

Lochaber Housing Association Business Plan 2024-25 / 2026-27

**Providing Affordable Housing
and Services Throughout Lochaber**



Contents

Section	Contents	Page
	Appendices and Supporting Documents	3
1	Introduction	4
2	Our Journey so Far	5
3	Executive Summary	7
4	Mission Statement	11
5	Strategic Objectives	12
6	Stakeholder Management	16
7	Housing Services and Rent Affordability	20
8	Challenges and Risks	23
9	Risk Management and Mitigation	25
10	Value for Money	27
11	Financial Planning and Treasury Management	29
12	Useful Information	33

Appendices and Supporting Documents

Document Title	Appendix Number
Achieving Excellent Affordable Services	01
Annual ARC Submissions	02
Annual Assurance Statement	03
Annual Audited Accounts	04
Asset Management Strategy	05
Development Strategy – currently under review	
Equality, Diversity and Inclusion Policy	07a
Equality, Diversity and Inclusion Strategy	07b
Financial Cashflow Scenarios	08a
Financial Sensitivity Analysis and Results	08b
Financial Base Case Projections	09
Handyperson Service Information Sheet	10
Highland Council Local Housing Strategy 2023-2028	29
Highland Council Strategic Housing Investment Plan 2025-2030	30
LCR Information Sheet	11
LHA Group Company Values	12
LHA Group Core Values	13
LHA Group Organisation Structure	14
Office Bearer's and Management Team Biographies	15
Our Membership and Board	16
Our Staff	17
Peer Group ARC Submissions	18
Regulatory Standards Mapped to our 6 Strategic Objectives	19
Rent Policy	20
Risk Management Policy	21
Risk Register	22
SHN Peer Group ARC Comparisons	23
SHR Engagement Plan	24
Tenant Engagement and Communication (TEC) Strategy	25
Treasury Management Policy	26
Who We House	27
Glossary and Acronyms	28

1. Introduction

This Business Plan provides a strategic framework for managing our services and overall business for the period 2024-25 to 2026-27. It also informs our relationships with our customers, funders, regulators, and partner organisations.

We have changed the format with the aim of making the plan easier to understand and simpler to update. More detailed information on all areas of our operations can be found in the various appendices attached to the plan.

The plan reflects our belief that the wellbeing and stability of Lochaber Housing Association (LHA) is crucial and will be underpinned by good governance, robust financial modelling, and strategic risk mitigation. This is achieved by effective leadership of the Association by the Board of Management, supported by the senior staff team. The strategic context and direction of our plan continues to be informed by our Board, staff, and the views of our tenants.

The wider global and economic context has remained challenging with high interest rates and inflation increasing the pressures on finances. Careful financial management has been required involving difficult decisions in balancing affordability of rent with the long term business sustainability. We are striving to:

- minimise the rent increases required for our services;
- ensuring our commitment to our tenant's safety and well being; and
- Providing high quality services that makes life for better for our tenants.

Despite these challenges, we remain an ambitious, financially resilient organisation.



2. Our Journey so Far

- 2.1 Lochaber Housing Association is a Scottish Charity (SCO 30951), a registered Society under the Co-operative and Community Benefits Act 2014 and is registered with The Scottish Housing Regulator (Registered Social Landlord No.151).
- 2.2 The Association is a non-profit making organisation, established in 1988 to address an identified chronic housing need in Lochaber's rural communities and to contribute to meeting the perpetual and considerable housing need in Fort William. This need is just as acute now, notwithstanding the work of the Association, The Highland Council, and other agencies in the intervening period.
- 2.3 The Association's principal objective since 1988 has been to provide good quality, affordable housing opportunities and services throughout Lochaber, achieving this by accessing public funding, mainly through the Scottish Government as well as private sector lending facilities, to develop and manage housing, mainly for rent but also through low cost home ownership accommodation and other initiatives.
- 2.4 Over the past 37 years we have provided approximately 850 new housing opportunities for rent and low-cost home ownership. In early 2018 the Board resolved to enhance our capacity to deliver more affordable housing in Lochaber by entering a partnership with Link HA at the Upper Achintore site in Fort William. The initial phase of 82 units was completed in August 2024, resulting in us now managing and maintaining 83 rented properties for LINK HA.
- 2.5 At present LINK HA are unsure, due to both the cut back in grant funding available and the significant increase in build costs when the next phase of this development will go on site.
- 2.6 The Association has done substantial work to utilise renewables, and a significant amount of stock has a renewable element to it. Our intention is to continue to improve the energy efficiency of our housing which will help to keep the heating costs more affordable for tenants.
- 2.7 There is breadth and scope to the group of companies within the LHA family that means that we have never regarded our valuable role over the years in supplying affordable housing as the only means through which we would deliver a social impact.
- 2.8 Along with Albyn Society, Cairn HA, Caledonia HA, Lochalsh and Skye HA, and Highland Council we operate a common housing register and common allocation policy called the Highland Housing Register (HHR). This is a single access point for all applicants wishing to apply for housing in the Highland area.

With the approval of our HHR partners and Link HA, we recently piloted a Local Lettings Initiative for key workers which enabled the allocation of 15 properties in the Upper Achintore Development to key workers. This has been very successful and enabled those allocated the opportunity to remain in Lochaber rather than having to move away due to the lack of availability of affordable housing opportunities. This is an initiative we hope to replicate in other developments we complete.
- 2.9 We also believe that it is important for us to maintain and improve the quality of our management and maintenance services. Throughout the business plan are references to our performance with this information provided to the Scottish Housing Regulator through the Annual Return on the charter. Comparatives with our peer group and the Scottish average are also provided, with the peer group made up of Albyn Housing Society, Cairn HA, Hjaltsland HA, Orkney HA, Lochalsh and Skye HA, West Highland HA and The Highland Council.

- 2.10 The Association also operates and provides services through Lochaber Care & Repair (LCR) which was established in 2006, and which is a not-for-profit company. LCR operates a free advisory service to assist older and disabled people in their own homes to manage improvements, repairs, and adaptations to their properties. LCR also operates a tenure neutral Handyperson service and manages the Community Equipment Service for NHS Highland (NHS). A procurement process was undertaken on Public Contracts Scotland earlier this year and LCR were successful in gaining this contract for 3 years commencing 1st July 2025, with the Highland Council having the option to extend this for a further 2 years. The service now has financial stability and will undertake a comprehensive review to align our operations with the new contractual obligations and financial framework.
- 2.11 In 2009 we set up LHA Property Services CIC (LHAPS) as a non-charitable subsidiary company to carry out activities that the Association as a charity, could not, and was established as a Community Interest Company (CIC). This meant that the Association could protect the company's surpluses for the benefit of the community and for the provision of training and employment opportunities. The company provides Estate Management Services as well as comprehensive reactive, cyclical, and planned maintenance service for the Association and its tenants as well as delivering a similar service to our partners Link HA.



