

BUSINESS PLAN 2023-28



"To Realise the Power of Home"

Table of Contents

- 01** Introduction
 - Welcome
 - About BHA
 - Vision and Values
- 02** Operating Environment/Context
- 03** Governance Structure
- 04** What are we trying to achieve?
- 05** Financial Overview
- 06** SWOT Analysis

01 Introduction

Welcome to BHA's five-year business plan which is our key strategic document outlining our ambitions and priorities over the next five years (2023-28).

Insights from customers, colleagues, board members and other key stakeholders have helped to create the plan. Over the last 18 months we have carried out a number of fundamental reviews across the organisation to fully understand the current and future desired position. The data, evidence and perspectives gathered from these reviews, provides us with a strong foundation on which to build our future plan.



About BHA

BHA is the main provider of social housing in Berwickshire. We seek to work in a responsive and flexible way to provide high quality, safe and affordable homes and deliver outstanding services to our customers and wider communities.

Established in 1995, Berwickshire Housing Association (BHA) was Scotland's first Local Authority Large Scale Voluntary Transfer (LSVT), with over 2,000 council houses transferring over from Berwickshire District Council.

BHA is a Registered Social Landlord (RSL) regulated by the Scottish Housing Regulator and is also a Scottish charity.

BHA's subsidiary BHA Enterprise, a company limited by share, manages 12 mid-market rent properties. BHA Enterprise also oversees the running of Berwickshire Community Renewables and an LLP partnership with Community Energy Scotland (CES) which owns The Fisherman Three Windfarm.



Vision and Values

In January 2023, BHA's Board approved a new vision and set of values which were co-created by colleagues, board members and listening to the customer voice.

BHA's vision "To Realise the Power of Home" places our focus very much on the importance of home which goes beyond bricks and mortar. We believe everyone has the right to a high quality, safe and affordable home and a good quality of life. BHA has a role to play in enabling both of these outcomes for our customers.

"To Realise the Power of Home"



Brilliant Basics

Doing what we say we'll do, communicating well, taking a person-centred approach in our dealings with both customers and colleagues, taking ownership and accountability.



Embrace Change

Actively supporting and embedding change, being flexible and adaptable, a commitment to continuous improvement and actively seeking best practice.



Learn & Grow

A willingness to participate and learn, support the learning and wellbeing of others, providing learning and development opportunities.



Inspire Together

Collaborate internally and externally, being approachable, helpful and kind, being non-judgemental, displaying emotional intelligence.

02 Operating Environment/ Context

As a Registered Social Landlord we find ourselves facing some significant challenges.

At the point of drafting the five-year plan, the cost-of-living crisis is particularly challenging for customers and colleagues alike. A key focus of the five-year plan is to consider how we can better identify and work with more vulnerable customers to support them with the challenges they face. In terms of support to colleagues, we will continue to review our offer and approach to colleague wellbeing.

Keeping rents affordable whilst still being able to commit the necessary amount of funding to invest in homes, services and communities is always at the forefront of our thinking. For the 2023-24 year, BHA's Board approved a 5% rent increase against the backdrop of over 10% inflation and experiencing significant cost pressures right across the business for example, contractor rates.

With regards to environmental sustainability, Scotland is taking a lead role on the global stage in terms of taking action against climate change. It is important that BHA play its part in protecting the environment by ensuring our homes are energy efficient as we work to reduce our carbon emissions.

We have recently undertaken a survey on the condition of our homes and this data will inform how and when we invest in our homes. On average, BHA plan to invest £3.3 million each year (planned investment) to further improve the quality of our homes.

Contributing towards the supply of new homes is also an ambition for BHA, however, the current climate makes this increasingly difficult. We continue to explore opportunities relating to land acquisitions and new ways of working, for example, Modern Methods of Construction (MMC), to support our future new build plan.

03 Governance Structure



Berwickshire Housing Association

Cooperative & Community Benefit Society (SP2482RS)
Scottish Charity (SC042342)
Registered Social Landlord (HAL 289)

Members of the Association are Shareholders
(£1 per share)

Board of Trustees

Min 7 / max 15 inc co-optees
Quorum is 4 Board Members
Min 6 meetings per year



Risk and Assurance Committee

Min. 4 Board Members
inc
co-opted
Quorum is 3 members
Meet quarterly

Operations Committee

Min. 4 Board Members
inc
co-opted
Board of Trustees
Chair is Ex-officio
member
Quorum is 3 members
Meet quarterly



BHA Enterprise Ltd.

