



**(a subsidiary of Barrhead Housing Association Ltd)**

**BUSINESS PLAN 2019/20**

**MARCH 2019**

**Updated May 2019**

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## **Section 1 Introduction and Purpose**

**1.1** Lavern Property Services Ltd is a subsidiary of Barrhead Housing Association (BHA) and is a company limited by Share. It was set up in November 2011 to become a commercial trading organisation with all profits being re-invested in Barrhead Housing Association. Barrhead Housing Association will be the parent organisation, the only shareholder, with overall control of the subsidiary's strategic, governance and operational activities. Barrhead Housing Association is a charitable, locally controlled and locally accountable registered social landlord providing housing services and asset management investment within the East Renfrewshire area. Lavern Property Services has no geographical base and will consider services across but not exclusively to the East Renfrewshire local authority area.

**1.2** This non-charitable subsidiary's purpose is to further the aims and objectives of Barrhead Housing Association in the most effective way and to minimise the Association's exposure to tax liability through its factoring activities and, ultimately protect its charitable aims.

**1.3** It's Vision sits with the Barrhead Housing Group – 'The Barrhead Housing Group believes that everyone deserves to live in a secure, good quality, well-maintained home within communities that are safe, secure and inclusive.'

**1.4** Its core values sit within the Barrhead Housing Group – respectful – adaptable- dedicated – aspirational - responsive

**1.5** Its Mission Statement sits within the Barrhead Housing Group – 'at the heart of the community – investing in your future'

**1.6** The Board of the Subsidiary company will be controlled by Barrhead Housing Association as set out by the powers of the following documents:

- Memorandum and Articles of Association, Appendix 1
- Independence agreement (updated 2017) Appendix 2 and
- Service level agreement (updated 2017; updated August 2018 for GDPR) Appendix 3

See Appendix 1, 2 and 3. The memorandum and articles of Association outlines the registration details with the Companies Act 2006 for the Subsidiary, a company limited by shares. It sets out the powers and responsibilities of the Board of the subsidiary company; it outlines the

responsibilities for share issues, payment of dividends if approved by Barrhead Housing Association; conducting the business including voting rights.

The independence agreement sets out the relationship between Barrhead Housing Association and Lavern Property Services. Barrhead Housing Association will approve the Business Plan with the day to day operational activities being devolved to the subsidiary. Barrhead Housing Association will be responsible for the following:

- Approving annually, the strategic objectives of the subsidiary including budget projections
- providing policy documentation
- provision of services including information technology

**1.7** Barrhead Housing Association will be responsible for the provision of services to the subsidiary company, through a service level agreement. See appendix 3. This will itemise the sharing of services and costs between the two organisations including the arrangement for staffing.

**1.8** Barrhead Housing Association may lend funds to Lavern Property Services under the BHA's investment powers and such lending will be considered in terms of an appropriate return on the investment and will outline the terms of the security offered in such circumstances.

## **Section 2 Organisational aims and Governance**

**2.1** Lavern Property Services is set up as a commercial trading arm of Barrhead Housing Association. Initially this dealt with the transfer all factoring activities to the subsidiary and will now allow for the expansion of such services within the local area. The Association's reputation for providing professional, quality, effective and competitive services in this area and its local accountability will allow such expansion to proceed. However the company is no longer solely limited to this service and has started to progress and explore all related activities that can be delivered more cost effectively through the subsidiary to be promoted. This has included the provision of care and support to our sheltered housing service, the provision of extended property services to owner occupiers and commercial businesses, the delivery of employment direct labour skills for BHA's repairs service; the expansion of social enterprise activities, for example. It may include activities for development growth in the future and the delivery of housing and property services to local private landlords.

2.2 Lavern Property Services will further the aims of Barrhead Housing Association and transfer surpluses back to Barrhead HA to be re-invested in the charitable activities of the Association principally around improvements to community regeneration and the provision of good quality affordable housing accommodation, management and investment.