3. Executive Summary

- 3.1 The Association has continued to have a strong financial performance, and continued delivery of high-quality services despite sector wide challenges. In 2024/25 we achieved a healthy surplus of £484,290, met all lender covenants, and strategically invested in our housing stock, while also laying the groundwork for long term improvements in asset management and customer service.
- 3.2 LHA's ambition to continue playing a lead role in developing affordable housing in Lochaber remains as strong as ever. Looking ahead, we remain committed to exploring new housing opportunities that reflect our mission, values, and commitment to quality and affordability. Early in 2025 we undertook a procurement exercise for our development agency services and are pleased to have appointed Macdonald & Cameron in this role. We currently are on site with three developments which will result in 48 new homes onsite and hopeful we can commence on a further 11 during 2026/27.
- 3.3 Our Asset Management Strategy has been revised and will ensure our long term investment in maintenance and improvements is targeted and value for money ensuring our homes remain desirable.
- 3.4 In 2024/25 we have spent £1.2 million on reactive, major and cyclical repairs and a further £860k investment in our properties. In the current year we have budgeted for an amount of £1.09m for reactive, major and cyclical costs and the sum of £1.3 million for component investment. Our tenant satisfaction with our repairs service was 97.1% for last year and we aim to continue to improve on this where we can.
- 3.5 While over 97% of our properties currently meet the Scottish Housing Quality Standard (SHQS) we will continue to ensure that we invest and improve where possible our SHQS and the Energy Efficiency Standards for Social housing (EESHS). We are still awaiting the results of the consultation on the introduction of the new Net Zero standards and how the Scottish Government will fund this.
- 3.6 During the last year we have been able to attract additional funding which has allowed us to further progress investment in energy efficiency measures with the installation of air to wet heating systems in 53 properties as well as 41 with high heat retention storage systems (which include solar roof panels and battery storage). In the year ahead we have again been successful in getting further funding which will allow investment in an additional 122 heating systems being updated (solar panels, battery storage and high heat retention storage) with an approximate value of £1.8m.
- 3.7 A review of the loan portfolio has been undertaken over the summer to address: our mix of mixed and variable lending; ensure the existing loans are right for the Association; and to ensure we have sufficient resources to meet our development and investment aspirations for the coming years.
- 3.8 Balancing investment and controlling costs to limit the impact on rent levels and affordability with many overhead costs continuing to rise faster than CPI inflation making it challenging when assessing rent levels and business requirements. We will continue to drive efficiencies and value for money across our activities.
- 3.9 In the coming year we are undertaking a full review of both our Tenant Participation and Communications Policies and will invite those tenants within our Your Voice group to be part of our working group. We undertook our Tri-Annual Survey last year and

continue to work through the feedback and actions from this to improve the delivery of the services we provide.

- 3.10 We have asked an independent research organisation to manage our survey collecting information, including equalities data, which will help us better support our tenants and identify any barriers or obstacles customers may experience in accessing services.
- 3.11 Supported by grant funding we will also continue our partnership with ALIenergy to provide much needed energy advice and support to our tenants. This was further supplemented by fuel vouchers through the HACT fuel fund, whereby fuel vouchers could be provided to tenants in financial difficulty.
- 3.12 Our people are critical to our success, and we must ensure our board and staff feel supported and encouraged. This year we will have an independent review of our staffing to ensure our resources deliver the business plan objectives and priorities in the most optimal way whilst also taking account of succession planning.
- 3.13 Improving how we work is another key focus, and this is underpinned by our commitment to innovation and digital transformation. During 2024/25 we introduced our new website ensuring our customers find interaction with us easier and more accessible. We also recently added a Board section to the website thus improving the way our members can function digitally and remotely. We continue to look at strengthening our systems and digital tools which will better support our decision making and improve the overall experience of customers, staff and our Board.
- 3.14 We will ensure we have the best possible governance and systems in place to steer the organisation forward to meeting the regulatory standards of governance and financial management. The Regulator has confirmed our compliance status, thus demonstrating to our tenants, lenders and other partners their reassurance that the Association meets all standards.
- 3.15 Risk management remains a core focus, with quarterly reviews ensuring we remain responsive in a changing regulatory and economic environment.
- 3.16 We will continue to ensure our homes are safe and free from health hazards. We have robust systems for managing and monitoring tenant safety ensuring compliance with tenant safety regulations. We will also continue to update our Board regularly on Health and Safety matters which monitor our performance on compliance.
- 3.17 We will continue to ensure that any damp and mould cases which are identified by our tenants or staff are deal with promptly and effectively.
- 3.18 We will highlight the importance of customers providing us with access to their home, to help us meet compliance legislation. We will offer flexible appointments and a way to make and change appointment times which suit. We will continue to implement a range of approaches to attempt to contact customers and will escalate engagement with customers who do not provide early access to homes while consider any vulnerabilities or additional support need which may be affecting arrangements.

At a Glance – 24/25 *(these figures will be refreshed annually)*



All loans achieve covenant compliance



Net Book value of housing properties

£55,395,637



Loans repayments per property

£1,794



Revenue from lettings

£4,592,469



Operating surplus

£1,030,522



Void rent loss

0.29%



Investment and upgrading of properties

£949,977

Per property

£1,307



Construction of new homes

22 onsite

32 due to start



Amount spent on repairs

£1,030,380

Per property

£1,417



Number of new lets in last year

49



Tenants satisfied with the overall service provided by LHA

83.7%



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

88.4%



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

75.4%



Tenants who feel their rent represents value for money

70.3%



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

91.7%



Properties that meet EESSH

97.8%



Average number of hours to complete emergency repairs

2.8 hours 




Average number of days to complete non emergency repairs

4.3 days 



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

97.1% 



Better than Peer Group and Scottish Average

4. Mission Statement

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



5. Strategic Objectives

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

These strategic objectives are rendered into operational activities detailing how our strategic aims will be delivered and will be continuously monitored by the management team. Each Objective is summarised with supporting documentation provided.

When designing our Business Plan, we have mapped the Regulatory Standards with our strategic objectives, to underpin and illustrate how we manage and govern the Association. Please see **Appendix 19 Regulatory Standards Mapped to our 6 Strategic Objectives.**



Objective 1: Providing High Quality Housing Solutions

We will facilitate the provision of high-quality affordable housing solutions throughout Lochaber. This will be achieved by working with our development partners, Cameron and Macdonald, and Link HA, to increase the number of affordable housing opportunities, prioritising homes for social rent but including the provision of LIFT shared equity housing, mid-market rent homes and other innovative models, such as Rent to Buy or Discounted Plot sales.

We will ensure our properties are well maintained, efficient to heat and adaptable to people's changing needs.

