios could, assuming they arise as single events, be capable of being managed by the Association. Many factors remain within the Association's control such as rental policy, staffing levels, the timing of maintenance contracts and any adverse testing of these in isolation can be seen to be manageable by the Association. The combined adverse sensitivities would however require to be managed by the Association on an ongoing basis.

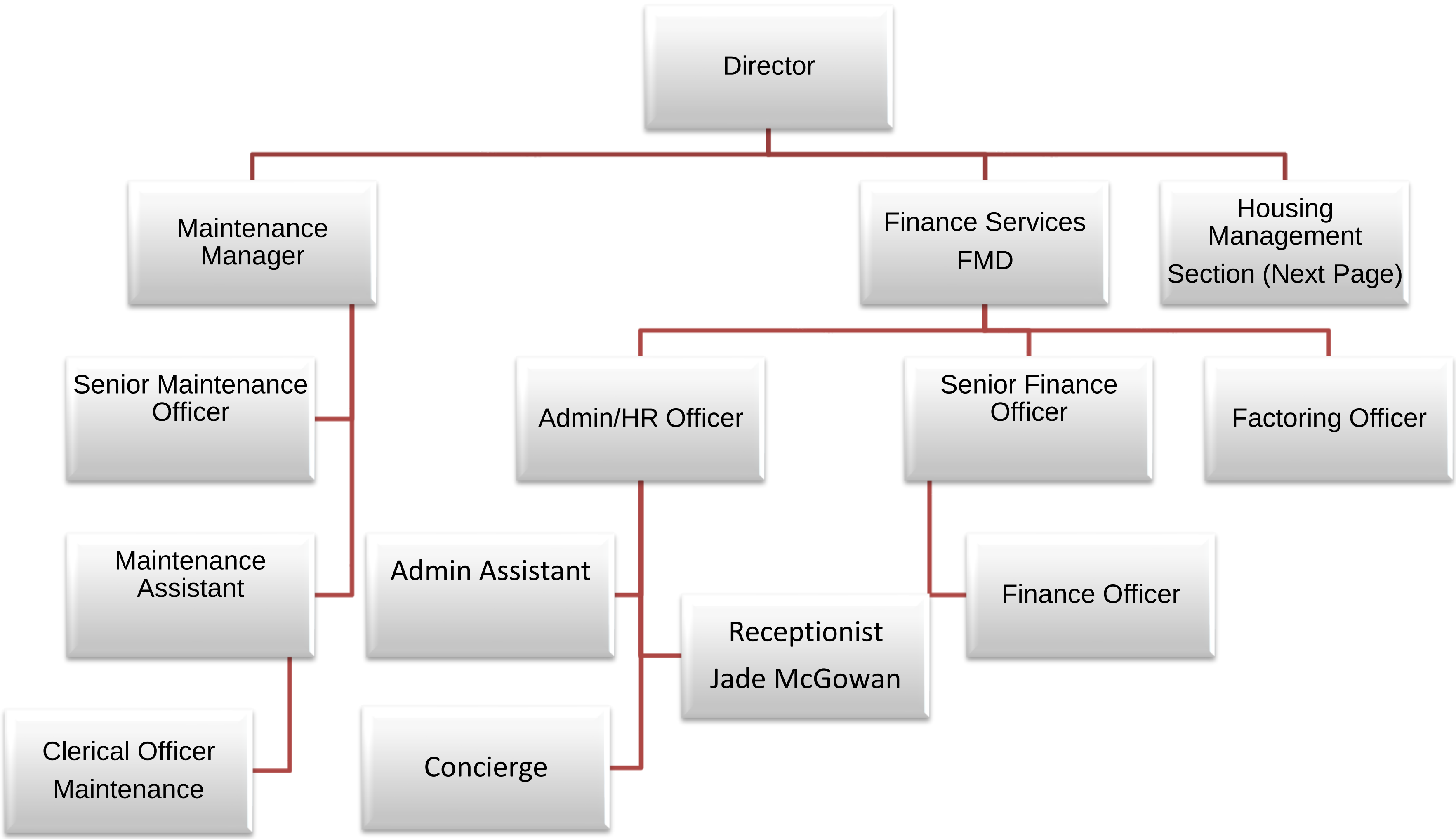
The Association shall continue to produce its long term projections on an annual basis. The short term annual budget exercise considers the first 12 months of the plan period in detail and the quarterly management accounts shall be used to monitor achievement of the short term budget. As long as the short term position remains broadly in line with the annual budget then the Association's overall financial plans shall remain on target.