2.3 Lavern Property Services is serviced by a Board of Directors, appointed and removed by Barrhead Housing Association. It has a separate and independent chairperson and meets at least three times per year. The Board of Directors as far as possible will be independent of Barrhead Housing Association but existing governing Board members of BHA can become Board members of Lavern Property Services. Board members of Lavern Property Services will need to be re-appointed and one third of members will retire each year, with each being eligible for re-appointment. Board members will be reviewed and re-appointed annually by Barrhead Housing Association's full governing Board meeting in August following BHA's AGM.

2.4 Lavern Property Services will provide the parent organisation with annual financial statements and quarterly management accounts as detailed within the Independence Agreement.

2.5 A level of confidentiality will exist between the two organisations and respected by the parties involved. Overall control sits with Barrhead Housing Association and it has a number of overarching responsibilities and powers to protect the subsidiary and ultimately the Association as outlined in the Agreements that exist. This will include meeting the provisions of GDPR from 25<sup>th</sup> May 2018 whereby the Service Level Agreement has been reviewed to reflect the sharing and storing of data, with BHA being the data controller for the Group.

2.6 A business review meeting was held in November 2018 by the parent organisation with a view to ensuring a more integrated approach to the work the subsidiary is responsible for. The following areas of work will continue to be a priority to be taken forward:

- LPS factoring review of terms and conditions – this should be kept under review as we work with our owners through the Factoring Forum to improve and enhance services – recent improvements have been made around the taking forward of new owners where upfront fees, insurance and floats are in place.
- LPS high factoring arrears cases continue to create significant demands on services and our ability to work with owners – recent improvements have been made to updating procedures and implementing a pilot project to take 3-4 high arrears cases forward

to court using sheriff officers. All Notice of Potential Liabilities are in place but only for 3 years – some small success has recently been recorded.

- LPS in-house handyperson service – has been in place since August 2017 and following a recent internal audit review, performance is going well, costs are being reviewed, and satisfaction levels continue to improve. It is likely that staff will take forward a business case to expand services within 2019/20 timescales.
- Discussion on expanded services to include – estate services; better cleaning and landscaping contractors; void works, estate agency services; letting services; commercial property management – these need prioritised
- Improvements to IT systems – while the QL factoring module has been worked on, it still needs further development and potentially change; in-house reporting on factoring, repairs is much more robust and comprehensive.
- Service improvements – better communication with owners; better availability and visibility of staff; better management of contractors; better specifications of contracts; better inspections of contractor work; better planning of cyclical works and discussions with owners; communicating scheduled dates for staff estate walk-about – improved and on-going
- Providing an estate service would – improve the visibility of our estates; reduce the volume of complaints; provide a better response to tenants and owners; consider local employment initiatives eg community jobs funded trainees
- Agreed to consider the following – letting service; property sales; management of commercial properties; expanding handyperson service - all future areas for discussion

### Section 3 Environmental Analysis (updated March 2019)

#### Pest analysis

Political	Economic	Social	Technological
Supportive MSP Local council providing factoring services Property Factors Act/ Code of Conduct	Current economic downturn Energy efficiency measures Fuel poverty Changes to competitive contractors rates CPI v RPI	Ageing population Owners aspirations Media influences Ability of owners to pay for services	Develop IT systems Web based communication Payment options Use of email and social media, Develop website

#### Swot analysis

Strengths	Weaknesses	Opportunities	Threats
Strong independent governing Board Better communication with owners Expanded office opening and staff availability Access to 'added value' services Better relationship with owners Local and accessible Strong parent Strong customer focus Commitment to continuous improvement and efficiency control More effective management of contractors Cyclical maintenance inspections Access energy efficiency funding Promising response to in-house repairs service Revised upfront fee structure	Weak financial position of LPS Improve QL reporting Poor debt recovery for high arrears Owners lack financial capacity Owners lack of take up of 'added value' services Inability to grow factoring Weak financial position of owners to participate in property improvements Apathy in some areas Rising costs Lack of communication between owners and sub-tenants VAT will add more costs to M/fee	Promote website/services Offer digital services/communications Can diversify services Offers growth Expand factoring if T and C's re-written for upfront payment Expand services to elderly owners Expand services to commercial market Expand partnership working Expand services eg welfare advice Expand in-house repairs service, estate services.	Costs need to be competitive Economic climate/rising debts Potential for costs to increase in pursuing debts Social security reforms Profit needs to be maintained Notice of Potential Liability is ineffective/costly