Supporting Documentation

Asset Management Strategy – Appendix 5

Development Strategy - currently under review

LHA Group Core Values - Appendix 13

Highland Council Local Housing Strategy 2023-2028 - Appendix 29

Highland Council Strategic Housing Investment Plan 2025-2030 – Appendix 30

Objective 2: Excellent Affordable Solutions

We will develop and manage a high-quality range of affordable services that meet the needs and preference of customers. This will be achieved by providing locally controlled accessible and friendly services; by ensuring that our customers can occupy their homes within safe, secure and pleasant environments, while demonstrating best value for available resources; by achieving high levels of customer satisfaction and acting on feedback we receive; improving levels of effective customer participation; improving and expanding our digital offering; and by improving our knowledge and understanding of our housing stock and by, using this to manage our assets more effectively.

We will make best use of our resources and ensure they benefit our tenants by benchmarking and reviewing value for money.

Supporting Documentation

Achieving Excellent Affordable Services - Appendix 01

Annual ARC Submissions - Appendix 02

Rent Policy - Appendix 20

SHN Peer Group ARC Comparisons - Appendix 23

Tenant Engagement and Communication (TEC) Strategy - Appendix 25

Who We House – Appendix 27

Objective 3: Robust and Accountable Governance

We will ensure that we manage and govern our affairs effectively and prudently and in doing so will operate accountably and openly in all that we do as evidence in the Annual Assurance Statement to the Scottish Housing Regulator. This will be achieved by developing and cementing the active partnership between the Board, Management Team, and wider staff group in the furtherance of our objectives; putting in place and maintaining the highest standards of governance in relation to the conduct of our business; supporting and developing our Board in acquiring the appropriate skills and knowledge base; and implementing quality assurance measures. All of this has been enhanced by our investment and use of technology to allow remote participation of Board and Staff members.

Supporting Documentation

Annual Assurance Statement - Appendix 03

Equality, Diversity and Inclusion Policy – Appendix 07a

Equality, Diversity and Inclusion Strategy – Appendix 7b

Regulatory Standards Mapped to our 6 Strategic Objectives - Appendix 19

Risk Management Policy - Appendix 21

Risk Register - Appendix 22

SHR Engagement Plan - Appendix 24

Objective 4: Effective Financial Management

We will ensure that our financial management and planning will deliver medium and long-term financial viability. This will be achieved by ensuring financially sound planning and decision making processes; continually monitoring our financial performance; effectively managing all our resources; and maximising our income and controlling our expenditure through the effective management and monitoring of processes across the organisation's activities.

Supporting Documentation

Annual Audited Accounts - Appendix 04

Financial Assumptions and Scenarios - Appendix 08a

Financial Sensitivity Analysis and Results – Appendix 08b

Financial Base Case Projections - Appendix 09

SHN Peer Group ARC Submissions - Appendix 23

Treasury Management Policy- Appendix 26

Objective 5: Investing in our People

We will support, train, and develop our staff team in the furtherance of our objectives. This will be achieved by investing in training and continuing professional development for our staff; provision of modern apprenticeship opportunities; operating a performance management system; and maintaining effective communication with all staff.

Supporting Documentation

LHA Group Company Values - Appendix 12

LHA Group Organisation Structure - Appendix 14

Office Bearer's and Management Team Biographies - Appendix 15

Our Membership and Board - Appendix 16

Our Staff - Appendix 17

Objective 6: Supporting Positive Social Impact

We will support and guide our subsidiary companies as social enterprises to diversify their services to deliver social impact. This will be achieved by partnering with LHAPS to ensure the appropriate skills and services are available to undertake the growing number of houses that will be required to be serviced through the partnership with LINK HA; and working with Lochaber Care and Repair to support it in establishing income generating activities that will support its funding streams.

Supporting Documentation

Handyperson Service Information Sheet - Appendix 10

LCR Information Sheet - Appendix 11

6. Stakeholder Management

6.1

Our Area

The Association operates exclusively within the Lochaber area.

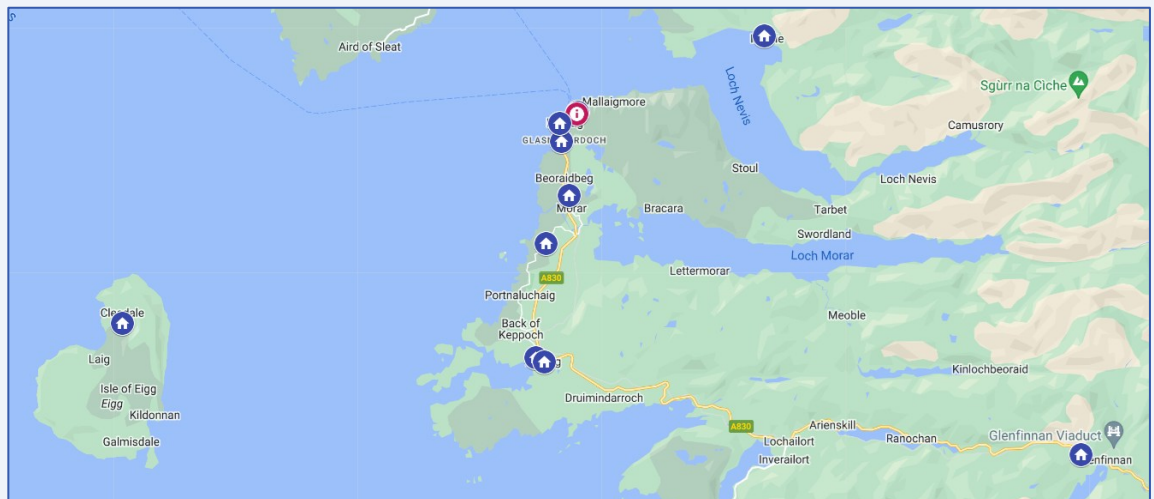
Our area of work extends to 4,656 square kilometres, has a population of 20,042 with our principal town being Fort William, the Highlands' second largest conurbation, with a population of 10,428.

For HHR purposes, our properties are in five zones.