The management committee approved the budget for 2019/20 in March 2019 taking into account our business objectives and our ongoing operating costs and maintenance programme and a summary of this is contained within **Appendix Five**.

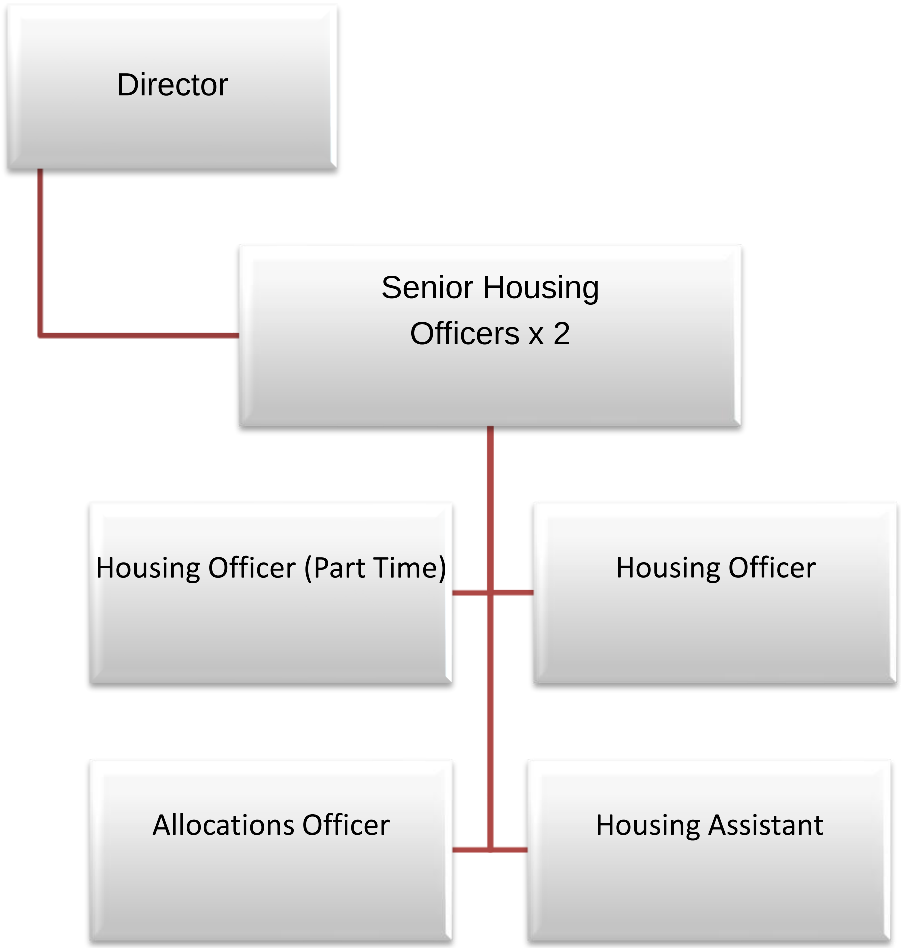
Appendix One; Committee Structure



Appendix Two; Staff Structure 2017/18



Appendix Two; Staff Structure (cont.) Housing Management Section



Appendix Three; Key Statistics/Performance Indicators 2016 – 2018

Indicator	2016	2017	2018	Benchmark/Average
% of Staff time lost through sickness	3.51%	3.4%	3.6%	4.34%
Number of lets	46	64	42	77
Number on housing list	643	672	624	362
Number of low demand stock	71	71	71	
Total lettable units	824	821	818	898
SHQS: Total Exempt Properties	51	60	60	
SHQS: Total compliant	771 (93.57%)	758 (92.32%)	755 (92.3%)	
SHQS: % Compliant (excluding exemptions)	100	100	100	93.36%
Total Reactive repairs	3142	3142	2610	2,700
Average time to complete reactive repairs	N/A	N/A	N/A	N/A
Total Number of non-emergency repairs carried out	3004	3030	2521	2,739
Average time to complete non-emergency repairs	2.72 days	3.3 days	3.08	3.18 days
Total emergency repairs	138	112	89	
Average time to complete emergency repairs	1.83 hours	2.24 hours	2 Hours	2.04 hours
Average Number of reactive repairs Per Property	3.91	3.83	3.19	3.00