#### **Section 4 Business Plan Objectives previously agreed for 2019/20**

- **Objective 1 to continue to review the governance relationship between BHA and LPS each year including Board recruitment, retention and succession, and independence from the parent; continue to appraise and develop the new Board members**
- **Objective 2 to complete the recommendations from internal audit for in-house repairs by September 2019 to allow consideration of an expanded service. To review requirements to meet ESSH and new fire regulations for smoke alarm installations.**
- **Objective 3 to be prepared for Freedom of Information implementation for non-factored activities by 11<sup>th</sup> November 2019**
- **Objective 4 to work with the owners forum to expand and develop an effective and cost efficient factoring service over the year and complete the owner's satisfaction survey during summer 2019**
- **Objective 5 to reduce factoring arrears by 10% from March 2019 figure by March 2020 and to determine actions to reduce the serious arrears cases following pilot test case**
- **Objective 6 to develop our in-house repairs service to ensure all health and safety training in place, all equipment in place, supervision and management is robust, set and monitor targets and performance improvements over the year**
- **Objective 7 to consider a case for further services especially estate caretaking services over the year.**



- **Objective 8 to consider the expansion of the in-house repairs team during the year.**
- **Objective 9 to review the housing support service at the sheltered housing complex to consider the option to de-register from the Care Inspectorate**

**Section 6 Draft Budget – Draft budget showing a 3.4% management fee increase attached.**

## Section 7 Key Performance Indicators - update May 2019

Indicator	Outturn figure 2016/17	Outturn figure 2017/18	Outturn figure 2018/19	Target 2018/19	Target 2019/20	Quarterly results – early warning indicators	Progress
Owner satisfaction Number of returns	47%	42%		60%	60%	Insufficient responses	Full 40% external survey due summer 2019
No. of owners: Residential Commercial	238 18	223 18	239 18	239 18	239 18	Any reduction in the number of units under management	
Factoring arrears – LPS current	£24,816	£28,981	£24,628	£24,000	£20,000		
Management fee income	£27,481	£28,847	£29,816	£29,404	£30,741		
Other Quarter/ annual charges	£61,865	£94,574	£71,722	£72,743	£70,757		
Bad Debt Provision movement Period End Balance	£301 £19,752	£945 £20,697	£115 £20,814	£0 £20,697	£0 £20,814		
Cash received per quarter/annum	£96,023	£102,173	£112,429	n/a	n/a		
Factoring arrears – BHA	£12,371	£1133	£1133	n/a	£0	All arrears with the exception of NOPL costs under LPS.	

Factoring write offs – BHA/LPS	£Nil	LPS: £5,192	LPS:£-539	£0	£0		
Sales per quarter/annual	16	14	14	15	15		
Property Sales Fees	£400	£1400	£1400	£1500	£1500		
Complaints – Stage 1 no./response achieved	17 total	1	10/100%/none upheld	100%	100%		
Stage 2 no./response achieved			1/100%/none upheld	100%	100%		
Operating profit before tax	£1,356	£0	£847	£791	£407		
Gift aid	£1200	£0	£3010	£4,000	£2,500		
Repairs operative Total Jobs Completed	N/A	N/A	755	800	800	Drop in performance reported quarterly	
Right First Time	N/A	98.9%	93.4%	98%	99%	Drop in performance reported quarterly	
Average time to complete a repair	N/A	3.79 Days	3.11 days	3.7 days	3.0 days	Drop in performance reported quarterly	
Appointments Kept	91.46%	92%	98.6%	94.34%	99%	Drop in performance reported quarterly	