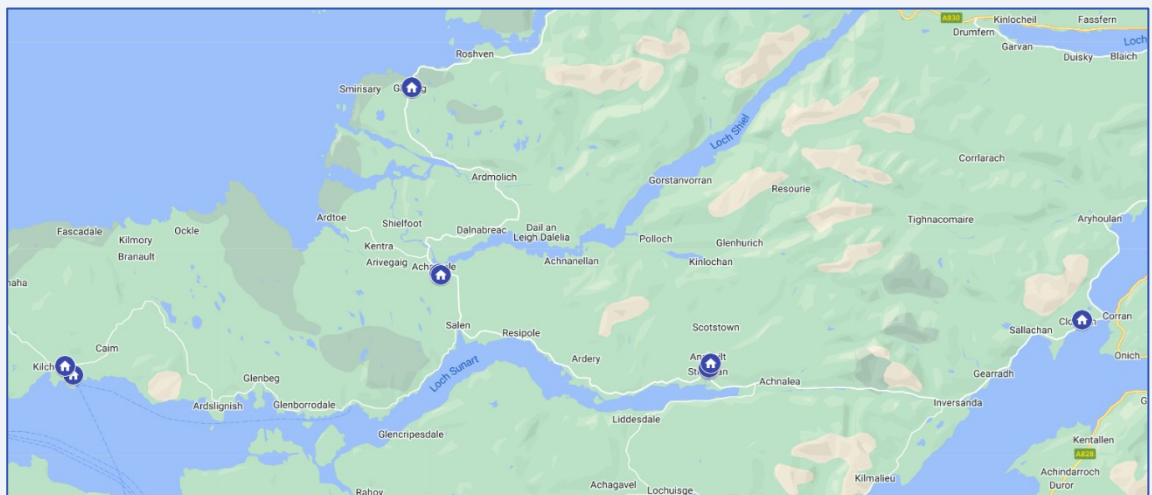
Central Lochaber – 46 locations



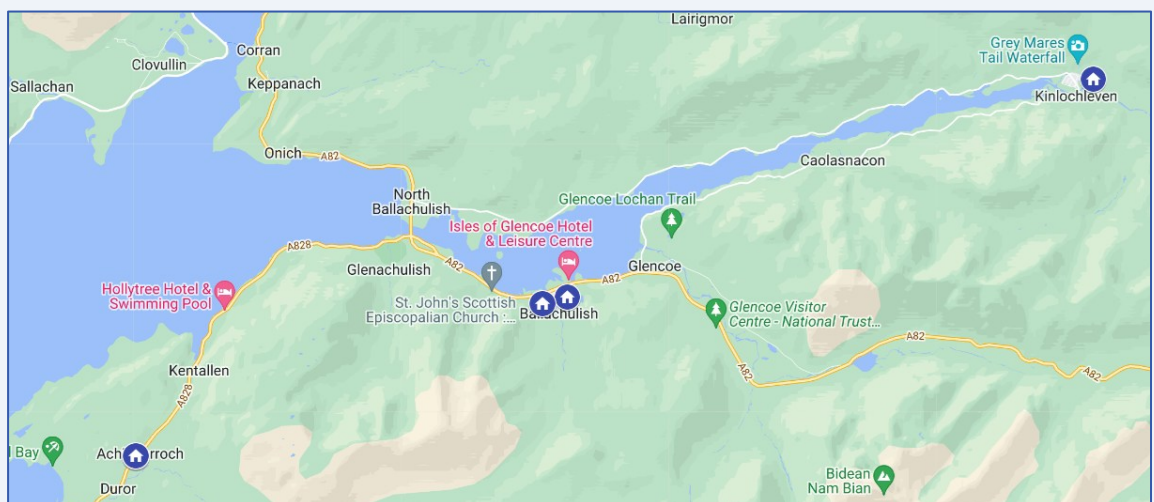
West Lochaber – 11 locations



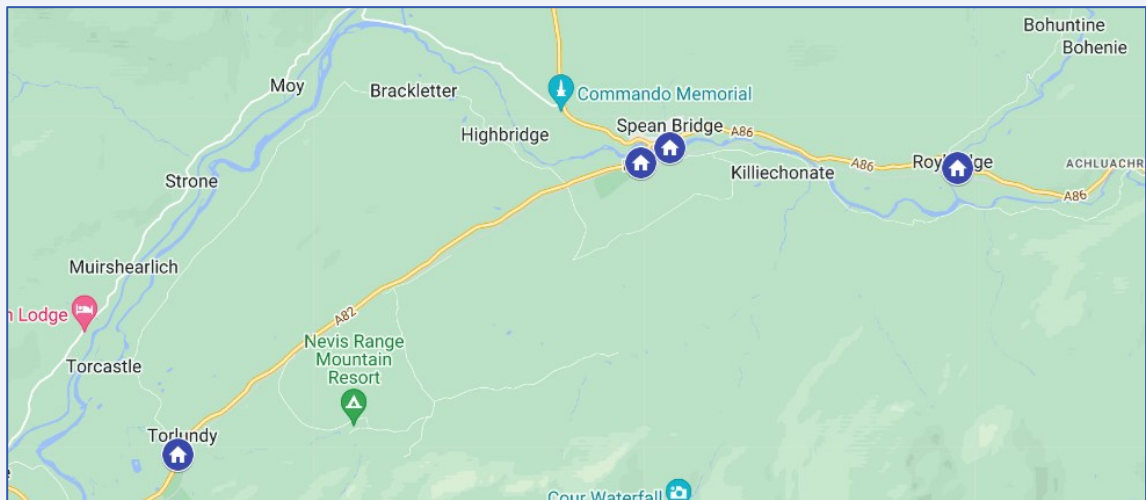
Peninsula – 10 locations



South Lochaber – 5 locations



North East Lochaber – 4 locations



For more specific property details and street locations, you can simply click on an icon on our interactive map: <https://bit.ly/LHA-Property-Locations-Map>

6.2

Our Stakeholders

As a locally based community housing association we have a range of stakeholders that are important to the development and delivery of our services.

• Our Customers

Our principal stakeholders are our customers, often also referred to as tenants, residents, service users or clients, depending on context. Whatever terminology is used, it is this group of people (individually and collectively), together with our potential tenants (i.e. those members of the public that would like to access our housing and services), that are the focus of our mission and the principal recipients of our services. Accordingly, this is our most important stakeholder group.

• Our Communities

The communities we work with in Lochaber are also very important to us and that people living in Lochaber live in neighbourhoods that are clean and well cared for, where there is real community pride. Through our work in our communities, we help to prevent depopulation and enable communities to thrive.

• The Highland Council

We provide services that are intended to assist the Council in meeting its strategic objectives and statutory obligations in connection with housing supply and homelessness. The Local Housing Strategy (LHS) 2023-2028 was approved following an extensive period of discussion with various stakeholders.

• The Scottish Government

We are one of several RSLs that, together with the Highland Council, partner with the Scottish Government to deliver targets in relation to the supply of new affordable housing opportunities in the Highlands. We see ourselves as being significant local contributors to the government's strategic objectives, those that are associated with creating a Healthier, Wealthier & Fairer, Safer & Stronger and Greener Scotland. We recognise the importance of the Scottish Government's sixteen national outcomes.

- **Scottish Housing Regulator**

Whilst we are also within the regulatory aegis of both the Office of the Scottish Charity Regulator and the Financial Conduct Authority, as an RSL, our principal and lead regulatory framework is that supervised by the housing sector's independent regulatory body, the Scottish Housing Regulator, which is charged with protecting the best interests of tenants. We are committed to working with the Regulator through its role in assessing our outcomes against the Social Housing Charter, and in providing it with other information to enable it to carry out its regulatory function. In 2019 the Regulator introduced the requirement for RSL Boards to provide an Annual Assurance Statement reflecting compliance with all the Regulatory Standards.

