

BLAIRTUMMOCK HOUSING ASSOCIATION

BUSINESS PLAN 2018 TO 2021

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EXECUTIVE SUMMARY

Introduction

Blairtummock Housing Association (BHA) has produced this Business Plan to set out our mission and values, along with our objectives, plans and resources for the future.

The Business Plan will inform our relationships with tenants and residents, funders, regulators and partner organisations. In developing the Plan, we have taken account of the Scottish Housing Regulator's "Recommended Practice" on business planning, published in December 2015.

The Association and its Services

BHA operates in the Blairtummock and Rogerfield neighbourhoods in Easterhouse.

- BHA owns and manages 718 homes for social rent, as well as factoring 49 properties in private ownership and managing 23 shared ownership homes which we part-own.
- BHA is a significant social business, with an annual turnover approaching £3 million.
- We are led by an experienced and very committed voluntary Management Committee made up of local residents.
- BHA employs 14 member of staff, led by our Director who is responsible for the day to day management of the Association.

BHA provides a comprehensive range of services, all focused 100% on the needs of our tenants and community. These services include tenancy and neighbourhood management, repairs and property management, property development, asset management, environmental works, income maximisation and factoring.

The Association's History and Achievements

- BHA was formed in the late 1980s when the local residents association formed a housing association, to tackle the poor housing and environmental conditions in Blairtummock.
- BHA was registered with Scottish Homes in 1989 and completed two stock transfers from the City Council. We then carried out a comprehensive programme of housing renewal in Blairtummock, by providing a mix of new and improved homes.
- We also introduced local control over housing and neighbourhood services. A commitment to finding local solutions to problems has been at the heart of our approach.
- In 2004, BHA became responsible for the management of GHA-owned properties in Blairtummock and Rogerfield. GHA tenants in both areas voted to transfer ownership of their homes to BHA, which took place in 2010-2011. Since then, we have been working to bring investment and improved services to the area.

Over many years, BHA has gone beyond bricks and mortar to deliver wider benefits for the community. This has included:

- The development of play areas, a youth café and a purpose-built community hall
- A long-standing community regeneration programme
- The creation of a subsidiary company (BRO) which provides employment and training opportunities for local people as well as estate services for BHA's properties and the wider environment.

Business Plan: Key Highlights

The Management Committee's vision is to secure a safe and attractive environment for current and future generations. We want to help create a future where:

- Everyone lives in a warm and affordable home, in a neighbourhood that is clean and well cared for
- Everyone has access to the opportunities needed to achieve a good quality of life
- Our community is a safe and inclusive place to stay.

BHA's plans for the 3 years covered by the Business Plan are based on the followings aims:

- 1) Providing quality, value for money services that meet tenants' aspirations
- 2) Providing affordable, high quality homes that meet local needs and help make Blairtummock and Rogerfield a thriving community
- 3) Maintaining and improving the quality of the neighbourhood environment
- 4) Empowering and supporting our local community, by enabling services that provide opportunities and reduce inequality
- 5) Maintaining BHA's financial strength and continued viability
- 6) Making sure that BHA is an efficient and effective organisation, well governed and with the capacity to achieve our goals.

The following pages describe the main things we will do to achieve our aims during the first part of the next three years, from April 2018 to September 2019. During this time, the Management Committee will monitor performance, to make sure we stay on track as much as possible.

Activity Area	Key Actions April 2018 to September 2019
Rents and Affordability	<ul style="list-style-type: none"> Keep our rents affordable and competitive Raise enough income from rents to fund services and investment in tenants' homes Commission a study on how we could harmonise rents for similar house types and sizes Check every year whether our rents are affordable Look at our arrangements for welfare benefits advice, to make sure services meet the needs of tenants and BHA
Investment in Tenants' Homes	<ul style="list-style-type: none"> Implement our planned programme of component replacement works, with the initial phases of work relating mainly to new boilers and kitchen replacements
BHA's housing and repairs services	<ul style="list-style-type: none"> Maintain our strong performance results in service delivery Review our performance on how long houses are empty; the reasons for housing offers being refused; and the reasons for evictions where rent has not been paid Maintain (and possibly expand) our agreement with Blairtummock and Rogerfield Opportunities (BRO) for estate-based services Improve our communications and tenant access to 24/7 services Plan options appraisal of district heating prepayment metering system Develop and launch a new welfare benefits and fuel poverty project
Universal Credit	<ul style="list-style-type: none"> Preserve BHA's rental income while also providing support to our tenants, as Universal Credit affects more households Encourage tenants to have the part of Universal Credit that covers housing costs paid direct to BHA
Local Environment	<ul style="list-style-type: none"> Start the backcourt improvements at Area 1 in Blairtummock (Aberdalgie Path/Boyndie Street/Aberdalgie Road/Duntarvie Road) Continue planning for future phases (4 backcourts, total estimated value £2.5 million).
Asset Management	<ul style="list-style-type: none"> Update the information we have about the condition of our houses and the long-term cost of repairs and renewals

Activity Area	Key Actions April 2018 to September 2019
	<ul style="list-style-type: none"> Review future ownership and management of closes in South Rogerfield Continue to seek support for new house building, to help complete the physical regeneration of our area.
Community Regeneration	<ul style="list-style-type: none"> Provide employment and training opportunities through BRO and through the Modern Apprenticeship scheme Continue joint working with FARE and Platform on arts-based and intergenerational projects for the Blairtummock and Rogerfield community. Seek further opportunities for services that will benefit our community
Tenant Satisfaction	<ul style="list-style-type: none"> Review the methods we use to collect tenant satisfaction information about services
Value for Money	<ul style="list-style-type: none"> Continue to compare BHA's service results, rents and costs with other Easterhouse social landlords Keep talking to tenants about value for money and their priorities for the future
Governance	<ul style="list-style-type: none"> Change our policies, systems etc. as required, in preparation for a new Regulatory Framework going live in 2019 Recruitment and retention of BHA committee members Continue to support the development of our committee and staff in their roles

Financial Position and Risks

Strong financial management will continue to be of the highest priority to BHA. Our financial projections confirm that BHA is in a strong financial position, with low levels of debt, low operating costs, no onerous loan covenants, and positive future cashflows.

Currently, we envisage that all of the activities and costs set out in the Business Plan will be funded through rental income rather than further borrowing, with rents assumed to rise by inflation only each year. We will continue to seek external funding to support activities such as community regeneration and, if Glasgow City Council's funding priorities change, further new build development. Development is excluded from the Business Plan in the meantime.

Like all housing associations, BHA is working in an environment that involves unprecedented financial challenges. Accordingly, we have conducted a series of stress tests – including the impact of not increasing rents in the event of financial adversity - to establish the Business Plan's resilience. The results confirm that BHA would continue to have positive cashflows and that it

would continue to be a financially viable organisation.

1. INTRODUCTION

The Business Plan is the main planning tool used by Blairtummock Housing Association (referred to as “BHA” throughout this document).

The Business Plan:

- Sets out BHA’s vision, values and strategic objectives.
- Describes the wider environment we are working in, and how this might affect BHA.
- Sets out our strategy for the period 2018-2021, and what we will do to achieve this.
- Includes our financial plans and projections, to demonstrate BHA’s future financial viability, capacity to achieve our objectives, and the risks we need to manage.

The Business Plan has a number of audiences:

- The Plan allows the Management Committee to set BHA’s future objectives and priorities, and to then review performance in achieving these.
- The Plan informs BHA’s relationships and communications with customers and key partners, and will also be of interest to our lenders and regulators.
- The Plan helps us to communicate BHA’s future direction and priorities to our staff team, who worked with the Management Committee to develop the Plan.
- The finished Plan allows us to agree the contribution that each team and each staff member can make in meeting the Association’s aims and objectives.

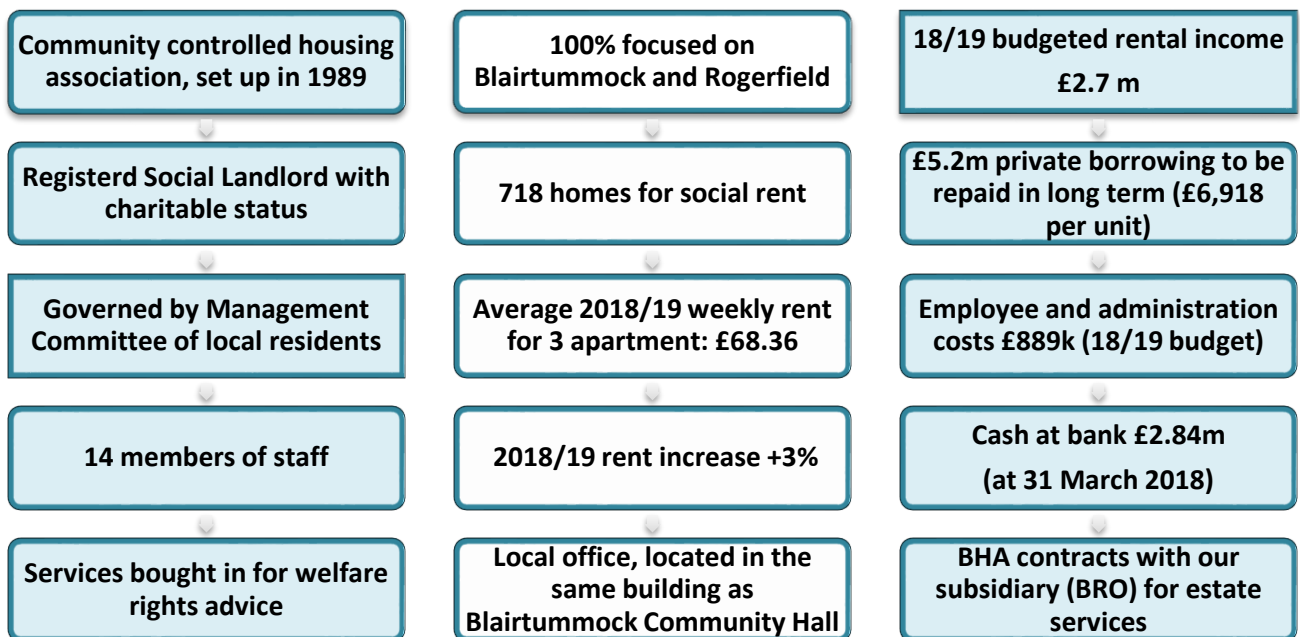
In preparing the Business Plan, we have referred to the Scottish Housing Regulator’s “Recommended Practice” on business planning, published in December 2015.

2. ABOUT BHA, OUR HISTORY AND ACHIEVEMENTS

BHA is a community-controlled housing association based in Easterhouse, 6 miles east of Glasgow city centre.

Our housing is located in two adjoining neighbourhoods: Blairtummock (west of Easterhouse Road) and Rogerfield (east of Easterhouse Road).

Key Facts about BHA

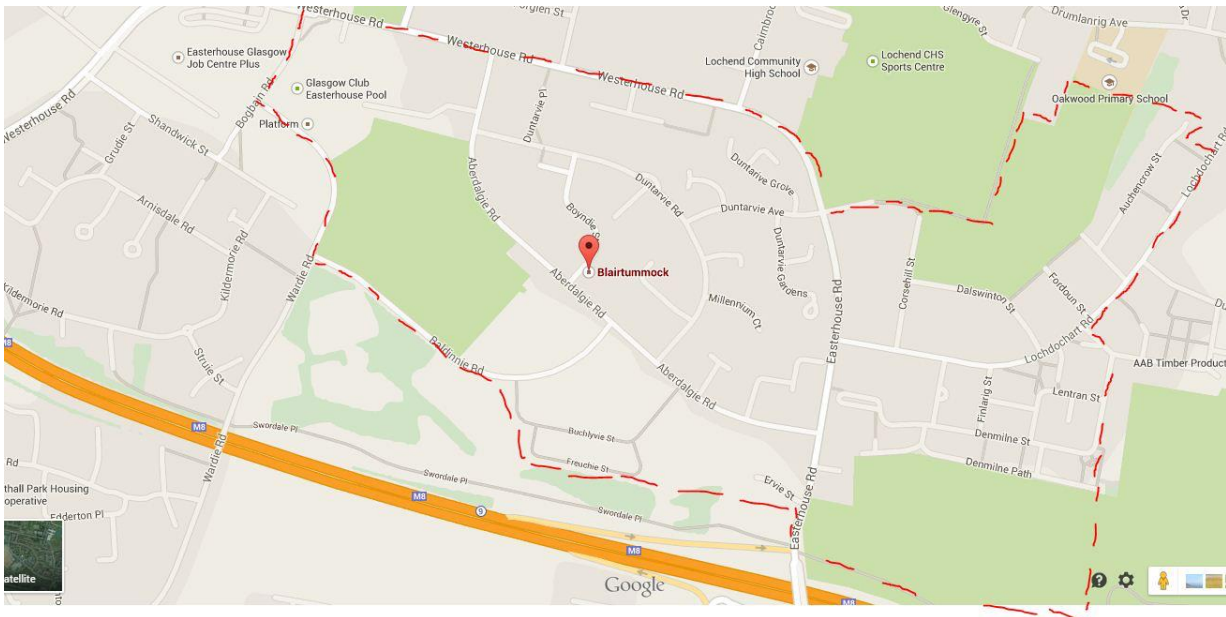


The vast majority of our homes are mainstream rental, 718 in total. We also:

- Lease a small number of properties to Glasgow City Council, to provide temporary accommodation for homeless people, and to Community Lifestyles a charity that provides support to people with particular needs.
- Factor 49 properties in private ownership
- Part-own 23 shared ownership homes that have provided an affordable route to home ownership within our area.

Area of Operation

Our area of operation is shown in the following map:



Map accessed from www.google.co.uk

BHA's History and Achievements

BHA's roots go back to the 1950s when Glasgow Corporation carried out slum clearances in the inner city and built a new generation of council houses on the city's outer edges.

- Easterhouse was built from the mid-1950s onwards to house 50,000 people and was the largest of the new estates built in Glasgow.
- By the 1980s, many communities in Easterhouse had serious housing and social problems that "top down" management by the City Council could not resolve.
- A new breed of community-controlled housing associations emerged in Easterhouse to become landlords, developers, and managers of housing at a local neighbourhood level.

BHA was part of this new movement, when the local residents association decided to form a housing association to tackle the poor housing and environmental conditions in Blairtummock.

- BHA was registered with Scottish Homes in 1989 and completed two stock transfers from the City Council.
- We then carried out a comprehensive programme of housing renewal in Blairtummock through a mix of rehabilitation and building new homes.
- Local control over housing and neighbourhood services was a crucial part of the approach - the opposite of "top down" management.
- In 2004, BHA became responsible for the management of GHA-owned properties in Blairtummock and Rogerfield. GHA tenants in both areas voted to transfer their homes to BHA, which took place in 2010-2011.