Private Limited Company (SC230617)

Min of 1 Director no max limitations, made up of a majority of
independent Directors

Quorum is any 3 eligible Directors (or 1 where there is only 1
Director in office)

Meet Quarterly

Berwickshire Community Renewables

Limited Liability Partnership (S0303326)

Up to 7 members from two partners

Meet Quarterly



04 What are we trying to achieve ?

In January 2023, BHA's Board approved the strategic framework which includes the organisation's vision, values, strategic aims and cross-cutting priorities.

The strategic aims set the ambition for four key areas of the business – Customer, Asset, People and Strength. Supporting objectives have been developed which demonstrate what actions we will take to achieve the aims. These will be reviewed on an annual basis and therefore, details of the objectives for Year 1 (2023-24), are set out below:



Cross Cutting Themes

Partnerships - A collaborative organisation
Equality, Diversity & Inclusion - An inclusive organisation
Planet - A carbon neutral organisation

Customer (Key objectives Year 1)

Customer Voice

- Develop and deploy Customer Visit approach
- Launch Customer Experience and Customer survey platform
- Develop 'Customer Voice' reporting and framework for Board
- Develop new Scrutiny and Assurance Groups
- Develop 'Complaints Learning and Improvement' approach

Access

- Develop and embed BHA Service Catalogue
- Procure, integrate and mobilise the Repairs Contractor Portal
- Research and define the business requirements document for Omni Channel
- Commission review on Independent Living and Analogue to Digital

Quality

- Conduct repairs delivery model review
- Repairs reporting developed – informing planned investment
- Critical processes mapped and training delivered
- Review of service catalogue defining service standards

Enable and Empower

- Embed the Tenancy Sustainability Model
- Develop organisational report on Social Value Impact
- Continue to build community capacity across key social agendas
- Deliver options for the sustainability of BeFriend and BeWell support projects

Asset (Key objectives Year 1)

Strategy

- Develop new Asset Management Strategy
- Review procurement arrangements and develop future approach which maximises value for money
- Develop an organisational wide approach to net zero

Data

- Ensure effective management of existing stock condition data and develop an approach which keeps the data relevant
- Commence the process to collect condition data on garages
- Review the Neighbourhood Assessment Matrix to provide an updated view on the wider socio-economic environment for each area

Delivery

- Carry out a review of the Compliance function
- Develop options for future delivery models relating to the asset investment plan
- Develop a communication plan that aligns with the delivery plan
- Develop a BHA Standard and Specification

People (Key objectives Year 1)

Reward & Recognition

- Provide Total Reward Statements for all colleagues
- Launch "Hive" and encourage its use to increase recognition and engagement

Proactive Health & Wellbeing

- Develop Health & Wellbeing opportunities to include a "Wellness Week"
- Improved focus on Stress & Mental Health Awareness
- Support colleagues to carry out HSE Stress Risk Assessment for all roles

Learning & Development

- Launch Development Plans with People Managers to identify candidates for succession
- Facilitate cultural change through development of behaviours based on our values
- Confirm Mandatory Training by role and schedule training as and when required

Career & Succession

- Facilitate Leadership Development Programme
- Develop Talent Framework
- Complete Skills Analysis. Document this to support succession

Strength (Key objectives Year 1)

Value for Money

- Embed procurement fundamentals
- Undertake desktop review of community benefits and develop strategy/proposal
- Develop Value For Money strategy and targets
- Reinvigorate process mapping as a business improvement tool
- Continue development of performance framework with particular focus on reporting and report development

ICT & Digital

- Achieve Cyber Essentials Plus
- Develop 2-year ICT and Digital Roadmap and deliver year 1 objectives
- Develop model for future external IT provision, and plan procurement accordingly
- Baseline Housing Management System, including processes, workflow and training
- Formalise IT Governance arrangements

Treasury

- Review treasury arrangements
- Provide support and analysis for the development of new build and asset investment plans
- Identify requirements and options for future funding
- Start to develop long term treasury strategy

Growth

- Work with CES to implement short term site improvements to maximise the windfarm income
- Review options for Mid Market Rent properties with BHA Enterprise Board, including delivery model
- Support BHA Enterprise Board to progress any new strategic plans
- Explore strategic options for BHA to ensure future growth and sustainability

Governance

- Refresh Health & Safety framework
- Formalise Board development, undertake skills review and succession planning
- Assess Environmental, Social & Governance reporting standards, and undertake foundational work
- Understand baseline position around our data, data management, and data governance

05 Financial Overview

Background

The five-year financial plan which informs this business plan has been set against a backdrop of significant financial pressures, and an uncertain economic outlook. We have carefully considered what we can afford to do as a business and what our customers can afford in terms of rent increases.