Indicator	2016	2017	2018	Benchmark/Average
% reactive repairs completed right first time	90.51%	88.45%	91.43%	94.78%
% of appointments kept by contractors	95.05%	93.84%	99.9%	89.54%
% of properties with gas safety certificate	100%	100%	100%	100%
Stock turnover	6.19%	7.8%	4.89%	8.6%
Average time to relet properties	9.8 days	10.27days	14.74 days	14.95 days
Number of tenancy offers made during the year	65	87	73	132
Number of tenancy offers refused during the year	19 (29.23%)	23 (26.44%)	31 (42.47%)	52 (30.53%)
Rent collected as % of rent receivable	99.39%	98.9%	98.94%	99.97%%
Gross Arrears	2.64%	2.53%	3.46%	3.87%
Void loss	0.13%	0.17%	0.2%	0.36%
Former Tenant Arrears	£18,081	£22,900	£23,567	£51,060
Former Tenant Arrears Written Off	6459 (36%)	£9,512 (41.5%)	£19,044 (43%)	22,848 (44%)
Number of Court Actions Initiated	18	13	26	11
Number of Properties Recovered	3 (16.67%)	3	3	3
Number of Notices of Proceedings Issued	52	59	68	38
Number of orders for recovery of possession granted	7	8	5	8

Indicator	2016	2017	2018	Benchmark/Average
Number of Complaints Received during the Year	14	21	3	38
Percentage of Complaints Dealt With on Target	100%	100%	100%	93%
Number of Anti-Social Complaints	54	44	37	75
Number dealt with within agreed target.	82%	93.18%	32 (86.5%)	94%

Benchmark/ Average Figures are from Scottish Housing Regulator RSL Statistics 2018 based on our peer group

Appendix Four - Progress Against EESSH

C33.3 Number of self contained properties in scope of the EESSH

	Gas	Electric	Other fuels	Total
Flats	368	4	0	372
Four-in-a-block	77	0	0	77
Houses (other than detached)	355	7	0	362
Detached houses	7	0	0	7
Total	807	11	0	818

C33.5 Number of properties in scope of the EESSH that do not meet the standard

	Gas	Electric	Other fuels	Total
Flats	82	1	0	83
Four-in-a-block	0	0	0	0
Houses (other than detached)	1	3	0	4
Detached houses	0	0	0	0
Total	83	4	0	87

C33.6 Number of properties in scope of the EESSH that are exempt the standard

	Gas	Electric	Other fuels	Total
Flats	1	1	0	2
Four-in-a-block	0	0	0	0
Houses (other than detached)	0	0	0	0
Detached houses	0	0	0	0
Total	1	1	0	2

C33.7 Number of properties in scope of the EESSH that meet the standard

	Gas	Electric	Other fuels	Total
Flats	285	2	0	287
Four-in-a-block	77	0	0	77
Houses (other than detached)	354	4	0	358
Detached houses	7	0	0	7
Total	723	6	0	729

Appendix Five; Budget 2019/20

STOCK
The enclosed budget document for the year to 31 March 2020 assumes the additional 37 units at Glenroyal Nursery will be completed and let. The total number of rented units through the year will be 868, including 9 shared ownership properties.

TURNOVER
Turnover is estimated at **£4,057,231** (2019: £3,746,375). This is made up of net rental income, factoring income, business centre rental income, commercial rents, grants (Stage 3 adaptations) and amortised HAG. The budget is based on a recommended 3.5% rent increase. Void loss has been assumed at 0.3% for the year.

OPERATING COSTS
Operating costs are estimated at **£3,285,722** (2019: £3,136,534)**,** leaving an operating surplus of **£771,509** (2019: £609,841).

STAFFING COSTS
Salary and service costs are estimated at £878,244 (2019: £820,196). This includes a 2.3% increase and includes any incremental increases due. Staffing numbers remain at 18.
The budget assumes the Association will continue to offer the Final Salary scheme to employees with employer contributions of 12.6% and will continue to offer a contribution rate of 10% to those staff members enrolled into the SHAPS DC scheme.
Finance Services continue to be provided by FMD Financial Services. Costs for the year are estimated at £31,000 in the year but will be subject to a review of any functions provided by FMD which could be processed in-house.

Concierge cover costs of £6,750 are assumed, reflecting assumed cover required in the year.

MAJOR REPAIRS (NON COMPONENTS)
Non capitalised Major Repairs of £55,000 (Roughcasting/Door Screens) have been assumed.

PROPERTY DEPRECIATION
Property depreciation charges are estimated at £883,512 (2019: £869,548). The increase reflecting the component replacements proposed in the year.

CYCLICAL MAINTENANCE
Costs of £306,238 (2019: £201,901) relate to annual gas servicing, electrical tests, paintwork and roof inspections/gutter cleaning. The cost of some additional smoke alarms has been included in this as these works will be carried out during the electrical inspections to save costs.