Throughout our history, BHA has gone beyond bricks and mortar to deliver many wider benefits for the community, including:

- The development of play areas
- A youth café
- The construction of a community hall adjoining BHA's offices
- A long-standing community regeneration programme and
- The creation of a subsidiary company (Blairtummock and Rogerfield Opportunities) which provides employment and training opportunities for local people as well as estate services for BHA's properties and the wider environment.

Community control has been key to BHA's governance and achievements.

- BHA has a total focus on Blairtummock and Rogerfield. We pride ourselves in finding local solutions that make our neighbourhoods good places to live.
- Our Management Committee continues to be led by a dedicated and passionate group of local people who demand the best for our tenants.
- For a period of almost 30 years, the Management Committee has provided stable governance and sound stewardship of BHA's finances.
- BHA has transformed housing conditions and helps to sustain our community in the face of high levels of deprivation and inequality.

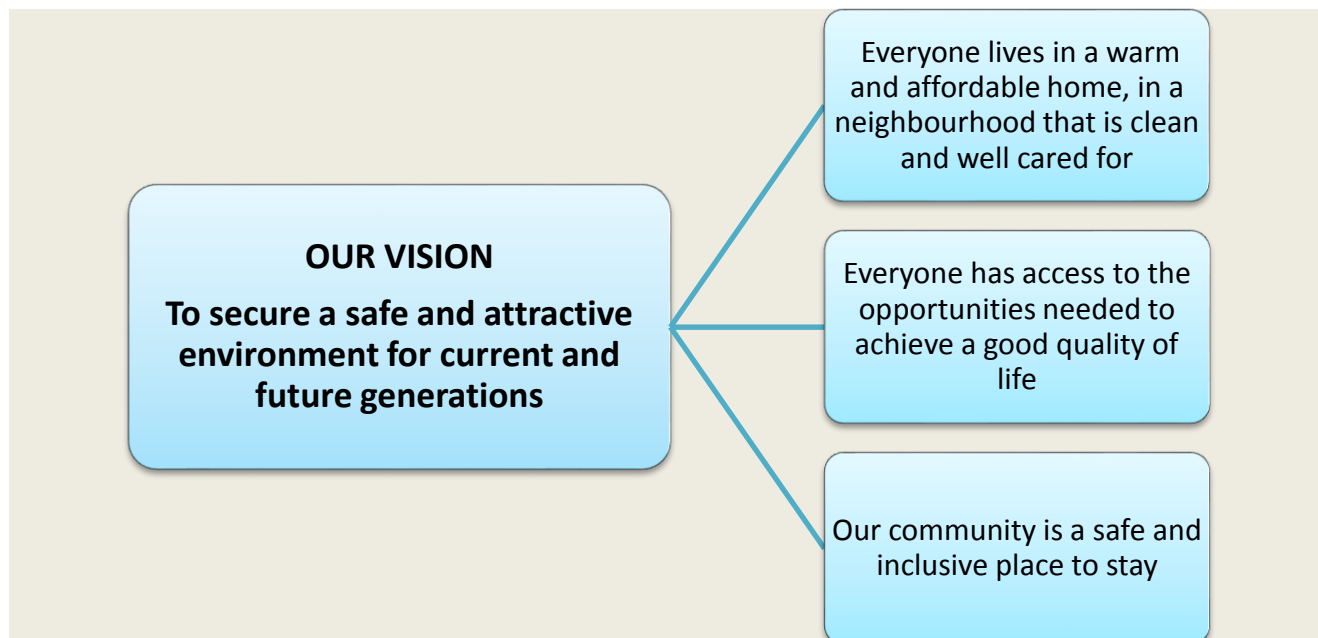
While we have achieved a great deal, the regeneration of Blairtummock is a work in progress.

- Like much of Easterhouse, large areas of vacant and derelict land surround BHA's housing. Much of this land has been earmarked by the City Council for new private house building. In the last 10 years, this strategy has failed to deliver a single new house in Blairtummock.
- BHA is eager to resume its development role and we stand ready to address this with the Council and private sector partners, to create new affordable housing in our area.
- Current models of community planning and public service delivery have failed to solve the key challenges of deprivation and inequality in Easterhouse and cuts in public services can only make matters worse. Fresh thinking is needed about how to address these issues.

3. BHA's VISION AND VALUES

BHA's Vision

The Management Committee has set the following vision and mission for BHA.



BHA's Values

Local people lead BHA. Our values are based on community ownership and control, along with respect for our customers; our committee members; our staff; and our partners.

In everything we do, we will:

Be open, honest and transparent

Keep our promises

Listen to our tenants and be responsive to their needs

Be inclusive and provide equal opportunities for everyone in our community

Be responsible in our management of BHA's resources

Empower our tenants and the community

Respect the environment

4. BHA'S STRATEGY AND STRATEGIC OBJECTIVES 2018 TO 2021

BHA's Business Strategy

The Association's business strategy for the period of the Business Plan is based on:

Consolidating and improving the services our tenants receive
Investing in our tenants' homes
Developing our asset management approach
Working with the community and others to improve opportunities and the quality of life for local residents
Improving the quality of the local environment
Seeking Glasgow City Council support for a renewed development role
Exploring with EHRA and others the feasibility of greater community control over public services in Easterhouse

The strategy is based on six strategic objectives set by the Management Committee. These are shown below, along with the "*measures of success*" we are looking to achieve for each objective.

BHA Strategic Objectives 2018 to 2021

Strategic Objective	Measures of Success
1. Provide quality, value for money services that meet tenants' aspirations	<ul style="list-style-type: none">• Affordable rents and increases kept to a minimum• Strong Scottish Social Housing Charter performance• Maintain high tenant satisfaction with BHA services• Action taken on tenant priorities• Service development and improvement, where needed
2. Provide affordable, high quality homes that meet local needs and help make Blairtummock and Rogerfield a thriving community	<ul style="list-style-type: none">• Good demand sustained for BHA's housing• Continued investment made in tenants' homes, on time and within budget• SHQS and EESSH compliance

Strategic Objective	Measures of Success
	<ul style="list-style-type: none"> • Reductions in tenants' energy bills, as a result of investment • Maintain high tenant satisfaction with repairs, maintenance and neighbourhood management services. • Tenant safety and other legal obligations met in full. • Strategy developed for BHA housing in South Rogerfield • Progress made on future development role of vacant sites • Continued support for local contractors
3. Maintain and improve the quality of the neighbourhood environment	<ul style="list-style-type: none"> • BHA housing is set within attractive, safe environments that are well cared for including backcourts and open spaces • BHA puts "green" values into practice • Service relationship with BRO continues to develop/expand
4. Empower and support our local communities, by enabling services that provide opportunities and reduce inequality	<ul style="list-style-type: none"> • Tenants and residents continue to benefit from BHA partnerships with FARE, Platform and other local groups and charities • Residents continue to have access to welfare benefits and debt advice through BHA service agreements with specialist agencies • Feasibility examined of increased role for CCHAs and other community organisations in managing public and neighbourhood services, in conjunction with EHRA and Scottish Government
5. Maintain BHA's financial strength and continued viability	<ul style="list-style-type: none"> • Strength of the current Business Plan is maintained, with headroom for risk. • Changes in economy, legislation, Brexit and policy at Scottish and UK levels monitored closely. • Financial stresses (principally from Universal Credit (UC) and increased costs) on BHA business plan reviewed regularly • Information for tenants on how UC may affect them. • Direct payments of housing costs element of UC to BHA maximised • Pricing of repairs and planned maintenance monitored closely

Strategic Objective	Measures of Success
6. Make sure that BHA is an efficient and effective organisation, well governed and with the capacity to achieve our goals.	<ul style="list-style-type: none"> • High standards of leadership and governance achieved • Continued learning and development for MC and staff. • Decisions based on sound financial evidence and understanding of risks. • Commitment to equality and inclusion demonstrated • Strong performance on value for money maintained • Succession planning completed and monitored for future changes in the Management Committee.

Later in the Business Plan, we have identified a set of practical actions we will take over the next 12 months for each of the strategic objectives.

These actions will help us to make sure we are clear about what needs to be done in the short term. More information is shown at the end of the relevant Business Plan chapters, under the heading “Business Plan Priorities”. The priorities are then carried forward to the resource plans at Appendix 4.

Review of Strategic Options

BHA conducted a strategic options review in 2016, prior to the retirement of our previous Director. This confirmed that we had the financial strengths and resources needed to continue as an independent housing association.

Looking to the future, we have no plans to extend our activities beyond the neighbourhoods of Blairtummock and Rogerfield. We are clear about what we want to achieve, and that we have the capacity to deliver our plans. Accordingly, **there are no factors that would require a review of strategic options at the present time.**

We may, in due course, conduct options reviews or risk assessments in business areas where impact or value to the Association is potentially significant. This will apply in the first year of the Plan (2018/19) to our future strategy for **properties in South Rogerfield.**

We may also conduct options appraisals in due course for **resuming our development programme**, and for EHRA’s examination of the Scottish Government’s forthcoming Local Democracy Bill, which may offer the prospect of greater community control over public and neighbourhood services. This has the potential to deliver real benefits, but it would also be essential to consider risks and the nature and financing of any future proposals. This will lie some way in the future.

5. STRATEGIC ANALYSIS

This chapter describes the local context that BHA works in, covering:

- A short profile of Easterhouse (based on the 2011 Census, unless otherwise stated)
- An overview of BHA's area of operation and the profile of our tenants.
- A description of BHA's stakeholders and their priorities
- Signposting to the environmental analysis we have carried out as part of the Business Plan (SWOT and PESTLE analysis).

EASTERHOUSE PROFILE

Population and Housing Stock

source: 2011 Census

- Easterhouse lost population, households and dwellings between 2001 and 2011, the rates being among the highest in Glasgow
- By contrast, Glasgow gained population, households and dwellings in the same period
- Easterhouse lost about 1 in every 8 dwellings between 2001 and 2011, mainly due to demolitions in the social rented sector

Health and Life Expectancy

source: 2011 Census

- The proportion of people who said they were limited “a lot” or “a little” by disability or a health condition was 20% higher in Easterhouse than the Glasgow average
- Estimates of male and female life expectancy in Easterhouse were lower than the Glasgow average. Women in Easterhouse live, on average, for nearly eight years longer than men.

Income, Employment and Poverty

source: Scottish Index of Multiple Deprivation (2012)

- Claims for unemployment and disability related benefits were 50% higher in Easterhouse than the Glasgow average.
- Levels of income and employment deprivation in Easterhouse also 50% higher than the Glasgow average
- Child poverty in Easterhouse 30% higher than Glasgow average
- Young people not in education, employment or training in Easterhouse 44% higher than Glasgow average

House Prices

source: Rightmove website, July 2018

- Owner occupation and house prices significantly lower than Glasgow average [Average selling price £59,900 in Easterhouse, compared with £173,000 for Glasgow]

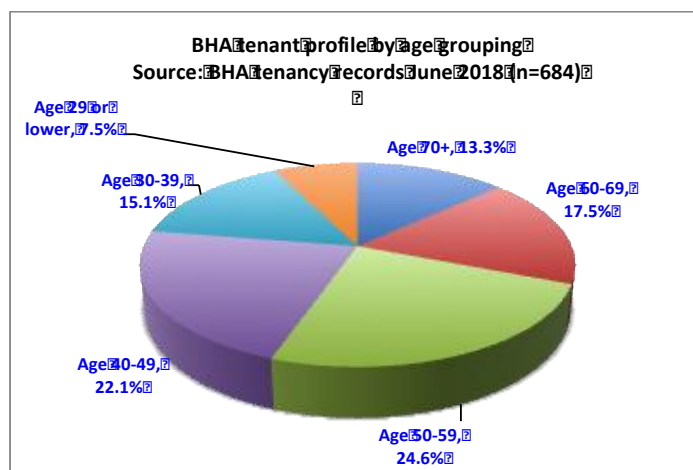
Key Housing Market Changes/Factors 2001 to the Present

- 552 less houses in Easterhouse in 2011 than in 2001.
- Reductions greatest in the social rented sector (less popular housing demolished but not fully replaced).
- Vacant and derelict land remains a major issue, including in BHA's area.
- Fall in owner occupation in Easterhouse - GCC has prioritised housing for owner occupation, but there have been few private sector starts since 2008 financial crisis
- Substantial growth in private renting in Easterhouse, albeit below citywide levels.
- By 2011, nearly 1 in 10 Easterhouse households rented their home from a private landlord.
- GCC development policies are not promoting successful place making ignoring brownfield development in favour of developing community growth areas in the greenbelt (2016 report by Stallan-Brand Architecture and Design for EHRA).

BHA's TENANT PROFILE

Population and Households in BHA's Area of Operation

BHA's tenancy records provide the following age profile for our tenants.

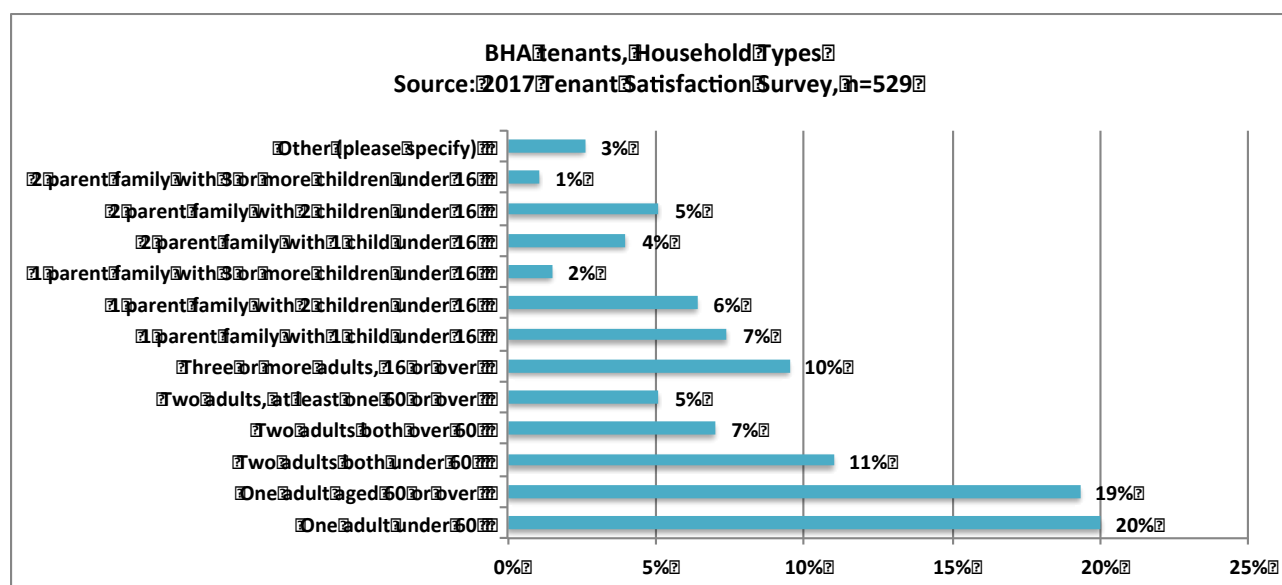


- Nearly 1 in 3 BHA tenants (31%) are aged 60 or more, with 13% of tenants aged 70 or more.
- This is substantially higher than the Census results for 2011 for both Easterhouse and Glasgow.