- **Lenders**

In recent years we have been dependent on our lenders to provide us with the borrowing facilities that we have needed to supplement grants to provide new build affordable housing. In addition, while our cash projections do not forecast the need for borrowing for the purposes of fulfilling our planned maintenance ambitions, it is prudent to assume that this may become a possibility at some point. Accordingly, it is important that we maintain good communications with our lenders, as well as ensuring that our covenants are compliant with the terms of borrowing. Our current lenders are CAF Bank, Allia, Unity Bank, Nationwide and Royal Bank of Scotland with loans totalling £13.8m at 31st March 2025.

- **Partners**

Our partnerships and dependencies sit alongside the Association and its stakeholders in supporting the delivery of services. These local, regional and national partners include: ALIenergy; Centered; Chartered Institute of Housing; Employers in Voluntary Housing; Highlands & Islands Enterprise; Highland Housing Alliance; Cameron and Macdonald; NewStart Highland; Link HA; Lochaber CAB; Lochaber Action for Disability; Lochaber Hope; Lochaber Women's Aid; NHS Highland; Rural & Islands Housing Association Forum (RIHAF); Scottish Federation of Housing Associations; SHARE; TPAS (Scotland); Scottish Housing Network(SHN) and Voluntary Action Lochaber(VAL).

7. Housing Services and Rent Affordability

7.1 Who Do We House?

The range of demographics which represents Highland Housing Register (HHR) applicants seeking housing in Lochaber, along with those that LHA house, are summarised in **Appendix 27 Who We Housed 2024-25**. This document is refreshed annually following publication of the HHR Annual Report.

7.2 Homelessness

LHA meets its legal obligation to provide settled accommodation for homeless persons/households through the HHR. We also provide the Council with access to several properties for temporary accommodation.

The Association will continue to review legislative changes to homelessness and homelessness prevention or any statutory guidance that follows, along with any regulatory expectations on the Association as a Registered Social Landlord from

7.3 Rental Income / Arrears

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

Historically LHA has maintained a lower level of arrears and an extremely low level of evictions. ARC results for 2024/25 show that LHA has lower arrears than the average for our peer group and significantly lower than the Scottish Average.

2024/25 results by ARC measure	LHA	Peer Group Average	Scottish Average
% Gross rent arrears of rent due (current and former tenant arrears)	2.96	3.42	6.14

The impact of Universal Credit (UC) was already a major challenge and was identified as a risk for the Association as a whole. The proportion of LHA tenants now receiving UC is increasing and UC has a significant impact on rent arrears.

Ensuring we manage our voids process well is a priority for us, to ensure we have empty properties available for new tenants who are on the waiting list, but also to ensure we keep our void rental loss to a minimum.

2024/25 results by ARC measure	LHA	Peer Group Average	Scottish Average
Average time to re-let properties	11 days	26 days	60 days
% rent lost when properties empty	0.29	0.48	1.27

7.4 Tenant Engagement

Our tenants are our most important stakeholders. Under our Standing Orders, it is the role of 'Your Voice', our tenant partnership and engagement group, to scrutinise the performance of the Association across a range of key indicators; in particular, against the outcomes required under the Scottish Social Housing Charter.

Our **Tenant Engagement and Communication (TEC) Strategy** (currently under review) - **Appendix 25** aspires to:

- continue to develop the Your Voice tenant partnership with engagement opportunities at different levels that suits all;
- develop regular local Your Voice focus groups for engagement along with developing a small group of collaborative voices from these groups to create a scrutiny panel;
- provide detail on how we will consult, the opportunities for tenants to be involved, timescales and the benefits or engaging with the Association;
- widen opportunities for engagement; and
- help and encourage tenants to become candidates for Board membership.

Examples of this engagement and scrutiny include:

- the production of our annual report to tenants, 'Tenant Talk'
- consider any new/revised policy, or decision of the Board, that affects the management or maintenance of tenants' homes prior to its implementation
- conduct consultations and surveys with the wider tenant population in order to inform the decision and policy making of the Board
- scrutinise the quality, efficiency and effectiveness of the Association's services, recommending appropriate change and improvement; and
- consult on the development of the new website.

We currently work with several Resident Tenant Organisations within Fort William and are aiming to reach out to groups in our rural areas such as local community councils, and community groups.

2024/25 results by ARC measure	LHA	Peer Group Average	Scottish Average
% of tenants satisfied with opportunities to participate	75.4	84.7	86.3
% of tenants who feel we are good at keeping them informed about services and decisions	88.4	90.0	90.1

7.5

Rent Affordability

Maintaining the affordability of our homes remains a key focus. Any household's financial position is, by its nature, unique and variable with changes over time according to personal circumstances.

LHA recognises this challenge and considers affordability on an annual basis at both a business and personal level. Therefore, as part of our rent review each year we measure our proposed rents using the following tools:

- Our Rent Setting Policy which has established a definition of affordability defined by our Board and agreed by our tenants. Our rents track changes to the living wage each year, so that the amount of rent a tenant pays monthly should never

be more than 25% of whatever the monthly living wage is at any time, based on 1 person working 35 hours per week (in a one-bedroomed property) and 1.5 people working (in a two-bedroomed property and above). This means that rents are linked directly to a simple measure of affordability, based on the living wage, and that we will be able to guarantee this affordability for the future. Appendix xx Rent Policy gives more detail.

- SFHA Affordability Tool – to gauge portfolio affordability on a recognised sector-wide basis;
- Review of rent levels against average social housing sector rent levels;
- Consideration of rent increases over previous years;
- Annual tenant feedback through the rent consultation process; and
- Affordability questions in customer satisfaction surveys.

Current indicators suggest that the LHA rent levels are affordable for those on moderate incomes. The Scottish Government's Housing Need and Demand Assessment (HNDA) Guidance provides a framework for considering rents affordable if a household pays not more than 25% to 35% of its income on rent.

Similarly, the SFHA affordability tool used in-house to complete our affordability assessment annually shows rental on all property sizes below 25% of income.