REACTIVE MAINTENANCE
The budget has been set at £400,000 for the year. (No increase from the previous two years).

OFFICE OVERHEADS
Office overheads are assumed at £328,696 for the year, a decrease from £334,456 in the previous year. Most costs are in line with the previous year although some costs have been reallocated within this section to better monitor performance. The reduction overall however, does reflect the Association's efforts in keeping running costs to a minimum.

INTEREST RECEIVABLE & INTEREST PAYABLE
Interest receipts have been assumed at £5,000, in line with last year. Cash balances remain at a healthy although, mainly as a result of a busy programme of component replacements in the year cash levels are expected to reduce from an estimated £1,510,404 to £1,081,718 by 31 March 2020. Any surplus funds will continue to be placed on interest bearing term deposits to maximise income.

Interest payments on the Association's development loans are estimated at £339,755. This is calculated on the basis that interest rates will increase from their current 0.75% to 1.25% over next year. This is in line with what the commercial banks are expecting, barring any Brexit impact.

STATEMENT OF FINANCIAL POSITION
The cost of property, plant and Equipment is expected to increase by £592,968, reflecting the component replacement programme as set out in the budget. This will give a total cost of the Association's stock, estimated at £32.8m. Of this £883,512 will be depreciated in the year, giving a net book value of £28.9m.

The value of other fixed assets will be £1.2m.

The cash balance at March 2020 is projected to be £1,111,158.

The value of long-term loans will reduce in the year from £10.4m at the start of the year to £9.8m, a reduction of £0.6m, reflecting the capital repaid in the year.

The Pension liability is currently showing a reduction in the past pension deficit from £568,856 to £411,986. Accounting changes as to reporting the pension deficit are due to be introduced with effect from the 2019 accounts. However, there is no agreement yet as to how this will be treated in the accounts and so this draft budget maintains the current arrangements.

Deferred income (HAG) is estimated to reduce from £3,030,643 to £2,877,105 reflecting the £153,538 released through the statement of comprehensive income.

Net assets of the Association at March 2020 are estimated at £18,215,155, an increase of £432,754 in line with the estimated surplus for the year.

RATIO ANALYSIS

The Scottish Housing Regulator has now published the 2017/18 Financial Ratios. The ratios for Rutherglen for the past 3 years have been included for information purposes together with the current and proposed budget.

COVENANTS

The Association has loans with four lenders; The Bank of Scotland, Nationwide Building Society, Clydesdale Bank and the Royal Bank. All covenants are being achieved based on the current budget assumptions.

SUMMARY

The budget assumes a net surplus of £432,754 for the year (2019: £228,823). Both the Statement of Financial Position and the cash position remain healthy.

PROJECTED STATEMENT OF COMPREHENSIVE
INCOME FOR THE PERIOD ENDED 31 MARCH 2020

	FINAL 2020	**FINAL 2019**
	£	£
TURNOVER	4,057,231	3,746,375
LESS : OPERATING COSTS	(3,285,722)	(3,136,534)
OPERATING SURPLUS	771,509	609,841
OTHER FINANCE CHARGES	(4,000)	(39,000)
INTEREST RECEIVABLE	5,000	5000
INTEREST PAYABLE	(339,755)	(347018)
SURPLUS FOR YEAR	432,754	228,823

STATEMENT OF FINANCIAL POSITION TO 31 MARCH 2020

Tangible Fixed Assets	**31/03/2020**	**31/03/2019**
	£	£
Property Plant & Equipment	32,799,315	32,154,267
Accumulated Depreciation	(3,864,441)	(3,023,915)
	28,934,874	29,130,352
Other	1,236,398	1,241,398
	30,171,272	30,371,750
Investments	100	100
Current Assets		
Debtors	633,976	670,240
Cash at Bank and in Hand	1,081,718	1,330,404
	1,715,694	2,000,644
Creditors amounts falling due within one year		
Creditors	(579,834)	(579,834)
Net Current Assets:	1,135,860	1,420,810
Total Assets less Current Liabilities	31,307,232	31,792,659
Creditors amounts falling due after one year		
Loans due after one year	(9,756,575)	(10,410,759)
Pensions due after one year	(404,410)	(568,856)
Deferred Income	(2,931,091)	(3,030,643)
	18,215,155	17,782,402

Capital and Reserves	£	£
Share Capital	220	221
General Reserves	18,209,773	17,782,181
	18,209,993	**17,782,402**