- A further 25% of BHA tenants are currently aged between 50 and 59, suggesting that there will be sustained increases in the number of older tenants in future.

This will have implications for the kind of housing services needed in the future, the way BHA adapts and allocates its houses, and the need for joint working with health and social care providers.

BHA's Tenant Satisfaction Survey (TSS) was conducted in late 2016. The TSS achieved 529 completed face-to-face interviews, covering 75% of all tenants. The pattern of household types is shown in the following graph.



In summary, the key findings were:

Household Types

- 4 in 10 respondents (39%) lived alone, and this was divided almost equally between people who were under and over 60 years
- 23% were two adult households
- 25% of households had children under 16:
 - 15% were single parents with children
 - 10% were 2 parent families with children

Health and disability

- Almost half of the survey respondents (47%) said either they or a member of their household had a physical or mental health condition or an illness lasting or expected to last 12 months or more.

- In most cases (57%), this related to mobility or a physical disability, although almost one in five respondents (19%) mentioned mental ill health conditions.
- The number of disabled adaptations we carry out, the numbers on the garden maintenance scheme, and the number of tenants requesting housing transfers on medical grounds all confirm the prevalence of disabilities among BHA tenants.

Ethnicity

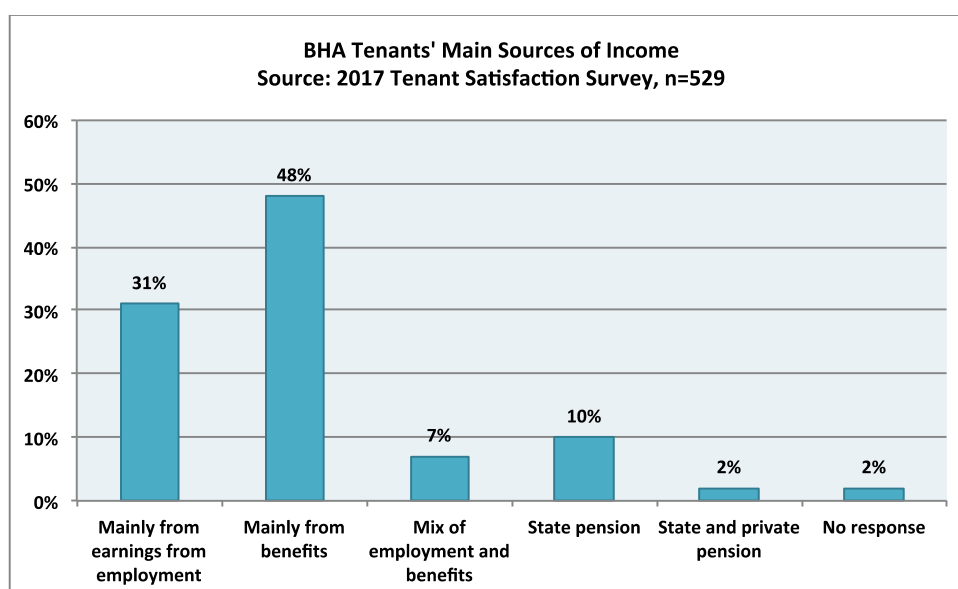
- BHA has very few tenants from ethnic minority groups.
- The TSS reported that 99.3% of tenants described themselves as being from Scottish or other British ethnic groups.
- In contrast, 15% of Glasgow's population described themselves as being from a BME group at the time of the 2011 Census.

Employment and Household Income

- 24% of respondents were in full-time paid work, with 17% of households having two adults working full-time
- Around 10% said they worked part-time, for more than 16 hours each week. This group will be at particular risk of in-work poverty, especially if they do not have children and do not qualify for working tax credits.
- 24% described themselves as long-term sick or disabled, 26% as retired, and 10% as looking after the family
- Only 3% of respondents described themselves as being unemployed.

Household Income

- Almost half of BHA tenants (48%) said they relied on benefits as their only source of income, while almost a third said their income came mainly from employment.
- Among pensioner households, 83% received the state pension only, with the remainder having an occupational pension as well as the state pension.
- The Association's tenancy records indicate that 50% of tenants are on full Housing Benefit with another 15% on partial Housing Benefit.



DEPRIVATION AND INEQUALITY

Scottish Index of Multiple Deprivation 2016

The 2016 edition of the Scottish Index of Multiple Deprivation (**SIMD**) records relative levels of deprivation for almost 7,000 small areas in Scotland, known as datazones.





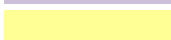
There are three datazones in BHA's area of operation. The 2016 SIMD shows that **all three datazones in BHA's area have an overall deprivation ranking in the bottom 5% of all datazones in the whole of Scotland.**

The same pattern of extreme deprivation is also reflected in the SIMD domain results, which cover deprivation in areas such as incomes, employment, health and education.

For the various SIMD domains, the following table shows whether the three SIMD datazones in BHA's area of operation are in the bottom 5%, 10%, 15% etc. of all datazones in Scotland.

SIMD Data Zone Reference	S01010107	S01010110	S01010112
	Rogerfield	Blairtummock (south)	Blairtummock (north)
Overall SIMD 2016 Rank	5%	5%	5%
Income Domain 2016 Rank	5	5	5
Employment Domain 2016 Rank	15	5	5
Health Domain 2016 Rank	10	5	5
Education Domain 2016 Rank	5	5	5
Crime Domain 2016 Rank	40	30	20
Housing Domain 2016 Rank	5	15	10

Guide to Colour Coding

	Bottom 5% of all datazones in Scotland
	Bottom 10% of all datazones
	Bottom 15% of all datazones
	Bottom 20% of all datazones
	Bottom 30% to 40% of all datazones

Within our area, Rogerfield generally has better results than Blairtummock, in relation to employment, health, crime, and housing. However, the differences are relative as all Rogerfield results are in the bottom 15% for all SIMD datazones, with the exception of its lower crime rate. More information about SIMD results is provided in Appendix 3.

CONCLUSIONS

The data in this chapter show the challenges that BHA tenants and our wider community face on a daily basis. BHA has a strong awareness of these challenges, due to our local base and the local knowledge our committee and staff have. Our response is evident through quality services, putting local solutions into place, and our community regeneration programme which seeks to address the root causes of deprivation and inequality.

It is also important to acknowledge that people want to live in our area and that ours is a stable community. Our housing turnover rates are substantially lower than the Scottish average and 99% of tenants in our 2016 TSS expressed satisfaction with their neighbourhood as a place to live.

As in other neighbourhoods across Easterhouse, local and national government have failed to achieve the real and lasting change our community needs. We want to see this change and looking to the future, we are interested in the Scottish Government's forthcoming Local Democracy Bill, which is being trailed as an opportunity to make fundamental changes in the part that communities can play in the planning and control of public services at a community level.

STAKEHOLDER RELATIONSHIPS AND PRIORITIES

BHA's Tenants

BHA's tenants are our most important stakeholders. They rely on us to provide quality services and to invest in and maintain their homes and neighbourhoods to a high standard, all for affordable rents and good value for money.

Our 2016 Tenant Satisfaction Survey reported exceptionally high levels of satisfaction with the Association and with our services.

In relation to communication and participation:

- Almost all TSS respondents (99%) said BHA was good or fairly good at keeping them informed about or decisions.

Even though there are increasingly high levels of internet device ownership, the vast majority of tenants said they wanted us to communicate with them using traditional, non-digital methods.

- 97% of TSS respondents said they were either very or fairly satisfied with the opportunities provided to them to participate in BHA's decision-making process.

However, there are low levels of interest in taking up opportunities to participate. The highest level of interest in the TSS was for estate walkabouts (11% of respondents).

Scottish Government

Funding for new homes is vital to complete the physical regeneration of Blairtummock. Despite record levels of funding, BHA and other CCHAs in Easterhouse have received no support from either the Scottish Government or Glasgow City Council

- Along with other CCHAs in Easterhouse, BHA will continue to campaign for a fair funding deal

The Scottish Government is promoting a large number of policies that will impact on BHA and the wider social housing sector in Scotland. These include:

- New regulations allowing direct payments of Universal Credit housing costs to landlords
- Abolishing the bedroom tax in Scotland
- Progressively raising energy efficiency standards, to address fuel poverty and reduce emissions
- New legislation to ensure Scottish RSLs are treated as public bodies, by reducing some of the powers of the Scottish Housing Regulator
- Likely extension of Freedom of Information legislation to RSLs in 2019
- Encouraging communities to buy neglected land and property
- A proposed Local Democracy Bill, which could give communities new

powers to control public services in their areas

UK Government

The UK Government has a major influence on BHA's business

- Key economic powers are reserved to the UK Parliament, in areas such as social security; housing benefit; economic policy; taxation; public spending; and Brexit.

Local Partners: Glasgow City Council and Others

BHA's main public agency partners are Glasgow City Council (GCC) and its service departments, particularly social work and cleansing; health workers, local health and social care forums and events, and the, Community Police and Scottish Fire and Rescue. We work closely with all of these bodies at local level, and with our local multi ward GCC councillors.

BHA has particularly close relationships with GCC. This reflects the Council's role as the strategic housing authority and its role in housing investment and homelessness.

BHA contributes significantly at a local level to the outcomes described in the **Single Outcome Agreement for Glasgow** (2013), for example in relation to improving outcomes for vulnerable groups such as homeless people and older people.

GCC published its **latest Local Housing Strategy** (LHS) for the period 2017/2022 at the start of 2017.

The LHS overall goals are to reduce poverty and to contribute to Glasgow's economic growth. The strategy objectives are:

- To promote area regeneration and enable investment in new build housing
- To manage, maintain and improve the existing housing stock
- To raise standards in the private rented sector
- To tackle fuel poverty, energy inefficiency and climate change
- To improve access to housing across all tenures
- To promote health and wellbeing

The six LHS strategic priorities all fit well with BHA's own priorities, but we strongly disagree with how GCC has treated Easterhouse communities, in relation to funding for new housing.

- Neither the LHS nor the Council's Strategic Development Framework offer a plan for completing regeneration in CCHA neighbourhoods, where high quality housing is surrounded by vast areas of vacant and derelict land.
- After more than 10 years, the credibility of the Council's insistence that these sites will be developed by the private sector is wearing thin.
- CCHAs in Easterhouse are also concerned that GCC budget cuts have reduced the Council's role in the delivery of environmental services. BHA and other housing associations now have no choice to fill the funding gap if decent neighbourhood standards are to be maintained, with our tenants picking up the bill.

Easterhouse Locality Plan

Along with other members of EHRA, we will seek opportunities under the Easterhouse Thriving Places initiative to improve partnership working between the Council, other public service providers and local communities.

Equally, we are very aware that the community's voice is often not heard. Along with EHRA partners and the Scottish Government, we will contribute to an examination of opportunities for communities to have more say and more control over services at community level, through the forthcoming Local Democracy Bill.

Local Partner Organisations

BHA has strong ties to a wide range of local partner organisations, with which we have close and mutually beneficial relationships. Our local partners include:

- Easterhouse Housing and Regeneration Alliance (EHRA)
- GEMAP
- FARE
- Connect Community Development Trust
- Glasgow North East Food Bank
- Platform
- Pavillion Youth Cafe

BHA's Community Regeneration Strategy provides the backcloth for many of these partnerships.

Funders and Regulators

BHA's main funders are Clydesdale Bank and Nationwide Building Society. We maintain close relationships with both funders, and robust checks are carried out on an ongoing basis to ensure compliance with loan covenants.

BHA's main regulators are the Scottish Housing Regulator (SHR) and the Office of the Scottish Charity Regulator.

SHR's Regulatory Framework is currently under review, with a likely go live date of 2019. It is expected that SHR will place more emphasis on self-assessment and assurance reporting.

Maintaining the confidence of the SHR is important to BHA since SHR has substantial powers of engagement/intervention.

SHR has had a "low engagement" with BHA since 2012. We provide SHR with detailed annual reports on our performance and finances, and advise SHR of any Notifiable Events as they occur.

Our strategy takes account of SHR's expectations regarding business planning, governance, financial performance, risk management, cost control, asset management value for money and rent increases. We have also taken account of SHR's Recommended Practice documents on Business Planning and Asset Management in preparing the Business Plan.

ENVIRONMENTAL ANALYSIS: SWOT AND PESTLE

Drawing on the issues articulated throughout this chapter and our view of internal/external factors, BHA has conducted two types of environmental analysis:

- **SWOT analysis** (strengths, weaknesses, opportunities and threats), and
- **PESTLE analysis** (political, economic, technological, legal and environmental factors).

The SWOT and PESTLE results are shown in Appendix 4. All of the factors shown are potentially significant for BHA's future strategy and must therefore be monitored and acted upon appropriately. The most important **risks and opportunities** identified in the analysis are likely to include:

RISKS

- Welfare Reform, in particular the imminent rollout of Universal Credit to our area. Presents a major risk to tenants' well being and to BHA's income streams.
- The performance of the economy, notably inflation and borrowing rates and the impact of Brexit. Higher inflation could have multiple impacts on BHA's tenants and overall business.
- A sharper regulatory focus on issues such as rents and assurance reporting.
- The impact of austerity, including continued deep cuts to Glasgow City Council's budgets' leading to withdrawal of non-statutory services.

- Deprivation and inequality in BHA's area continue to be unacceptably high.
- Continued lack of funding for development and completion of regeneration.

OPPORTUNITIES

- Persuade tenants to mandate to BHA the housing costs element of Universal Credit.
- Use our financial strength to support continued improvements in the quality of our housing stock.
- Continue to pursue GCC regarding regeneration funding for BHA's area
- Changes in Scottish Government funding for community regeneration activities
- Forthcoming Local Democracy Bill, which is likely to propose greater community control over local services. Likely to present both opportunities and risks.

6. GOVERNANCE AND LEADERSHIP

BHA is registered as a charity, a registered social landlord, a community benefit society and a property factor.

The Management Committee (MC) has overall responsibility for BHA's strategy and performance.

The MC is responsible for setting BHA's strategic direction, ensuring the Association's financial well-being, and ensuring compliance with legislation and regulatory requirements.

We currently have 12 people on our MC Committee – 8 of whom are tenants of the Association.

All our Committee Members are unpaid volunteers, with a good blend between long-term experience and the fresh perspectives provided by newer members.

Details of the current Committee members are shown at Appendix 1.

The Management Committee meets monthly and is supported by the following sub-committees, each of which meets quarterly.

- Finance and Audit
- Housing Management and Maintenance
- Health and Safety

This structure and meetings programme ensures that all aspects of BHA business are subject to detailed reporting and scrutiny, providing an additional level of assurance.

Annual appraisals for all committee members and for staff are well-established. This allows us to identify learning and development needs for Committee and staff. We can also access training through EHRA, at a reduced cost in comparison with external training providers.