Your community
Your tenancy
Your house
Your home

8. Challenges and Risks

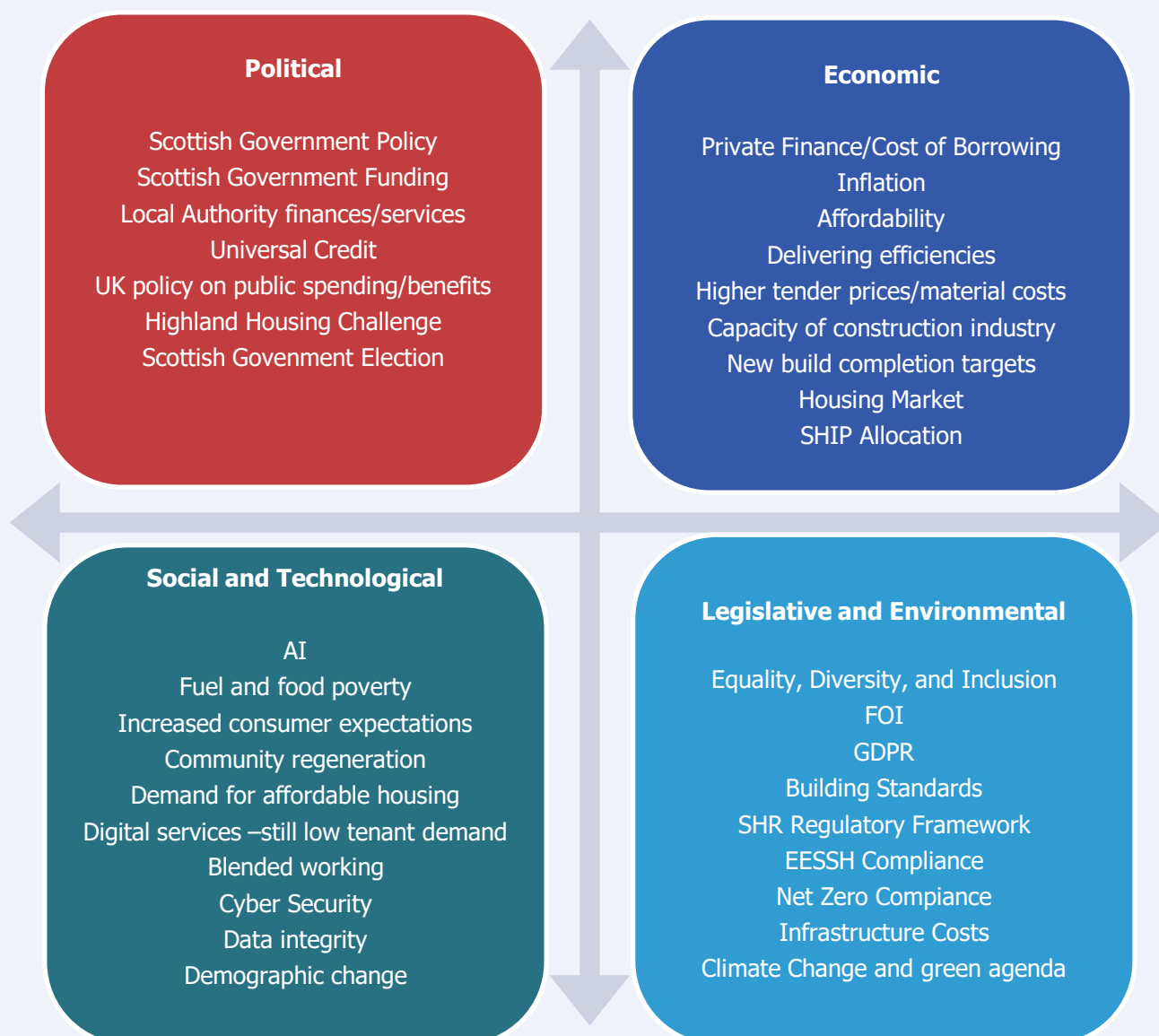
LHA's business is strongly influenced by external factors. A PESTLE analysis of the wider operating environment addresses the Political, Economic, Social, Technological, Legislative and Environmental factors relevant to LHA's business and future.

The analysis describes factors that could represent a significant risk to LHA or the achievement of our objectives, with the key risks then feeding through to Section 9 on Risk Management and Mitigation.

8.1 PESTLE Analysis

The future operating environment involves significant challenges and risks ahead for Lochaber HA and indeed for every social landlord in Scotland. We will monitor and evaluate the areas of change that affect us on an ongoing basis.

Sound management disciplines, including business planning, performance management and risk management will be part of our toolkit for navigating our way ahead alongside a focus on sound and stable governance and strong financial management. These have been priorities in the past and must remain so.



Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

Our Strengths, Weaknesses, Opportunities and Threats also assist in setting our strategic objectives and the operational delivery plan so that key operational activities address threats and weaknesses and support strengths and opportunities.



9. Risk Management and Mitigation

9.1 Risk and Control Framework

The LHA Group recognises the importance of effective identification, evaluation, and management of all key strategic and operational risks and this is done in conjunction with the above PESTLE and SWOT analysis.

Risk Management is a key element of the LHA Group's overarching governance arrangements as it demonstrates that:

- we have considered those areas which may put the achievements of our strategic objectives under threat;
- have analysed the consequences of things going wrong; and
- identified the actions and controls needed to prevent or limit the consequences.

In addition, by managing risk effectively we can help ensure that:

- LHA makes the most of opportunities and develops them with the confidence that any risks will be managed
- Forward and strategic planning can be improved

As the parent of the group, LHA oversees the governance arrangements of both subsidiaries to address the risks associated with control of activities and managing or risks. This ensures that strong governance arrangements are upheld by both subsidiaries to protect the reputation of the Group.

In considering our approach to risk management, we seek to balance a prudent approach to the risks associated with our business with the need to ensure an innovative and creative approach to opportunities and challenges. We regard effective risk management as an essential component of our business strategy and crucial to maintaining our commitment to sustained viability.

We do not seek to avoid risks that can be properly managed, and which do not jeopardise our business or tenants' interests. Where activities that can support the delivery of strategic and operational objectives are identified as carrying an associated risk, we will only accept those risks following an assessment that confirms they can be effectively managed.

We define risk as any event, action or circumstance that unduly hinders the Association in its delivery of good performance, or achievement of either strategic or operational targets and objectives, or which has an adverse impact on the Association's business or reputation. Risk can, therefore, be defined in both financial and non-financial terms, but the ultimate impact of risk is financial in most cases as this has implications for viability.

9.2 Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, however, to ensure the successful implantation of the Risk Management process clear responsibilities have been established.

The Board has overall responsibility for ensuring the effectiveness of this framework, the Senior Management Team is the facilitator of the framework and processes. This includes both compliance and monitoring to ensure the register is kept up to date and new and emerging risks are identified and risk scores are challenged.

Appendix 22 Risk Register details this further. **Appendix 21 Risk Management Policy** sets out how we identify, assess, and manage risk; establishes a framework within which we monitor, manage and report risk; and describes the controls that we operate for effective risk management.



10. Value for Money

LHA's purpose is to serve the community, and this shapes our approach to Value for Money (VFM) which is focused on providing quality homes and services at affordable rents.