At the time of producing this plan, inflation and interest rates continued to be at unprecedentedly high levels, having steadily increased across 2022 and into 2023. Whilst the economic outlook is for both to reduce and settle at more manageable levels over the short to medium term, this is not certain. This uncertainty was carefully considered when agreeing our financial plans and when carrying out the sensitivity analysis.

As already discussed in Section 2, a 5% rent increase has been approved for 2023/24 despite inflation running at over 10%. The gap this creates between our income and expenditure naturally places strain on our financial strength, and limits some of our non-core activities. This is in the context of already having absorbed inflation-linked increases across several contracts during 2022/23 (1st April to 31st March).

Key Assumptions

Across the five-year plan, the key assumptions that inform the financial outturn year on year are that:

- Inflation will remain high across 2023/24 and gradually decrease over the following two years to reach Bank of England target of 2% by 2026/27
- SONIA (Sterling Overnight Index Average) – the interest rate our variable rate loans are linked to – will continue to increase into 2023/24, reaching a peak of around 4.5% in Autumn 2023 then start to slowly track down towards 3% later in the plan
- Rent increases of 5% are applied in the first three years of the plan due to the assumed higher inflation in these years, moving to inflation linked in later years

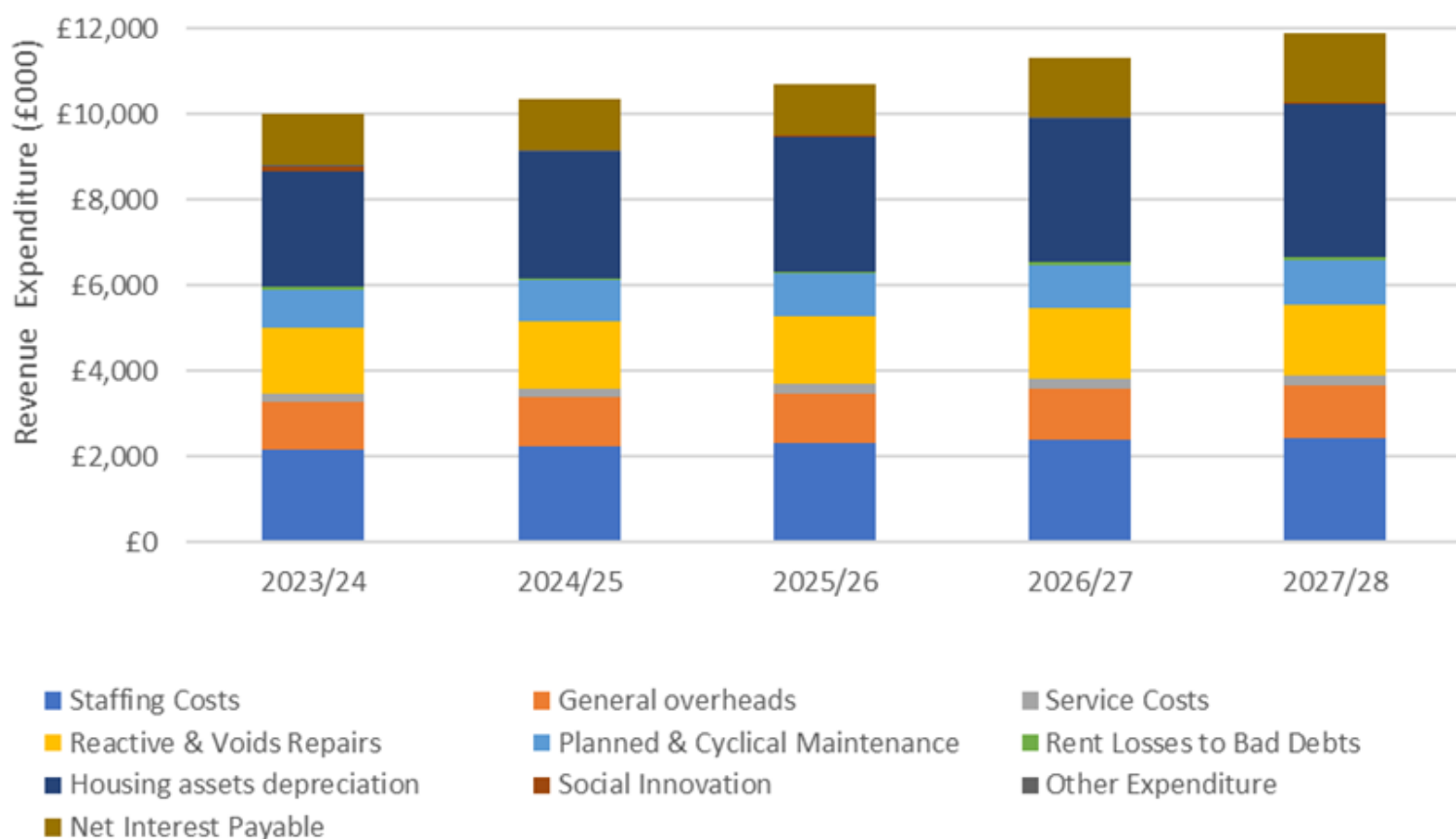
At least annually, the five-year financial plan is reviewed and refreshed, therefore these core assumptions are kept under continual review, and will be revised to reflect the current economic position and forecasts.