Our organisational structure is shown at Appendix 1, along with details of current MC members and short biographies for members of the Management Team.

We employ 14 staff members, and a further 6 people are employed by our subsidiary BRO.

We also have service level agreements with GEMAP which provides welfare rights and debt advice services to our tenants, and Connect Community Trust, a local development trust. BHA funds both services.

BUSINESS PLAN PRIORITIES

The Association's priorities for 2018/19 are:

- 1) To carry out the annual reviews of committee members' skills and contributions, and implement an updated committee training plan.
- 2) Take forward committee's interest in carrying out more visits and field trips, plus increase committee attendance at EHRA training sessions.
- 3) To continue to develop our approach to succession planning, maintaining the good progress we have made in attracting new committee members
- 4) To carry out a governance self-assessment review
- 5) To review our future objectives for internal audit services, before the current contract expires in the next year.
- 6) To approve and monitor the BRO business plan
- 7) To monitor the Scottish Housing Regulator's proposals for an updated regulatory framework, and contribute to the responses made by EHRA.
- 8) To make changes to our policies, systems etc. as required, in preparation for the new Regulatory Framework going live in 2019. This will include a review of our Finance and Audit Committee's role and responsibilities.

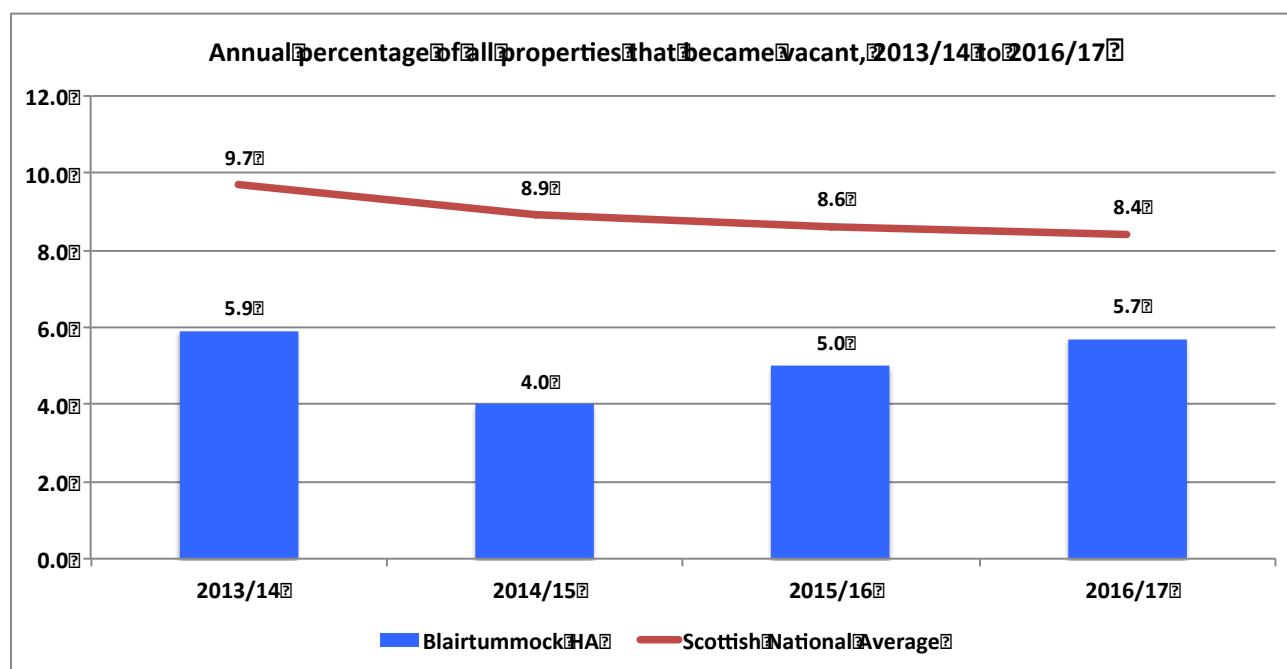
7. ASSET MANAGEMENT

BHA'S HOUSING STOCK AND HOUSING DEMAND

BHA currently owns 718 properties. The profile of our housing is shown below.



BHA's housing is in good demand. Our annual tenancy turnover rate has been consistently low (between 4% and 6%) in the period since 2013/14. This compares with the national average of between 8% and 10% during the same period. This is an excellent achievement.



We have consistently exceeded the national average for the sustainment of new tenancies. Refusal of housing offers made by BHA was slightly worse than the national average between 2014 and 2016, but improved significantly in 2016/17, bettering the national average by 11%.

COMPLIANCE WITH NATIONAL STANDARDS

BHA's stock fully meets the Scottish Housing Quality Standard (SHQS)

- All BHA stock meets the SHQS, with no abeyances or exemptions.
- We will make sure our housing stock continues to meet the SHQS.
- We will do this through the planned maintenance programme, which itself will be informed by our work to carry out new stock condition survey and life cycle costings.

At 31 March 2018, we have achieved 99.7% compliance with the Energy Efficiency Standard for Social Housing (EESH)

- 708 out of 710 BHA properties that fall within the scope of the EESH are now compliant.
- We have obtained full EPC surveys for every property we own, with upgrades then carried out as necessary
- We intend that the two remaining properties will meet the EESH before the Scottish Government's compliance deadline in 2020.

ASSET MANAGEMENT APPROACH

The major asset management issues BHA needs to manage are:

- Replacing major components at the end of their lifespan (boilers, kitchens, bathrooms etc.)
- Improvement of backcourts
- Programming works to the external fabric of our stock, particularly in our tenement housing
- Securing other owners' commitment to external and common works, particularly in South Rogerfield where BHA is factor but not the majority owner in a number of blocks

BHA's systems for planning major repairs/replacements cover the 30-year period of the Business Plan. Our approach is spreadsheet-based and incorporates the predicted lifespan of major components, supplemented by regular staff inspections of the housing stock and common areas.

This approach has served us well to date, but as the major repairs programme grows in scale and as we seek to further develop our longer-term financial planning, this now needs to be updated. Our proposals for doing this are set out in the Business Plan Priorities at the end of this chapter.

INVESTMENT PROGRAMME

Component Replacements

BHA has managed a sizeable programme of component replacements in recent years

This has included the replacement of boilers, kitchens and bathrooms, as well as the completion of works needed to meet the Energy Efficiency Standard for Social Housing and renewal of smoke alarms.

In addition, our current financial projections make allowance for replacing a number of common elements. These include gutters, external fabric repairs, and renewal of flooring and lighting in common closes

The proposed Asset Management Strategy already described will have a major impact in shaping future programmes of component replacements, using the information obtained from the stock condition survey and life cycle costing information.

BUSINESS PLAN PRIORITIES

The Association's priorities for 2018/19 are:

- To develop an improved Asset Management Strategy which uses better information about our housing stock and allows BHA to assess the performance and future investment needs of different stock types and groupings
- To implement our planned programme of component replacement and backcourt improvement works, which will continue over the next five years
- To conduct an options appraisal to review future ownership and management of closes in South Rogerfield
- To continue to seek support for new house building by BHA, to meet housing need and contribute to the physical regeneration of our area.

Asset Management Strategy

BHA's asset management approach will be developed over the course of 2018/19, resulting in a formal Asset Management Strategy and plan that:

- Has an improved information base, using stock condition survey and life cycle costings data prepared by external consultants.
- Makes an overall assessment of the performance of our housing stock, for example housing with higher management/void costs and higher future investment costs

As part of the overall strategy, we will also:

- Conduct an options appraisal to review future ownership and management of closes in South Rogerfield
- Incorporate the stock condition survey and life cycle costing results in our long-term budgets.

Investment Programme: Component Replacements

During the next 5 years, BHA plans to invest £2.729m in major repairs and cyclical maintenance.

This programme is based on achieving the following outcomes:

- 227 Kitchen replacements
- 199 Boiler installations
- 75 new bathrooms

Boilers and kitchens will take place mainly during years 1 to 3 of the Business Plan, with bathroom replacements currently scheduled for years 4 and 5.

The costs of this programme are factored into BHA's budgets for the next 5 years and we have sufficient resources to fund the proposed works from cash reserves.

Backcourt Improvement Works

BHA will invest around £2.5 million in backcourt improvement works during the period 2018/19 to 2021/22.

The programme approved by the Management Committee is shown in the following table. This investment will be self-funded by the Association, and provision has been made in the Association's budgets during each of the next four years.

		No. Units	Year	Cost incl fees
Area 1	Aberdalgie Path, Boyndie Street, 38-66 Aberdalgie Rd, 2-14 Duntarvie Rd.	79	2018/19	£938,520
Area 2	26-28 Errogie St, 7 Easterhouse Place, 137-149 Easterhouse Rd	55	2019/20	£653,400
Area 3	1478-1482 Westerhouse Rd, 68-74 Aberdalgie Rd, 1-7 Duntarvie Place	57	2020/21	£677,160
Area 4	2-6 Duntarvie Place, 7-13 Duntarvie Road	20	2021/22	£237,600
	Programme Total	211		£2,506,680.00

New House Building

BHA's area has large swathes of derelict land earmarked by GCC more than 10 years ago for private sector housing that has never materialised.

- The development of these sites is crucial to continuing the regeneration of our area.
- If this does not happen, the Association's job in protecting the investment already made in the area will be made more challenging.

The Scottish Government is making unprecedented levels of funding to support new affordable housing in Glasgow in the period 2016 to 2021. Community-controlled housing associations in Easterhouse have largely lost out on the opportunities this has created.

- The Council's argument is that housing associations in Easterhouse have already enjoyed high levels of funding in the past. In our view, this is all the more reason to protect past investment and finish the job in local regeneration areas.

The Council's 5-year investment programme runs until 2021. During that time, BHA will:

- Continue to lobby our elected representatives to support new house building and physical regeneration in Blairtummock

- Seek funding from GCC for feasibility studies
- Gather information about our tenants who are inappropriately housed and whose needs cannot be met by BHA's existing housing stock.

8. HOUSING, REPAIRS AND COMMUNITY REGENERATION SERVICES

Services Provided by the Association

BHA provides a comprehensive range of tenancy, property and neighbourhood management services. These include:

- Customer communications and relationships
- Housing applications and lettings
- Rent collection
- Responsive and void repairs
- Estate management inspections, complaints and follow-up actions
- Visits to new tenants to help them settle in to their homes
- Tenancy management and sustainment, including dealing with tenancy permission requests, breaches of tenancy conditions, antisocial behaviour and pursuing rent arrears
- Welfare Benefits advice and support
- Garden maintenance and handyperson services for older and disabled tenants
- Promoting tenant participation and involvement
- Working with other service providers to maintain and enhance the quality of the environment
- Liaison with agencies/service providers working with tenants who have care or support needs
- Property factoring

BHA's Repairs Services

BHA's repairs service is delivered using a list of local contractors. This approach is delivering first class performance results, and excellent feedback from tenants.

The following table illustrates our performance on ARC measures for repairs.

- **Blue shading** in column 2 means BHA's 2017/18 performance was better than the previous year.
- **Green shading** in column 3 means BHA's performance was better than the national average in 2016/17, while pink shading means BHA was below the national average.

<i>All figures are percentages, unless otherwise stated</i>	Blairtummock HA 2017/18	Blairtummock HA 2016/17	Scottish Average 2016/17
REPAIRS AND MAINTENANCE			
Average reactive repairs completed per occupied property	2.2 (number of repairs)	2.3	3.5
Percentage reactive repairs completed right first time	97.7	87.5	92.4
Average hours to complete emergency repairs	2.3 hours	2.4 hrs	4.7 hours
Average working days to complete non-emergency repairs	3.5 days	3.7 days	7.1 days
Properties with gas safety record renewed by anniversary date	100.0	100.0	99.9
Percentage reactive repairs appointments kept (<i>BHA does not use an appointments system</i>)	n/a	n/a	95.7
Percentage stock meeting SHQS	100.0	100.0	93.6
Percentage stock meeting EESSH	99.7	90.9	n/a

BHA's performance was lower than the national average in one area only in 2016/17 (repairs right first time). BHA targeted this area for improvement with the end result that our performance improved by more than 10% to almost 98% in 2017/18. Our performance has improved in all relevant areas in 2017/18, in comparison with the previous year.

BHA's Housing Services

We have used the same method has been used to illustrate performance for the major housing services areas:

<i>All figures are percentages, unless otherwise stated</i>	Blairtummock HA 2017/18	Blairtummock HA 2016/17	Scottish Average 2016/17
LETS AND NEW TENANCIES SUSTAINED			
Percentage lettable self-contained houses that became vacant in year	3.9	5.7	8.4
Average calendar days to re-let properties	14.1 days	11.3 days	31.5 (days)
Percentage tenancy offers refused	35.9	26.4	37.3
% tenancies began in previous year remained more than a year – all	92.9	94.6	89.0
TENANCY MANAGEMENT			

<i>All figures are percentages, unless otherwise stated</i>	Blairtummock HA 2017/18	Blairtummock HA 2016/17	Scottish Average 2016/17
Percentage approved applications for medical adaptations completed in year	100.0	100.0	86.2
% ASB cases resolved within local target	98.1	100.0	87.2
Percentage of court actions initiated which resulted in eviction because rent had not been paid	22.1	27.3	15.6
RENTS AND RENT ARREARS			
% Tenants who felt their rent was good value for money	91.3	91.3	84.0
Percentage collected of rent due	100.5	99.2	99.6
Percentage gross rent arrears of rent due	3.3	3.7	5.3
Percentage of rent due lost through properties being empty	0.1	0.2	0.9
Percentage average weekly rent increase to be applied next year	3.0	2.0	2.3
COMPLAINTS			
% 1st stage complaints responded to in full within SPSO timescales	100.0	100.0	85.4
% 2nd stage complaints responded to in full within SPSO timescales	0.0 (no Stage 2 complaints)	100.0	83.3

- BHA achieved excellent performance in 2016/17, bettering the national average on all indicators except two. Of these, arrears-related evictions are the more significant.
- BHA's 2017/18 performance is better than last year in most areas, a good achievement since the 2016/17 results were very good.
- The only area where the performance results have dropped is the letting and tenancy sustainment figures shown in the table.
- Tenancy sustainment rates have fallen only marginally. Time to re-let is the more significant.

As shown in Chapter 9, Value for Money, BHA's performance results are accompanied by very high levels of tenant satisfaction across all of our service areas. Taken together, both factors demonstrate the quality of BHA's services and are a credit to our staff team.

Wider Role and Community Regeneration

Community regeneration is a key part of BHA's work. The physical transformation of the area has been successfully completed over the last 20 years, but severe deprivation and inequality persists in our area.

BHA has taken a long-term approach to addressing these issues, based on tackling deprivation and its causes. Our Community Regeneration Strategy describes how we will do this.