The pursuit of VFM is likely to be increasingly important in the period ahead:

- There will be pressures on tenants' incomes and on our own income streams and costs because of the continued high cost of fuel and food.
- We can expect additional statutory and regulatory obligations that landlords must pay for, as well as continued cuts to neighbourhood and other services by the local authority.
- We must maintain reasonable headroom in our financial business plan, to safeguard LHA's resilience during a period of economic turbulence that could be prolonged.

10.1 LHA's approach to VFM will ensure we:

- Always make the best use of our resources to benefit our tenants and community.
- Seek to continually improve the value that tenants receive from LHA – how we use our resources to enhance the type and quality of the services tenants receive.
- Be efficient and effective in how we make best use of IT solutions to streamline processes and improve customer service.
- Be open to making efficiencies (using available resources differently to better meet our priorities, or reducing costs/resources), and do this without detriment to tenants.
- Make sure that LHA continues to be a financially strong and sustainable social business.
- Compare our performance with that of our peers in relation to performance and to make any improvements needed. **Appendix 23 SHN Peer Group ARC Submissions** is an annual extract from the performance reports produced by Scottish Housing Network demonstrating performance from the ARC submissions.
- make good use of our assets and resources by being clear about our priorities for spending and then spending within our means.

10.2 Our Performance

Our Board receives and considers a KPI performance report on a quarterly basis. This report provides performance information across indicators for rent collected and rent arrears management; voids management; the delivery of maintenance services; and complaints. Our reporting style has allowed the Board to consider trends in performance, comparing the current quarter with the previous four quarters.

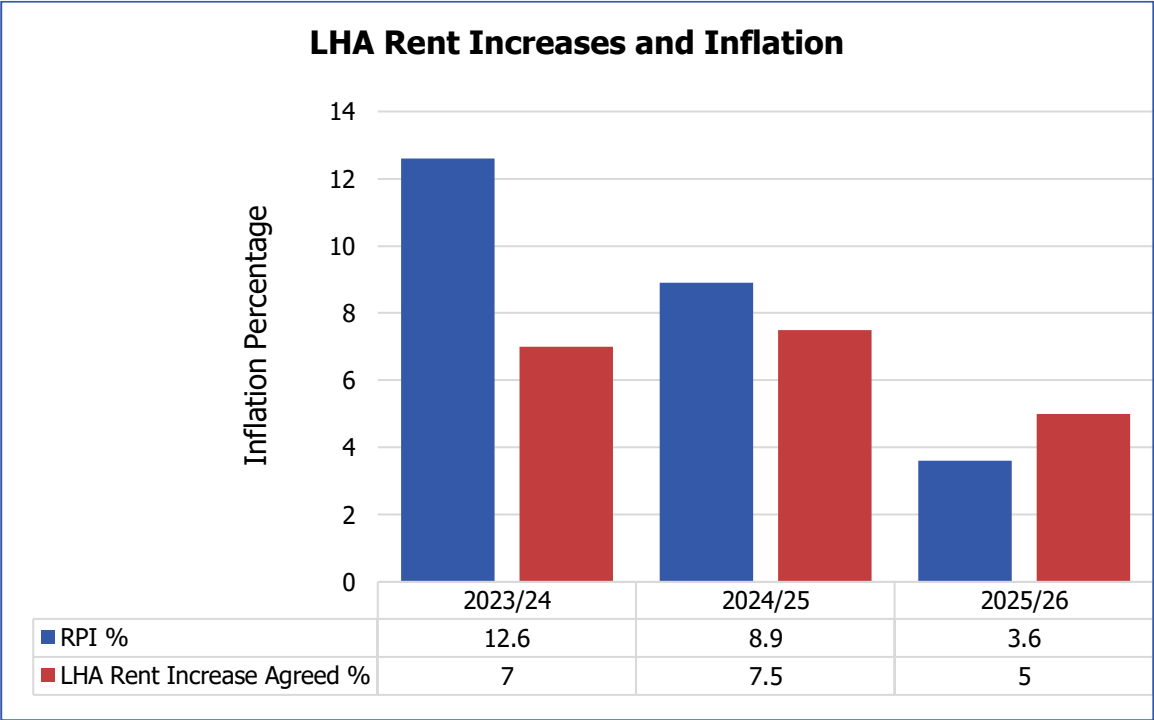
Our KPI performance, and a range of other Scottish Social Housing Charter outcomes, is subject to the scrutiny of the Scottish Housing Regulator, for which we complete an Annual Return on the Charter (ARC). These outcomes are published on an annual basis on the Regulator's website and are scrutinised by our Board and tenants, along with benchmarking information, which is presented annually by Scottish Housing Network.

We aim to deliver continuous improvement across our key performance indicators, and this is achieved through tenant feedback, internal audit, and benchmarking.

Our performance across KPIs and VFM is reported to tenants each year through 'Tenant Talk' and our Landlord Report (issued by the Scottish Housing Regulator), in which we compare ourselves against the average of our peers and across Scotland.

One of our priorities, therefore, is to keep rents affordable, whilst also generating sufficient rental income to meet all our obligations to tenants and maintaining viability in an increasingly challenging economic climate.

The graph below demonstrates how we have tried to protect tenants from unaffordable rent increases with uplifts below the recorded RPI inflation rate.



11. Financial Planning and Treasury Management

- 11.1 The achievement of our strategic objectives requires us to be able to maintain a balance between the ability to understand and control costs. This is important to maintain an affordable rent structure and to balance this with the ability to generate sufficient funds to maintain and improve our housing stock. A viable financial plan is also important to ensure our credibility with lenders who will provide the loan finance enabling us to develop new properties.
- 11.2 Underpinning all of this is the requirement for good governance which strengthens our stability and wellbeing. Our guiding principles in this regard are the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management.
- 11.3 Historically, within our business plan we had modelled increases in rent based on inflation and these generally showed a beneficial outcome in terms of our long-term financial position. However, the recent experience of an "inflation shock", and how our tenants would be impacted by the rising costs, the Association were unwilling to increase rents in line with the high inflation figures.
- 11.4 In addition, there has been the impact of the high interest rates – the increase reaching 5.25%, the highest rate in 16 years. The rate has now fallen back to 4% and there are indications that further reductions may follow.
- 11.5 We continued to carry out detailed stock surveys to ensure an in-depth knowledge of our properties and the findings of these surveys are reflected in this updated Business Plan. We employ the services of an external, independent Quantity Surveyor to annually undertake a programme to test and review our surveys and figures to provide added confidence in our life cycle costings.
- 11.6 **Background**
- Keeping the rent increase as low as possible whilst ensuring we have sufficient income to remain viable over the long term is a delicate balancing act.
- Due to high inflation figures in previous years, reaching 11.1%, and the recognition that rent increases could not be at such levels it was agreed that as inflation dropped that this would need to be addressed in future due to the impact on our financial viability.
- Whilst we must plan for the long term, to ensure that we have sufficient funds to invest in maintaining the standard of our properties, our focus is going to have to shift more to the short-term and ensuring that rents remain affordable whilst dealing with increasing operating costs and interest rates remaining high.
- To deliver this the Association continues to seek efficiencies and to develop its culture of cost-saving and value for money.
- 11.7 **Financial Projections**
- The outcome of our base case projection is shown at **Appendix 08a Financial Base Case Projections** which includes:
- Cashflow forecast for 30 years
 - Statement of comprehensive income for 30 years
 - Statement of Financial Position for 30 years
- The purpose of the 30-year financial projections is to demonstrate the association's

long-term viability to ensure that it can deliver the following objectives:

- To provide quality homes at affordable rents for tenants.
- To protect the health and safety of our tenants and staff.
- To provide a high quality and responsive management and repairs service which also provides value for money.
- To ensure that improvements and major repairs are provided for and carried out as required to protect existing investment in our stock.