Our Financial Plans

Operating income and expenditure

We have budgeted net rental and service charge income of £10.0 million in 2023/24, steadily increasing over the five years of the plan to £11.9 million in 2027/28. In addition, we expect to generate around £0.9 million of other income each year, relating to our other activities such as social innovation funding, gift aid from our wind farm, and other renewable income. Offsetting this income is operating expenditure of £8.8 million in 2023/24 increasing to £10.3 million in 2027/28, and net interest costs of between £1.2 million and £1.6 million per year.

A breakdown of this expenditure is provided below;



Projected net surplus for 2023/24 is £1.0 million and our surpluses remain at this level across the five-year plan. We need to generate a healthy surplus to ensure sufficient cash is generated to cover the required capital investment in our homes.

Our Financial Plans

Investment in our homes

We know from the outcomes of recent stock condition surveys that significant investment is still required in our homes to ensure we continue to meet housing quality standards, as well as ensuring we progress towards energy efficiency standards. Due to the context in which we are currently operating, and the financial pressures referenced earlier, we do not have the financial capacity to undertake all the work required as quickly as we would otherwise have liked to. Therefore, investment spend profiles have been stretched and smoothed over the five and thirty-year plans, with an average of £3.3 million forecast to be spent annually over the next five years.

Building new homes

We continue to have the aspiration to build new homes in the communities in which we operate, however increased development costs, the need to focus on our existing homes, and limited financial headroom in the short term, means we will have a reduced development programme until at least 2026/27.

Two of our loans are due to be refinanced in August 2026, and we are developing a treasury strategy to plan our approach to this. One of the outcomes of any refinance will be to create additional financial headroom to enable BHA to increase development and investment capacity.



06 SWOT Analysis

Strengths

- Strategic framework provides clarity of vision
- Our people & leadership - BHA colleagues and Board
- Governance
- Operating Model
- Connection to communities
- Clarity of our baseline position and the nature and scale of the challenges we face
- Partnerships and networks
- Reputation
- Core operational performance
- Appetite for change
- Income from Windfarm

Weaknesses

- Processes, systems and data
- Asset Strategy
- Sustainability Strategy
- Financial strength and capacity
- Exploiting partnerships to realise VFM
- Board diversity and skills (in some areas)
- Procurement and contractor management
- Contractor capacity and performance
- Digital Offer
- Customer Engagement

Opportunities

- Improved customer experience
- Talent development
- Improve quality of our homes
- Strengthen processes and systems
- Improve financial position through growth/diversification
- Response to wider social agendas (poverty, mental health)
- Cultural development
- Improve position re: carbon reduction
- Improve procurement and contract management practices
- Refresh Asset Strategy and Delivery Models
- Improve our digital position and offering

Threats

- Political landscape and uncertainty
- Global and national economic position
- Supply Chain
- Rent controls
- Lenders leaving market/shortening lending terms
- Inflation
- Increase in or changes to statutory and regulatory standards
- Key contractors leaving market
- Past pension deficit payments return
- Capacity to build new homes and improve services
- Customer and colleague wellbeing
- Staff retention and attraction
- Regulatory intervention
- Climate emergency



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