- Delivery of the Strategy currently involves working in the following areas, working with groups directly or - for larger scale projects - commissioning partners to provide services and support.
- **Children and Young Adults:** Citizenship; Employment, Education and Training; Youth Work; Arts Centred Activities; Music
- **Older People:** Addressing Isolation; Increasing Physical Activity; Arts Centred Activities; Music; and helping them to remain part of the community
- Our successes have come about through the efforts of volunteers, the community, BHA's Management Committee and staff, our subsidiary BRO, and our main service delivery partners FARE and Platform Arts Centre.
- This broad based approach helps us to respond to what the community wants and to remain community-led in our approach and activities.

Our larger-scale projects during 2018/19 are:

pARTicipation: Arts centred interventions within the Easterhouse area, led by Platform. Aimed at reducing isolation, engaging young people, improving community cohesion and vitality and increasing numbers of local people accessing local arts services

FARE Intergenerational Project: Overall the project trains young people in Youth work/community development whilst providing much needed local services. These include: children, young people and adults. Services will include: Youth clubs; holidays; sports clubs; media/youth engagement; youth mentoring; Duke of Edinburgh Award; issue based school work; tackling territorialism; befriending; family services/support; senior citizen services; conflict resolution training; providing learning opportunities; outreach work.

Each of these projects has external funding in place for 2018/19

BHA has expertise in community engagement, raising external funding, and working with partners to develop particular services or activities. The successful application of these skills will continue to be central to our approach.

A key element of BHA's approach is to use our purchasing power as a housing association to provide employment and training opportunities. We are currently providing opportunities through:

- Employment of a Modern Apprentice in Business Administration – we have a Modern Apprentice working with us at present and support placements with other EHRA landlords;
- Working with our subsidiary **Blairtummock and Rogerfield Opportunities (BRO)** which currently employs 1 supervisor, 3 estate caretakers and 2 apprentices in an estate caretakers team
- Including community benefit clauses in our procurement exercises to ensure added value to our community through our contracts.

BRO's origins lie in our 2104 decision to create a social enterprise that would improve the delivery of Close Cleaning and Grounds Maintenance works, while also providing much-needed opportunities for local people.

BRO now provides a number of estate-based services under contract to BHA, including stair cleaning, grounds maintenance and contributing to backcourt refurbishment works. Since its inception, BRO has employed 8 permanent staff, 2 temporary staff (seasonal) and has provided 4 training placements for young people.

BHA has also built the **Blairtummock Community Hall**, which provides a place where social activities and events can take place, local groups can meet, and other agencies can deliver services for the people of Blairtummock and Rogerfield.

The construction and operation of the hall is an important element of BHA's community regeneration work. Its operations are overseen by BRO.

BHA enable Stepping Stones for Families to provide high quality, low cost childcare for 28 children within our office complex through the provision of a modern childcare facility. Priority is given to those living and working in the Greater Easterhouse area.

Welfare Rights and Debt Advice

BHA purchases services from Greater Easterhouse Money Advice Service (GEMAP). This is a 2-year contract, currently at its mid-point.

The contract allows a one day per week service to be provided to our tenants.

In the 12-month period to June 2018, GEMAP worked with 260 BHA tenants and helped 116 tenants to receive £257,000 in unclaimed benefits, while also providing advice and support on managing £82,000 in debts.

The need for this service is likely to grow in future as Universal Credit is introduced, not least because the 5-week period for DWP making first payments will place many claimants in financial crisis.

The Association will review its future strategy, including the services needed, their frequency and service partners during the first year of the Business Plan.

Tenant and Community Engagement

The Association promotes a variety of activities that allow tenants to become involved in our decision-making processes. These opportunities include:

- Becoming a Committee member
- Attending community events held by the Association
- Responding to satisfaction surveys e.g. repairs survey
- Participating in consultations about rents, improvements or new contracts
- Attending BHA's Tenant Scrutiny Day (held in June, where we talk with tenants about performance, policy reviews and communication).

Tenants participate in each of these activities, although not in the numbers that we would like.

We tested future interest as part of the 2016 tenant satisfaction survey and this confirmed that interest among tenants was very low, with 91% of respondents stating they were not interested in becoming involved in any type of participation activity. Interest levels were highest regarding responding to satisfaction surveys (6% of tenants) and attending community events (2%).

BHA will continue to offer tenants opportunities to participate and influence what we do. We will do this in a proportionate way that recognises that tenants have the right not to participate if that is their informed choice.

BHA's large-scale tenant satisfaction is carried out every 3 years, and is the most successful method of gathering feedback. Our most recent survey in late 2016 achieved 529 face-to-face interviews (75% of BHA tenants), with the survey generating a wealth of useful information across all our main services and activities. The survey also gave us extremely useful information about the overall profile of our tenants.

To gather ongoing feedback, we issue a repairs satisfaction questionnaire with every job line that is raised and post it to the tenant. Returns are low and we have been looking at ways that would increase this.

We also have a card and a box with the reception area for people to make any comments, while the back page of every newsletter has a section for tenants to make any comments.

BUSINESS PLAN PRIORITIES

The Association's priorities for 2018/19 are:

- To preserve BHA's rental income while also providing support to our tenants, following the next stage of Universal Credit rollout later in 2018
- To commission a study in order to achieve rent harmonisation in a fair and equitable rental charge.
- To continue to achieve high standards of performance in our housing and repairs services
- To review – and take any necessary action on – performance areas where our results are poorer than the Scottish National average or where our 2017/18 performance was significantly below our previous year performance. This will cover:
 - Our average time to re-let empty houses
 - Reasons for the refusal of offers of housing
 - Reasons for evictions where rent had not been paid
- To put on site the backcourt improvement project at Area 1 in Blairtummock.
- To maintain our agreement with BRO for the provision of estate-based services, and continue to investigate opportunities to expand these services
- To maintain our commitment to providing employment and training opportunities, through our relationship with BRO and the Modern Apprenticeship in Business Administration.
- To continue to work in partnership with service providers and service users on the pARTicipation and FARE Intergenerational Projects, seeking continuation funding for each project before the end of 2018/19.
- To investigate and seek funding and delivery partners for additional services, in line with the Community Strategy, committee/community priorities, and our capacity levels
- To review our current methods for collecting ongoing tenant satisfaction services, to achieve higher rates of response

BHA's response to the forthcoming rollout of Universal Credit is particularly important, and we will take the following actions:

- Put in place a Universal Credit Action Plan, to be monitored by the Housing Management and Maintenance Sub-Committee
- Review the current service contract for welfare rights advice so that we have the right resources in place to help tenants to maximise their incomes and receive support.

- Ensure that BHA staff identify tenants at risk of reductions in their household income and refer them for benefit and financial health checks.
- Issue newsletter articles and other information about Universal Credit and other benefit changes, as the “go live” dates approach.
- Continue to provide funding to Connect Jobs Club to offer training and support to customers with no or limited IT skills.
- Include prudent assumptions in the BHA Business Plan in anticipation of slower rent collection and increases in rent arrears and bad debts.
- Regularly test of the impact of Welfare Reform measures on our future cashflows and covenant compliance.

Our proposed rent harmonisation study.

- BHA’s current rent structure which contains differences between similar homes in different parts of our area, generally the result of “legacy” issues from previous stock transfers. This a common situation for social landlords.
- During 2018/19, we will commission a review by external consultants, to make recommendations for a new structure. We will involve tenants in the review, and will also examine the affordability issues for single person households that are highlighted in the next chapter of the Business Plan in the section on affordability.

Our programme of backcourt improvement will continue to progress during 2018/19.

- We will complete the design and put on site our next backcourt improvement scheme, at Aberdalgie Path/Boyndie Street/Aberdalgie Road/Duntarvie Road.
- This scheme follows on from our recently completed scheme at Rogerfield and will have similar design principles (i.e. improvements to the hard and soft landscaping, better refuse provision and improvements to the common space to promote better use of the outdoor space by residents).

9. VALUE FOR MONEY

BHA aims to provide tenants with Value for Money (VFM) by:

- Providing affordable housing and quality services
- Making the best use of our assets and resources, and investing in tenants' homes and neighbourhoods to help achieve these objectives.

BHA has a very strong Value for Money profile. This is evidenced by:

- Strong service performance results
- Low rents in comparison with our peers and the wider housing sector
- Our current and future policy of “inflation only” rent increases
- Self-funding of our investment programme, without a need to increase rent levels
- A highly efficient maintenance function
- Low staffing costs in relation to our turnover
- Ensuring our priorities and delivery are closely matched to tenants' priorities
- Very high levels of tenant satisfaction, with our services and with BHA as an organisation

Tenant Feedback on Value for Money

In BHA's most recent Tenant Satisfaction Survey (TSS), 91% of respondents said the rent for their property represented very or fairly good value for money. This is a substantial increase since our previous TSS and almost 10 percentage points higher than the Scottish national average of 81.8%.

Tenants' Priorities

The Tenant Satisfaction Survey asked tenants to tell us about their top three priorities for the Association's services.

The three highest scoring areas were:

- The overall quality of the home (overall score 89%)
- Our repairs and maintenance service (87%)
- Neighbourhood management (56%)

This feedback gives the Association assurance that we are doing the right things, as reflected in the strategy and priorities we have set out in the Business Plan.

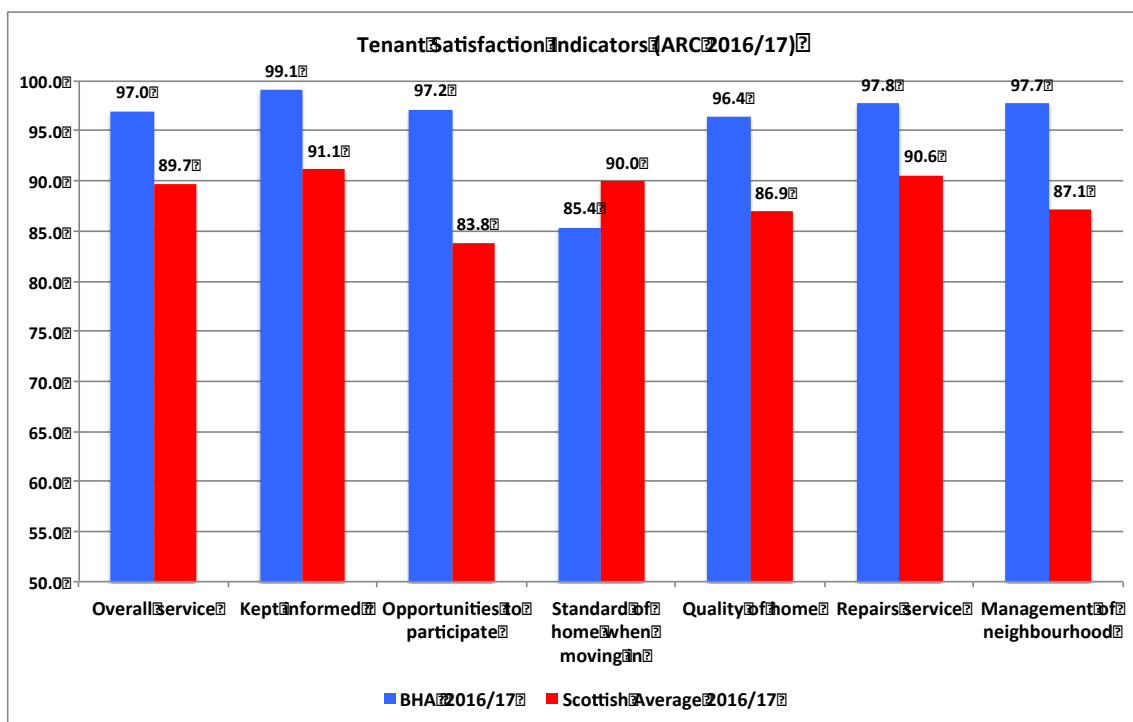
Benchmarking

As shown in the previous chapter, BHA performs very strongly against the ARC national averages. Our performance on repairs and maintenance and tenant satisfaction is particularly strong.

We also compare our performance with the other seven community-controlled landlords in Easterhouse, with the most recent annual analysis included at Appendix 5 of the Business Plan.

Satisfaction with BHA's Services

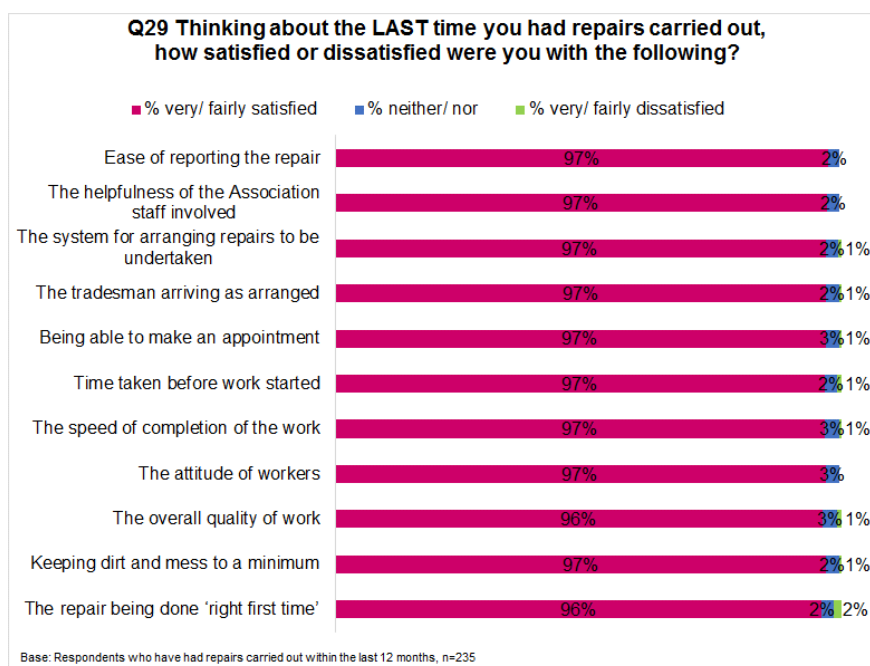
The following graph shows BHA's most recent results for the ARC customer satisfaction measures, comparing these with the national averages for all social landlords in Scotland. ⁽¹⁾



BHA's results are better than the Scottish national average for six of the seven measures shown, in all cases by a substantial margin. For the remaining indicator (satisfaction with standard of new home when tenants move in), our performance improved significantly in 2018/18 to 92.9%.

Our Tenant Satisfaction report provides a more in-depth assessment than the ARC, also with very positive results. For example, the survey responses on the detailed aspects of the repairs service were as follows:

⁽¹⁾ Data sources are as reported in ARC results 2016/17



Costs and Resources

The following table compares BHA's operating costs with the averages for all RSLs in Scotland. Taken together with our service delivery results, the figures show that BHA is achieving high quality performance at a low cost which is the essence of value for money.