The budgets are also based on the following financial objectives:

- To maintain a minimum cash balance of £750 thousand, and to ensure that the Association always has sufficient cash reserves to meet its obligations as they arise.
- To always comply with all loan terms and covenants of our lenders,
- Protect cashflow and making efficient use of our resources.

11.8 **Budget and Assumptions 2025/26**

The plan uses the 2025/26 budget as the basis of the long-term projections for the 30 years to 2055 and is adjusted for changes in subsequent years using the updated information available at the time of preparation.

A summary of the main assumptions used in the plan is given at **Appendix 08b Financial Cashflow Assumptions**, however, we have highlighted our thinking and approach to the assumptions below.

Any predictions about the future must be treated with care as we have significant uncertainties on rent increases, inflation, and interest rates.

11.9 **Rents**

Our base assumption for the rent increase for 2026/27 is 4%. We have assumed that CPI inflation for September 2025 will be 4% and we would normally expect our rent increase to be September inflation plus 0.5% giving 4.5%. Since there is an expectation of a significant drop in inflation by the time we get to March 2026 (perhaps 2.6% as per OBR) we will find it difficult to justify a rent increase significantly higher than inflation at that time.

For future years the projection assumes a rent increase of inflation plus 0.5%. It should be borne in mind that this is not a commitment and that future rent increases will be decided each year after a detailed review of the business plan and tenant consultation.

We have also included a scenario showing the impact of a one year rent freeze.

11.10 **Bad Debts and Voids**

For 2026/27 the bad debt provision has been budgeted 0.75% and voids at 0.75%. These lower figures more closely match our historical experience.

11.11 **Management Costs**

The major component of management costs is salaries, and we have assumed that these will increase by inflation plus 0.5%. The Association is a member of Employers in Voluntary Housing (EVH). EVH negotiate any increase annually with UNITE and the Board are subsequently balloted on the proposal advised by EVH.

11.12 **Maintenance**

Repair costs have been revised to reflect current pricing and we have assumed that these will increase by inflation plus 0.5%.

Although we have updated the costs of our repairs programmes to reflect inflation, we need to monitor these carefully as we go forward.

The stock condition survey programme continues to be updated, and the business plan is revised each year to reflect the refreshed costings.

11.13 **Loans**

The loan balances which the Association had at 31 March 2025 amounted to £13.2 million, with the most recent loan taken out being the £3 million drawn down from Unity Bank in December 2020 to fund development. This loan is being used to fund our current development programme.

There is a mix of loan types including fixed rate loans totalling £4.2 million and variable rate loans making up the balance. The fixed rate loans include £2.1m lending with the fix ending in July 2025 and £2 million bond finance which is due for redemption on 2026/27.

Due to the lower percentage of loans on fixed the sharp rise in interest rates has had a negative effect on the interest payments. However, the Association's net exposure to higher rates is significantly reduced by the cash reserves held on deposit which have benefited from the higher interest rate levels.

The Association has started the process to secure new funds and while also address the imbalance in the fixed/variable mix of the loan portfolio.

11.14 **Sensitivity Analysis**

The outcome of the Association's financial projections is very dependent on the assumptions which we use to build the plan. In preparing our plan we try to ensure that the assumptions which we use reflect the current economic environment and our expectations for the future, however, it is inevitable that some of these assumptions will prove to be wrong.

As part of our financial planning, we look to examine the effect of alternative scenarios by changing the underlying assumptions which we build into the plan.

In considering the scenarios to model we have tried to reflect what we consider are the key risks to the Association's financial performance. Whilst the base projections already take account of the challenges arising from the inflation and higher interest rates, we have developed our scenarios to examine their impact on our financial plans of other potential risks.

Details and commentary of the scenarios and of the key risks identified and the results of the sensitivity analysis are set out in **Appendix 9 Financial Sensitivity Analysis and Results**.

11.15 **Conclusion**

As they stand the financial projections indicate that Lochaber Housing Association's business plan is robust and can demonstrate its long-term viability.

The Association has borne up well in relation to the economic difficulties faced over recent years. However, there is no denying that the financial position has been weakened by rent increases in recent years at below inflation whilst facing significant increases in costs.

Interest rates and inflation are predicted to reduce significantly over the next 3 years which will ease the Association's financial position. Having said that, we are going through a period where there are significant global uncertainties and there is a strong possibility that we will face further financial shocks over the medium term.

The Association's biggest risk is from unexpected cost increases particularly for repairs expenditure which may not always be reflected in achievable increases in rents. It is important that we consider reviewing our budgets to cut or postpone expenditure where possible and strengthen our efforts to maximise income through working with tenants to reduce arrears.

This long-term viability shows that the Association has sufficient resources to deliver a good service to those tenants and can raise enough cash to continue investing in our homes so that they are maintained to a high standard.

The results of the scenario tests give the Association clarity as to what problems may create the most vulnerability but also to consider what measures can be put in place to monitor and adapt to such potential problems.

To be relevant as a decision-making tool the plan is regularly reviewed and updated to ensure that it is still relevant in a world where change is a constant.

The plan is a balancing act between two competing objectives:

- Keeping rents as affordable as possible by keeping costs down; and
- Spending sufficiently to ensure a proper service in managing and maintaining the properties.

To achieve this balance, it is important to continue to foster our organisation's culture of constantly striving to deliver an excellent service to our customers, and to ensure that every decision is viewed in terms of 'value for money'.

The Board has the ultimate responsibility to ensure that LHA is well run, viable and delivering the outcomes for which it has been set up. The Board understands that it is crucial not only to identify risk but how this risk will be managed.

12. Useful Information

Auditors	Alexander Sloan, Glasgow
Bankers	Virgin Money
Lenders	Allia CAF Bank Nationwide Building Society Royal Bank of Scotland Unity Trust
Financial Advisor	David Smith, Oban

Registered as a Society under the Co-operative and Community Benefits Act 2014
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 Financial Services Authority Reg No. 2289RS
 Scottish Charity No. SC030951

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