Per Unit Management and Maintenance Costs 2016/17

(source: Scottish Housing Regulator, Analysis of Audited Financial Statements)

	National Figures (median for all RSLs)	Blairtummock HA
Turnover per unit (SOCI)	£6,019	£3,392
Management & maint. admin. per unit	£1,070	£942
Staff costs as % of turnover	22.3%	15.8%
Reactive maintenance per unit	£479	£250
Planned maintenance per unit	£354	£322
Total direct maintenance	£833	£572

These results show that BHA has:

- Low staffing costs, which in turn are reflected in the costs of providing management and maintenance services
- Comparatively low expenditure on reactive repairs
- Below average spend on planned maintenance, although this indicator simply reflects how much planned maintenance is being carried out at a given point of time, which varies for individual landlords according to works cycles.

Rents and Affordability

BHA's average weekly rent increase for 2018/19 was 3%, representing an "inflation only" increase on 2017/18 rent levels.

Our average weekly rents for 2018/19 are as follows:

APT	NO OF UNITS	AVERAGE WEEKLY RENT
2	100	£62.09
3	434	£67.17
4	143	£78.46

Our low levels of debt and low operating costs make BHA's low rents possible. Our future budgets and cashflows assume that rents will increase in line with inflation only, to help keep rents affordable. Rent levels also give us headroom to make increases, if this was unavoidable to manage future risks.

Affordability Assessment

BHA's approach to rent setting is based on:

- Keeping rents affordable to tenants who pay some or all of their rent themselves
- Keeping annual rent increases to the minimum needed to provide tenants with high quality services and investment in their homes
- Testing our rents against an affordability benchmark (tenants should generally not pay more than 25% of their household income on rent)
- Comparing our rent levels with other RSLs and private landlords
- Overall rental income should be sufficient to meet our obligations to our tenants and to lenders and maintain a positive cash position.

Our most recent Tenant Satisfaction Survey in late 2016 asked:

Q: How easy do you find it to afford your rent payments for this property?	
Very easy to afford	21.3%
Fairly easy to afford	55.5%
Just about affordable	20.4%
Fairly difficult to afford	2.4%
Very difficult to afford	0.5%

We also asked tenants about the affordability of fuel bills, and the results were broadly similar to the percentages stated above. While it is good news that most of our tenants say their rent is affordable, we take seriously the fact that almost a quarter of tenants said they were having difficulty in managing.

Comparison with other EHRA members and national average rents

BHA's 2017/18 average rents were significantly lower than the Scottish National Average for all house sizes, especially for 2 and 3 apartments.

Our rents also compared favourably with those of the seven other community-controlled landlords in Greater Easterhouse.

Average Rent Levels for 2017/18 (source: ARC returns)



The graph and table show that BHA's average rents in 2017/18 were:

- Below the EHRA average by £1-£2 a week, for all house sizes except 4 apartments where our rents were £1 per week higher.
- Below the Scottish national average for all house sizes, with the greatest differences being 2 apartments (BHA £11.73 per week lower) and 3 apartments (BHA £7.18 per week lower)

Consultation

The Association consults with tenants as part of the rent-setting process for the following year. For 2018/19, we consulted on a 3% rent increase and a 4% service charge increase (the latter resulting in increases between 7 pence and 76 pence per week).

We received 27 responses in total, a response rate of just over 3%. A majority agreed with our proposals, although the level of support for a 3% increase was higher than for the 4% increase for service changes. The Management Committee subsequently approved both proposals.

Affordability Assessment

The Association's affordability threshold is **that no household should pay more than 25% of its income on rent payments (including service charges).**

We tested whether we were meeting this policy in two ways:

- **By using the SFHA Affordability Tool** for working households whose incomes mean they don't receive Housing Benefit.

This method compares BHA's rents with "moderate income levels" for the city of Glasgow as a whole, which are based statistical information about low incomes in each part of Scotland.

- **By devising our own affordability tests** for households who are eligible to receive Housing Benefit.

Usually, this group of households will be working age households with members who work part-time and/or for very low wages, plus retired person/couples households on low incomes.

To examine affordability for these groups, we have tested 2018/19 BHA rents for ten common household types, consisting of 6 working household types and 4 pensioner household types.

The full results of the testing are shown in Appendix 6, and a summary of the headline results are shown in the following tables, which use the following colour coding:

SFHA Method

Households on Moderate Incomes, not eligible for Housing Benefit, and paying BHA 2017/18 average rents

rent is less than 25% of moderate income
 rent is 25-30% of moderate income
 rent is 30%+ of moderate income

House size and household type	% of income spent on rent
2 apartment	
Single person	22.9%
Couple	20.5%
Pensioner couple	22.4%
Single pensioner	22.8%
3 apartment	
Single parent, 1 child	19.3%
Small family (2 children)	13.1%
4 apartment	
Small family (2 children)	15.3%
Large family (3 children)	13.4%

Households paying rent with assistance from Housing Benefit, and paying BHA 2017/18 rents

Rent left to pay is LESS THAN 25% of household income
 Rent left to pay is MORE THAN 25% of household income

Household Circumstances	Rent left to pay after HB, as % of Household Income
Single parent aged under 25, with one child Working 16 hours per week at minimum wage. Also receives Child Tax Credit, Working Tax Credit and Child Benefit	17.8%
Single parent aged over 25, with one child As above, except parent is aged over 25	19%
Couple under 25 with two children One person works 30 hours per week on minimum wage. Also receive Child Tax Credit, Working Tax Credit and Child Benefit	16.7%
Couple over 25 with two children As above, except parents are over 25	16.8%
Single person aged under 25 Working 20 hours per week at £7.38 per hour	37.2% (2 apt) 28.5% (1 apt)
Single person aged over 25	32.5% (2 apt)

Household Circumstances	Rent left to pay after HB, as % of Household Income
Working 20 hours per week at £7.83 per hour	26.9% (1 apt)
Single pensioner Receiving the State Retirement Pension (SRP) and an occupational pension	17.4%
Pensioner couple Receiving the State Retirement Pension and an occupational pension	10.8%
Single pensioner Receiving the State Retirement Pension only	0.0%
Pensioner couple Receiving the State Retirement Pension only	0.0%

Affordability is demonstrated in the majority of cases. The exception is single person households who fail the affordability test in both groupings.

Business Plan Priorities

The Association will take the following actions over the Business Plan period:

- Use our forthcoming Asset Management Strategy to develop new methods of examining the performance of our housing stock and identify options for achieving improved value in future. We will begin this process by reviewing BHA-owned and factored properties in South Rogerfield.
- Review stock condition and replacement cycles and specifications for the stock investment programme, to ensure that the investment programme remains affordable under the self-funding approach set out in the Business Plan
- Maintain dialogue with tenants about value for money and their priorities for the future
- Continue to seek efficiencies across the organisation, where consistent with our values and objectives
- Seek to maintain our planned rent increases to inflation only, in line with our financial strategy
- Use the forthcoming rent harmonisation exercise to identify future options for smaller properties, to address the affordability issues we have identified for single people.

11. ORGANISATIONAL RESOURCES AND DEVELOPMENT

Location & Premises

BHA occupies new build office premises in Boyndie Street, in the same building as the Blairtummock Community Hall, in the heart of our area of operation. This helps ensure that our staff have a high level of contact with tenants and what is happening in our housing stock and the local community.

The building is fully compliant with the Disability Discrimination Act, and will meet the Association's requirements well into the future.

Human Resources

Staffing numbers are shown below, with the full staffing structure shown in Appendix 1.

Number of Staff	Full Time Equivalent Posts
14	14

The Director ensures consistent HR management standards throughout the organisation, in relation to recruitment, absence management, training assessment and provision, health and safety management, staff performance management, discipline and grievance. The other members of the management team assist with the implementation of these tasks.

The Director also advises and supports the Management Committee, in its role as employer.

BHA is a full member of EVH, operating in accordance with EVH Terms and Conditions.

Learning and Development

The Association uses an Annual Appraisal process to review, support and develop staff performance. We have a longstanding commitment to learning and development, and our staff regularly meet and network with their counterparts in the other members of EHRA and other fora.

Staff Remuneration and Pensions

Salaries are based on the EVH salary scales, set through collective bargaining between EVH (as the body representing employers) and the trade unions.

The Association has ended its membership of the Scottish Housing Association Pension Scheme (SHAPS) final salary scheme, due to the increasing proportion of rental income spent on contributions and our wish to limit BHA's future risk exposure.

We have switched to a Defined Contribution alternative which is open to all staff. This is also our chosen option for auto-enrolment. We have continuing liabilities under the SHAPS DB scheme, relating to servicing the scheme's Past Service Deficit. The next Triennial Review is due to take place in 2018.

These ongoing SHAPS payments as well as our employer's contributions to the new Defined Contribution option are factored into the Association's future cashflows (Appendix 2 of the Business Plan).

Disaster Recovery

As part of its business continuity plan, the Association has appropriate disaster recovery options in place. These include agreements to use the offices and ICT equipment of neighbouring housing associations, in the event that our office or systems cannot be used for any reason.

Procurement

The Association seeks to obtain value for money in its procurement of goods and services while complying with all relevant legislation.

Our obligations have recently changed as a result of the commencement of the Procurement (Scotland) Act 2014, the new EU Procurement Directive 2014/24/EU and the Public Contracts (Scotland) Regulations 2015. The Association complies with these new obligations

The Association has made use of the Public Contracts Scotland procurement portal for higher and lower value procurements.

Business Plan Priorities

The Association's main priorities during 2018/19 will include:

- Implementing BHA's GDPR Action Plan
- Achievement of Living Wage Accreditation
- Continuing to develop the BHA website and other communications methods, and promoting use of the website's customer service portal
- Supporting staff to develop in their roles
- Encouraging staff take-up of health and wellbeing opportunities.

11. STRATEGIC RISK ASSESSMENT

Risk assessment is a critical part of the Business Plan. Any plan will be subject to risks and uncertainties, whether these are internal or external. At the present time, the external environment in which housing associations are working – as illustrated in our PESTLE analysis at Appendix 3 - is particularly challenging with the potential to impact significant on BHA and our strategy.

BHA's Strategic Risk Register included in the Business Plan at Appendix 7. This includes a short description of the method BHA has used to score and present the various risks that are included in the Register and the risk controls that are in place or planned. In addition, we maintain operational risk registers for each of our main activity areas.

The following table provides an at a glance summary of the strategic risks identified in the Register. The numbering relates to "residual risk", i.e. the risk score after risk management measures are applied. The colour coding used is Red (risk score of 40 or more), Amber (risk score of 21 to 39), and Green (risk score of 0 to 20)

RISK	RISK SCORE AFTER CONTROLS APPLIED	
Reductions in BHA income streams due to Welfare Reform risks. Risks include: <ul style="list-style-type: none"> • Next wave of Universal Credit (UC) roll-out • Waiting time for tenants to receive their initial UC payment • Closure of local HB office and JobCentre Plus in Easterhouse (recently implemented) • Reductions/freezing in working age benefits • Benefits sanctions • Barriers to applying for benefits online 	Impact	7
	Probability	9
	Score	63
Impact of external political/financial factors create threats to BHA's Business Plan For example, changes in interest rates, inflation, impact of Brexit	Impact	6
	Probability	8
	Score	48
GCC cut backs have an adverse impact on the local environment and residents' quality of life. BHA is expected to fill the gaps	Impact	6
	Probability	8
	Score	48
Breach of General Data Protection Regulation occurs	Impact	6
	Probability	6
	Score	36

RISK	RISK SCORE AFTER CONTROLS APPLIED
Failure by Management Committee to exercise sound governance, leading to regulatory intervention	Impact 7 Probability 4 Score 28
Failure to meet tenant safety obligations	Impact 5 Probability 5 Score 25
Failure to respond appropriately to the threat of cyber attacks	Impact 5 Probability 5 Score 25
Stock investment is not made in line with BHA programme and the stock transfer ballot. Potential adverse impact on reputation with tenants, and on stock condition and future works costs	Impact 5 Probability 4 Score 20
Committee and staff lack capacity to deliver the Association's strategy and operational targets and standards	Impact 6 Probability 3 Score 18
BHA service standards not met for housing management and maintenance services, leading to tenant dissatisfaction	Impact 4 Probability 4 Score 16
Failure to maintain financial viability and/or comply with loan covenants	Impact 5 Probability 3 Score 15
Annual rent increases not sufficient to meet long-term maintenance and running costs	Impact 5 Probability 3 Score 15
Failure to manage risks presented by BRO's operations	Impact 4 Probability 3 Score 12
BHA has minority ownership in some closes in South Rogerfield, greatly reducing leverage in gaining consent for common repairs. Resulting risks are: <ul style="list-style-type: none"> • Unable to maintain fabric of buildings • Reputational risk if unable to meet tenants' expectations 	Impact 4 Probability 3 Score 12
SHR moves BHA to medium or high engagement, with resulting risks for covenant compliance	Impact 6 Probability 2 Score 12

The Management Committee will keep BHA's risk exposure and management under regular review. The management team will hold a quarterly Risk Meeting which will report back to Committee as required, to advise on material changes to existing risks, any new risks that have emerged, and any areas where action is needed to safeguard the interest of BHA and its service users.

The framework used for risk reporting and assurance (through the internal audit function) will be

reviewed during 2018/19, to assess the existing service and any changes needed as a result of the anticipated requirements relating to business assurance that are anticipated from the Scottish Housing Regulator.

An individual risk register will be maintained for the forthcoming roll-out of Universal Credit, and any other business areas decided on by the Management Committee.

12. FINANCIAL PLANS AND FORECASTS

Financial Objectives

This chapter provides an overview of the Association's financial performance and future projections, as set out in full in **Appendix 2** of the Business Plan.

The 30-year budgets are based on the following objectives:

- To provide quality homes at affordable rents for tenants.
- To provide a quality and responsive management and repairs service which also provides value for money.
- To ensure that improvements and major repairs are provided for and carried out as required to protect existing investment in our stock.
- To maintain a minimum cash balance of at least 6 months' running costs to ensure that the Association has sufficient cash reserves at all times to meet its obligations as they arise, along with headroom to respond to unforeseen events.
- To comply with all lenders' financial covenant requirements at all times.

Current Financial Position and Performance

Key facts: 2017/18 Audited Accounts and Benchmarking Data*

* National averages are based on 2016/17 SHR data which is the most recent available

- BHA owned 734 units of housing stock, worth £34.4 million (valued at gross cost).
- We achieved a surplus for the year (before actuarial gains on pension deficits) of £637k; this surplus contributed towards the capital cost of improving our homes.
- We had cash at bank of £4.3 million and accounting reserves of £9.5 million (£12,995 per unit).
- Our loan debt was £4.7 million (£6,410 per unit), well below the 2016/17 national average for all RSLs reported by the Scottish Housing Regulator (£12,807 per unit). Loan debt was only 13.7 % of the gross cost value of the housing stock.
- Our operating surplus as a percentage of turnover was 22.8%, higher than the 2016/17 national average of 18.77%.
- Low levels of debt meant that our net surplus as a percentage of turnover was 18.4%, higher than the national average of 10.8%. Interest cover was below the national average, but more than enough to meet the interest cover covenant agreed with our main funder, Clydesdale Bank.
- BHA has stopped accruing further liability for the SHAPS defined benefit pension scheme but continues to have accrued debt from previous contributions. The estimated debt if the Association were to withdraw from the scheme is £2.9 million. This debt is not currently shown on the Statement of Financial Position.

Per Unit Management and Maintenance Costs 2016/17

(source: Scottish Housing Regulator, Analysis of Audited Financial Statements)

	National Figures (median for all RSLs)	Blairtummock HA
Turnover per unit (SOC1)	£6,019	£3,392
Management & maint. admin. per unit	£1,070	£942
Staff costs as % of turnover	22.3%	15.8%
Reactive maintenance per unit	£479	£250
Planned maintenance per unit	£354	£322
Total direct maintenance	£833	£572

Our direct maintenance costs are lower than the national averages for both reactive and planned maintenance. The figures reflect the good condition and previous investment made in our housing stock. We have an ongoing commitment to maintaining the condition of our housing stock.

As discussed in Chapter 9 (Value for Money), BHA's staffing costs as a percentage of turnover continue to be lower than the national average. Our performance on this measure is just over half of the figure recorded for Glasgow Housing Association which previously owned housing in both Blairtummock and Rogerfield.

Base Case: Assumptions and Outcomes

The **main assumptions** used in the 5- and 30-year financial projections are shown in the following pages. The assumptions:

- Recognise that BHA will be operating in a harsher and less certain financial environment.
- Allow us to continue to generate surpluses and to meet the covenant ratios set by Clydesdale Bank.
- Maintain headroom throughout the 5- and 30-year planning periods to manage future risks and adverse financial impacts.

Blairtummock Housing Association

Business Plan 2018: Base Case Assumptions

Inflation	3% in year 1, and then 2.5% in years 2 and 3 and 2% per annum thereafter.
Rents	Increase of 3% in year 1 and 2% thereafter.
	Benchmarking of rent levels shows that our rents are significantly below the Scottish national average and the east end of Glasgow.
Rent Collection and impacts of Welfare Reform	Void losses: 0.5% of rental income in years 1 to 5; 1% thereafter.
	Bad debts: doubled from previous levels to 4% of rental income years 1 - 5, in response to the further rollout of Universal Credit. Levels then drop to 2% thereafter as Welfare Reform impacts are felt and then adjusted to.
	Rent arrears: Business Plan assumes arrears will increase to 3% in year 1, remaining at that level, though with greater resources committed during the first 5 years to ensure the rollout of Universal Credit does not have an extreme impact on the organisation
	Payment of Rent: No allowance made for direct payment to landlords of the housing element of Universal Credit. We will pursue this payment option in accordance with recent Scottish Government draft regulations, but the 5-week plus timescale for DWP initial payment of new UC claims will mean rent arrears will certainly accrue for new tenancies.
Maintenance and Major Repairs	Reactive repairs profiled to include a real terms increase of 0.5% per annum for 9 years and then revert to 0%.
	Business Plan incorporates the estimated costs of the 5-year asset management programme described in Chapter 7 of the Business Plan. Major repairs cover the replacement of kitchens, bathrooms, boilers, radiators and pipework, wiring, roofs, brickwork and structures. Costs are based on historical costs and adjusted for estimated inflation and real term increases as above. Cost estimates and profiling for the next 5 and 30 years will be reviewed upon completion of stock condition surveys and life cycle costings due to be completed in 2018/19.
	Cyclical maintenance costs have been profiled in accordance with historical costs and knowledge of the stock. Year 5 spikes as the most intensive year in a rolling 3 year gutter cleaning cycle. New technology is likely to see this cycle smoothed into a regular annual cleaning pattern. Year 6 spikes as external and internal painting falls due in a 7 year cycle.

Blairtummock Housing Association

Business Plan 2018: Base Case Assumptions

	Real increases of 0.5% included for all maintenance costs for the first 9 years of the plan.
Backcourt Improvement works	The Business Plan assumptions include spending circa £2.5 million on backcourt improvement works over the next 5 years.
Development Programme	The Association will continue to seek GCC support for new developments in our area. The prospects for achieving this are limited in the short-term and no projects are included in the Business Plan at present.
Interest Rates/ Treasury Management	Loan interest rates: Assume variable rate loans are charged at 2.97% in year 1, 3.97% in year 2 and 4.45% thereafter until the loans are repaid.
	Assumed major repairs will be funded from cash balances.
	<p>We do not anticipate a requirement for further loans to implement our current strategy.</p> <p>A loan with a balance of £664k was repaid in April 2018. As other loans reach the end of their fixed interest period, the Management Committee will consider repaying the balance of each loan.</p>
Management Costs	Salaries increased by 3% in year 1, 2.5% in year 2 and 2% thereafter.
	Pension costs Include SHAPS final salary and auto enrolment defined contribution costs, plus payments for Past Service Deficit (PSD).
	Sensitivity analysis allows for the period of PSD payments being extended by a further 10 years after 2022 (depending on next triennial valuation)

The overall trends in our cost base over the next 5 and 30 years are as follows:

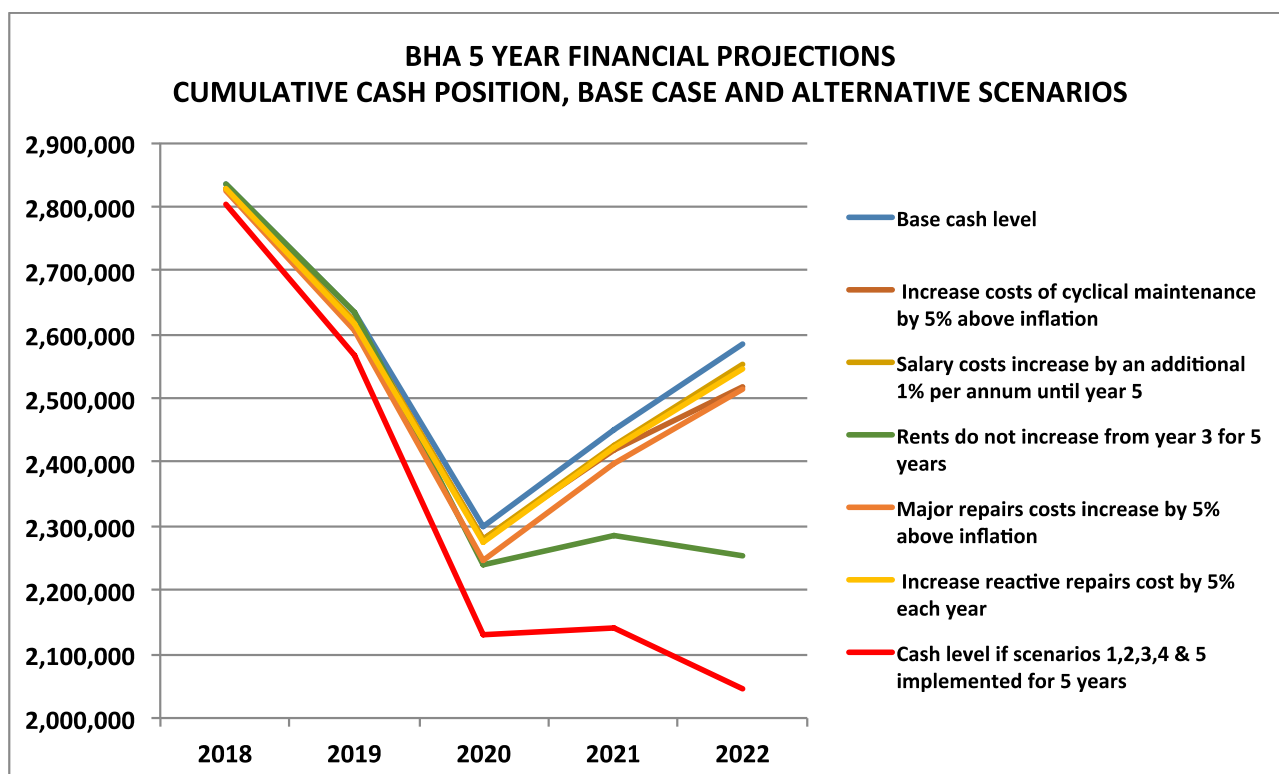
- Loan interest is projected to drop from £180k p.a. to £100k p.a. in 2030/31 and all loans are expected to be repaid in full by 2042/43.
- Cyclical maintenance is budgeted to peak in 2028/29 at £736k, 2035/36 (£1,050k) and 2042/43 (995k), primarily due to painting contracts.

Resilience of the Business Plan

The Next 5 Years

Over the next 5 years, we anticipate that BHA's cashflows will dip as a result of the planned peak in expenditure on major repairs. This will be self-funded from cash reserves. Annual cashflows then return to being positive and cash balances are not expected to fall below £2.3 million at any point.

The following graph shows the potential impact of a range of factors that would have an adverse effect on the Business Plan. This shows the impact of each of the individual scenarios selected, plus a test that combines all six of the individual scenarios. We forecast that BHA would still retain cash balances of at least £2 million in the combined scenario, which is the most pessimistic and the least likely to occur.

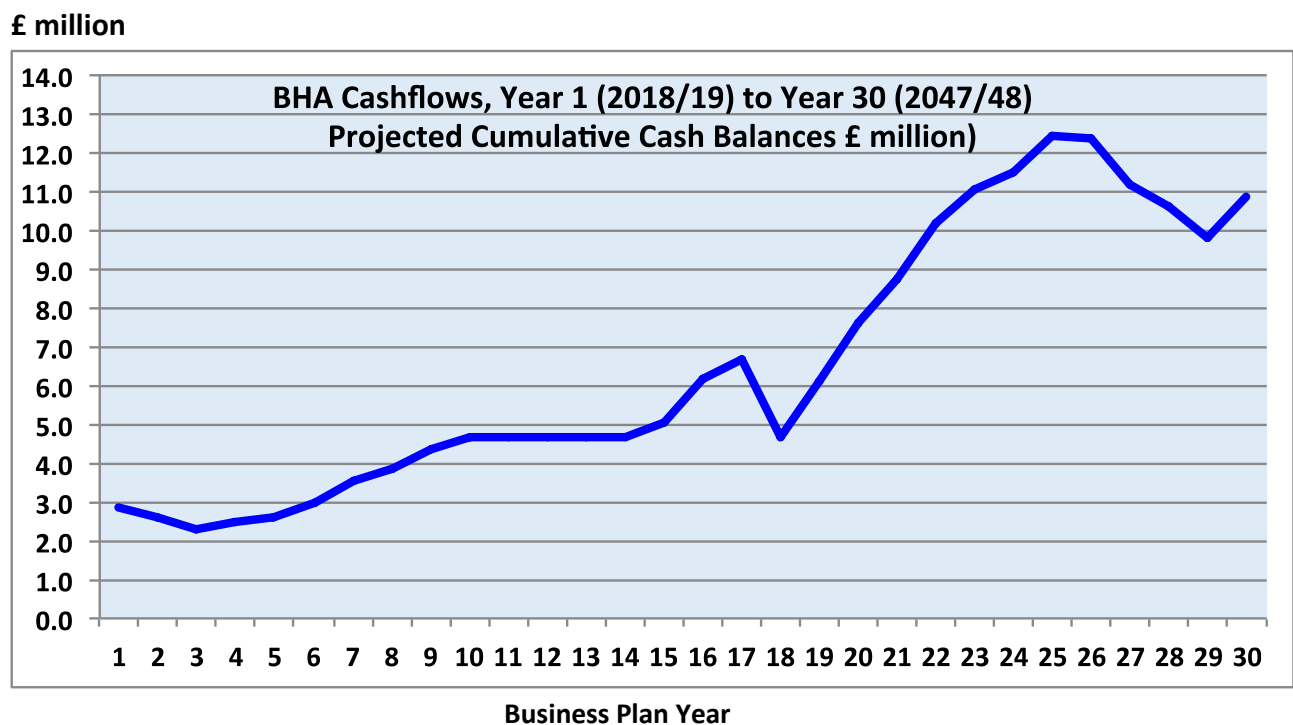


As shown in the graph, the greatest impact on the Business Plan occurs if:

- **All of the scenarios combined occurring at the same time** – this is extremely unlikely but is a useful test as it demonstrates the underlying resilience of the Business Plan.
- **Keeping to a policy of not increasing rental income.** The scenario shown in the graph assumes that we would have adopted a policy to increase rents from year 3 for 5 years, but do not implement that policy.
- **Increases in repairs and maintenance costs,** which a number of commentators are highlighting as a possibility post-Brexit.

The Next 30 Years

The Base Case for the next 30 years is shown in the following graph, projects a steady increase in cash balances over the period.



The Base Case demonstrates that BHA will be financially viable over the next 30 years.

- The Association is projecting that surpluses will be made throughout most of the 30-year period, with a minimum cash balance of **at least £2.3 million** forecast for every year of the Plan.
- Cash balances will reduce during the peak years of planned maintenance spending but the overall cashflows will be able to accommodate this.
- If required, there would be scope to generate additional income (e.g. if inflation increases, or if the Association needed to increase rents above the levels assumed in the base case, in the event of major economic shocks).
- Cash exceeds debt throughout the 30-year period. The Association has repaid debt early before and has capacity to do so again, for example in response to any future development or other growth opportunities.

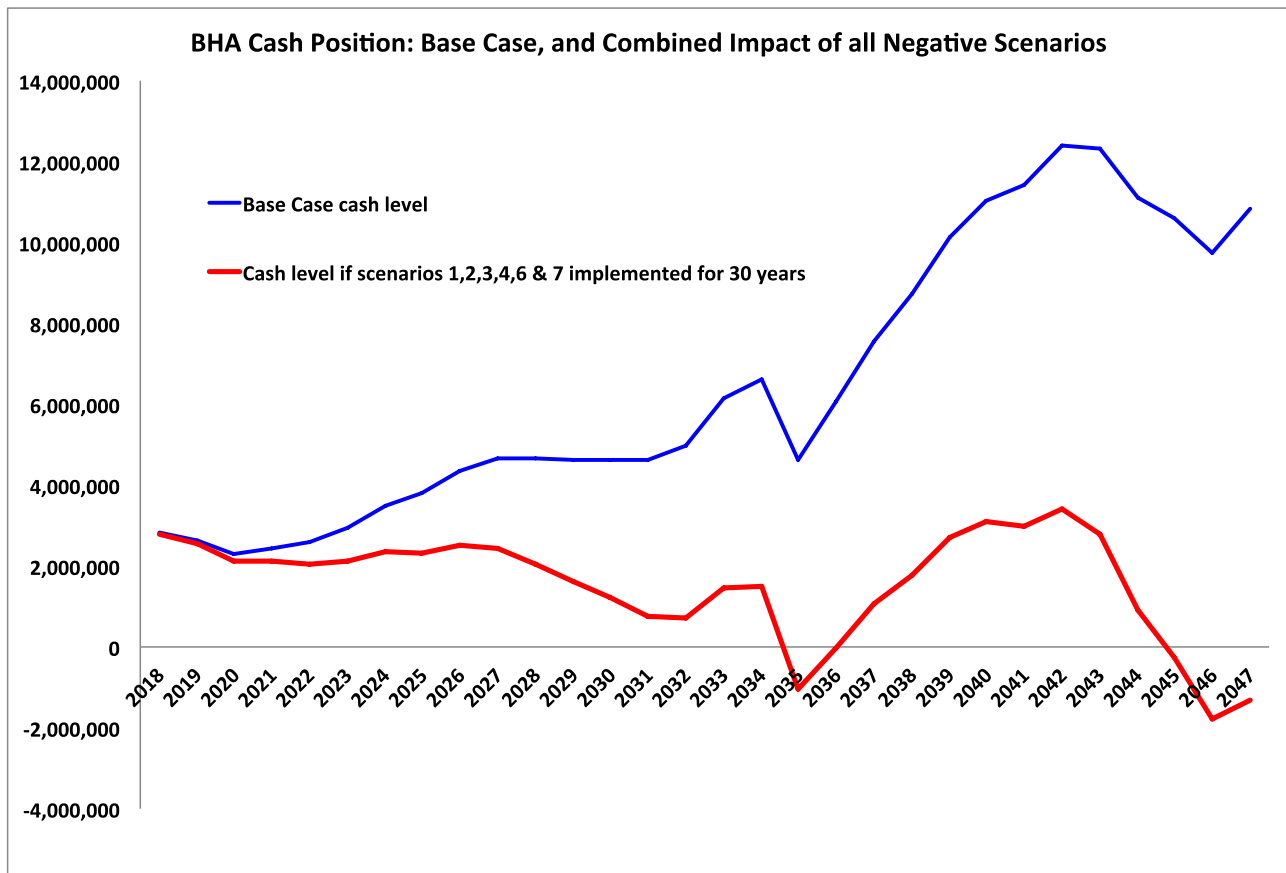
During challenging times for all social landlords, it is important for BHA to assess the risks to the Business Plan and our resilience to withstand these.

The Association has carried out a detailed assessment of risks and possible future scenarios. We have focused on scenarios that would have a **negative impact** on future cash flows, as a way of testing the Plan's resilience in future years.

The scenarios tested are shown in the following table and graph. Detailed figures are provided in Appendix 2 to the Business Plan.

	Scenario
1	Increase costs of cyclical maintenance by 5% above inflation
2	Salary costs increase by an additional 1% per annum until year 10
3	Rents do not increase from year 3 for 5 years
4	Major repairs costs increase by 5% above inflation
5	Reduce inflation by 0.5% per annum, year 6 onwards
6	Increase variable interest rates by 1%, Year 6 onwards
7	Increase reactive repairs cost by 5% each year
8	Scenarios 1,2,3,4,6 & 7 COMBINED and implemented for 30 years

The following graph shows the impact of the “worst case” scenario by testing all of the negative scenarios together (i.e. numbers 1, 2, 3, 4, 6 and 7) and then assuming these would persist over the full 30 years of the Business Plan.

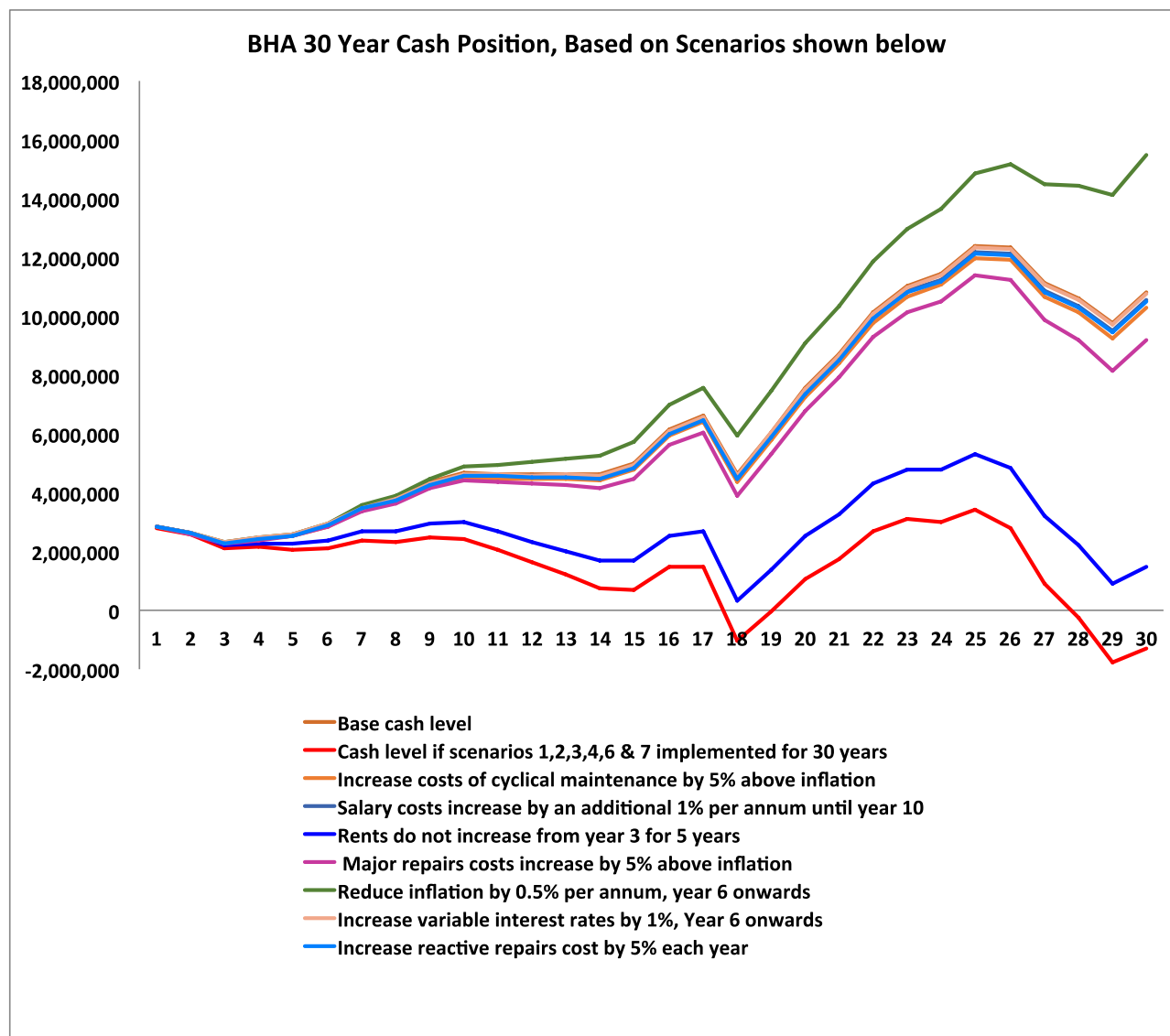


It is very unlikely all of these factors would occur at the same time or for a full 30 years, but the aim is to test the underlying strength of the Business Plan in the face of prolonged adversity.

Based on this worst case scenario, there would be some impact on BHA's cashflows during the middle period of the Plan and then again towards the end of the 30 years, with deficits ranging from £29k and £1.3 million.

In the event that deficits show signs of deteriorating, BHA would of course need to respond to any such events, for example, by making management cost savings and considering the need for rental increases).

The following graph shows the impact on BHA's cash position that occur when the various scenarios are tested individually. The factor that would have the greatest individual impacts are failure to apply planned rent increases (comments on this and inflation reducing by 0.5% from year 6 of the Business Plan onwards, which would have a positive impact for BHA. The 5 year rent freeze is to show that BHA has considered a really heavy stress. We do not consider it likely to be implemented.



Overall, the scenario and sensitivity testing that has been undertaken indicates that:

- BHA can comfortably maintain adequate cash flows and levels of cash balances throughout the period of the Business Plan, under the Base Case.
- This also applies to the individual scenarios tested, albeit reductions in rental income and increases in maintenance costs would place the Plan under more pressure.
- The Business Plan is only threatened with failure when multiple, high value stresses are placed upon it.
- Any such circumstances would require proactive management responses by BHA. BHA is in a good position to respond to any serious adverse circumstances, since it has control of its budget, management costs and rent levels.
- Maintaining future rent increases at levels similar to inflation will preserve a healthy cash balance. Stress testing indicates that sustained periods of low or no rent increases would, due to compounding, place considerable strain on cash reserves over the long term.

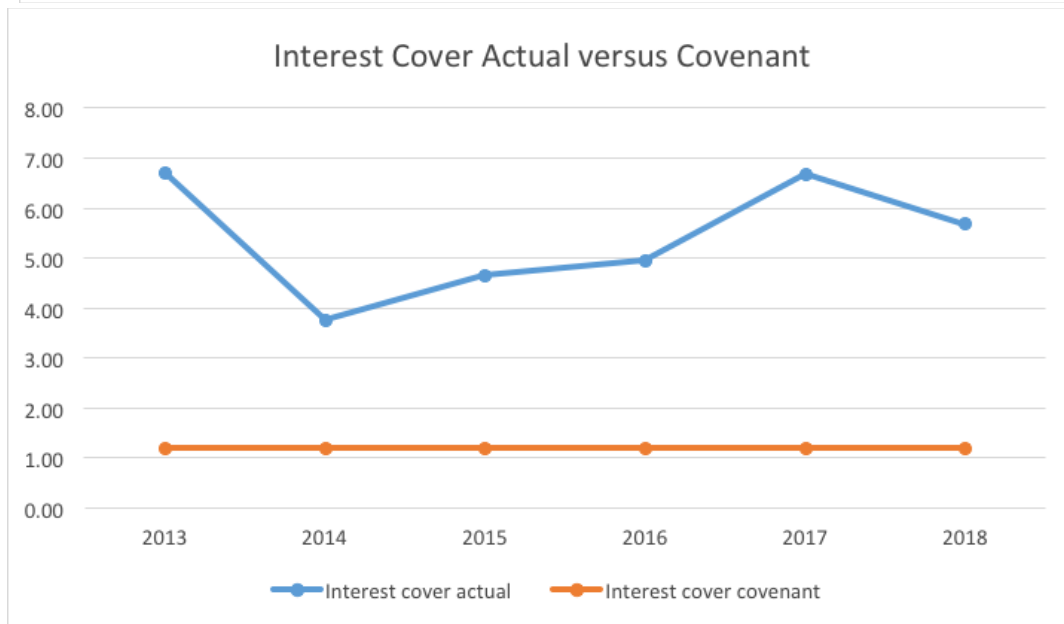
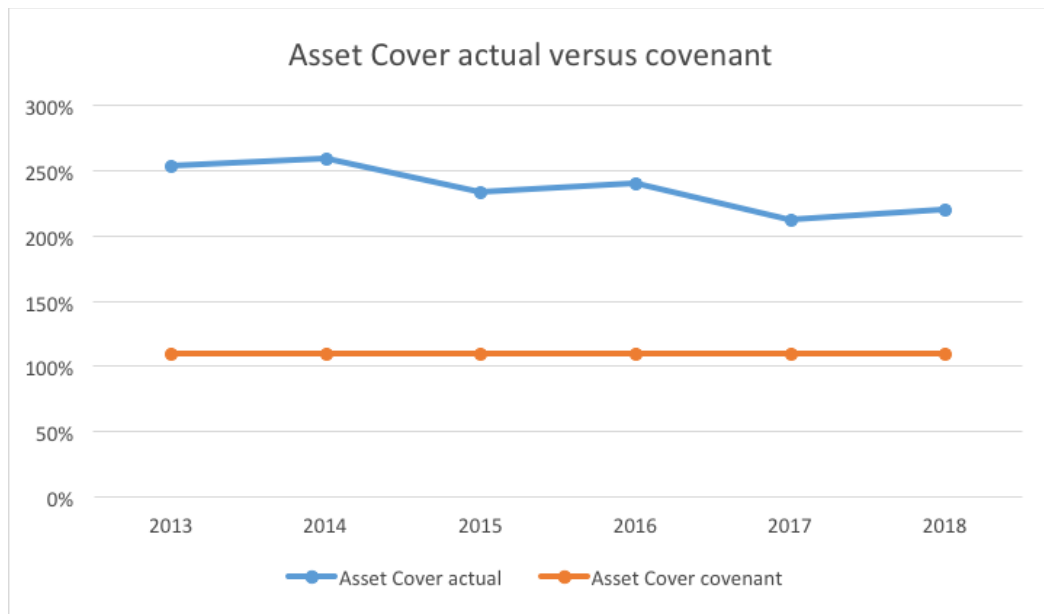
BHA fully recognises the importance of tracking future changes that could threaten to increase our costs, reduce our income, or reduce tenants' incomes. We will regularly test the assumptions on which the Business Plan is based and use the results to inform our ongoing financial planning and actions to address any emerging areas of concern.

Covenant Compliance

The financial projections show that the Association is in a position to meet comfortably the financial covenants agreed with Clydesdale Bank throughout the thirty years of the Business Plan. These covenants are as follows:

- Operating Surplus to Debt Service Liability (>120%)
- Asset Cover - Value of Charged Properties \geq 110%

The following graphs illustrate the Association's capacity to meet both covenants over the first five years of the Business Plan.



Summary and Conclusions

The Base Case 30 year projections demonstrate financial viability over the next five years and over the whole 30-year period of the financial projections. They also confirm that the Association will be able to meet its obligations to tenants and to funders over this period.

The projections and the sensitivity analysis undertaken allow for operating in a more challenging and uncertain financial environment. The projections show that the Association has sufficient headroom to withstand pressures on its cost base and future risks and uncertainties.

The Association will continue to exercise strong financial discipline and will also track changes in the external risks and uncertainties we face so that these are identified at an early stage and incorporated in future budgets and financial projections.

13. DELIVERING THE BUSINESS PLAN

The Management Committee and Management Team are responsible for managing BHA's performance, including the delivery of the Business Plan and the priorities it sets out.

The Management Committee will review overall performance in relation to the Plan twice a year, at the mid-year point and when approving the following year's Plan.

The Management Committee and/or relevant sub committee will also monitor on an ongoing basis:

- The financial aspects of the Business Plan,
- Progress of the priority actions set out in the Business Plan
- Performance against Key Performance Indicators (KPIs).

The Director and Management Team are accountable to the Management Committee for ensuring the effective implementation of the Business Plan. The Management Team will support the Management Committee in its role of maintaining oversight of strategic risks, and alerting the Management Committee and Finance and Audit Sub Committee to any emerging risks to the Association's strategic objectives, financial position or reputation.

Managers will discuss the Resource Plans appended to the Business Plan with their teams, so that members of staff throughout BHA continue to have a strong connection with our organisational aims and priorities and their own role in meeting these.

For issues that involve more than one team, a senior manager will be assigned lead responsibility for ensuring appropriate input from across the organisation.

Actions and timescales will change throughout the Business Plan period, particularly because the BHA's activities may often depend on working with others.

The Business Plan will be subject to a comprehensive review every three years. Each year, an update of the Plan will be prepared to incorporate new financial projections and operational plans and to highlight any changes that are relevant to the Association's strategy and operating environment.