**Section 7: Risk Control Log – updated March 2019**

Key Risk Indicator	Risk appetite	Key risk indicator	Probability/Frequency	Impact/severity	Risk factor (gross)	Managing the risk – challenge/fix/tolerate	Net or residual risk (secure/improve or develop)	Early Warning indicator	Target risk score
Ensure governance / independence/ relationship with parent is robust	Averse	Review SHR guidance 2019 and update internal documents	3	2	6	Review complete 2017; SLA updated for GDPR Aug 2018	Develop Action Plan	Approve new BP by March 2019 Develop 2-year budget from 2020	Review every 3 years
Annual election chairperson and Board members; update declarations and signing of Code of Conduct	Averse	BHA Board approves and maintains independence; declarations made and managed; Code signed	2	2	4	Annual elections after AGM	Completed by October each year	Numbers fall to 3	Annually
Attract/advertise new Board members	Cautious	Unable to recruit Board membership	3	2	6	Recruitment successful. Good skills/experience on GB	Develop skills gaps at appraisals.	Board membership drops to 4	Total 5-7 members, > 70% independent
Complete appraisals, develop profile, and develop members	Cautious	Follow procedures of BHA	2	3	6	Ensure development of Board members	Recruitment is successful	Board recruitment progresses beyond 'observer' status	Board membership reaches 6
Update terms and conditions of service for factored owners	Minimal	Invoice must move to payment in advance to avoid/reduce effect of debts	3	2	6	Consultation with owners over revised Written Statements	Increase debt for serious arrears cases/work with those in	Consultation with wide group/ satisfaction falls further	New arrangements in place for 1 <sup>st</sup> April 2019

						completed 2018/19. New owners piloted.	credit or with arrears < £200		
Update business plan including financial assessments	Averse	Insufficient financial appraisal of new services	3	2	6	Update plan annually; keep it aligned with BHA BP	Approval – LPS and BHA	Review every quarter	Robust BP; with financial growth
Review financial viability of LPS regularly	Cautious	Deadline of quarterly management accounts isn't met	3	2	6	Continue to review costs; variances; surpluses; tax; VAT issues	Develop staff; complete new procedures	Increase in arrears/bad debts by 10% in Q	Mgmt. accounts in surplus
Review impact of introducing VAT	Averse	Ensure adequate advice taken	3	2	6	Impact on debts as we add VAT to M/fee	Advice taken and threshold reviewed	VAT threshold is met and implemented	VAT in place
Review factoring module within QL	Averse	Avoid unnecessary duplication; change set up parameters; time consuming completion of management accounts	3	3	9	Staff/consultancy time;	Less time involved; smoother processing of data/invoices	MA produced within 8 weeks of quarter end	Review complete/processes work better
Review recovery procedures for factoring debts	Averse	Factoring debts continue to rise	3	2	6	Staff training in-house; review of debt recovery actions;	Debts reduce every month	10% reduction annually	Target achieved

						monthly monitoring			
Serious factoring arrears not controlled	Averse	Arrears continue to rise	4	4	16	Procedures updated; pilot case to be taken forward with legal Actions	Payment structure in place' NPL in place	No reduction	Debts reduce
Review FOI for subsidiary	Averse	Factoring not covered by FOI but repairs service will be	3	4	12	Training for staff; new procedures/ update for publication scheme	Identify time to complete	Deadline for implementation is 11 <sup>th</sup> Nov 2019	Board approval
Monitor complaints on LPS service	Averse	Robust monitoring of contractors; re-tender; consider cost v quality	3	3	9	Service too cheap; quality poor; increase management of contract terms;	Increase management of contract terms; contracts ended	Increase quality assessment of tenders	Monitor cost v quality annually
Rigorous review and risk assessment of new business ops	Open	Ineffective planning of new business	3	3	9	Risk assessment; develop business case; set KPIs;	Approve business case; action plan	Quarterly KPIs; review costs	KPIs met and improved
Ensure effective relationship with Owners Forum	Cautious	Bad communication results in decline in overall service	2	3	6	Consultation forum in place; efforts to expand forum	Develop feedback and review engagement	Attendance reduces at meetings	Increased confidence and satisfaction

Ensure staff adequately trained on factoring	Averse	Poor factoring billing; inadequate communication/increase in complaints	2	3	6	New staff training and procedures being developed; review complaints	Develop newsletters and better lines of communication/complaints improvements	Complaints increase each quarter on staff communication; stage 2 complaints increase	Good feedback and survey results increase to 90+% satisfaction
Ensure staff adequately trained to deliver new ventures	Cautious	Insufficient leadership/too risk averse	3	4	12	Business case includes all tasks; learning from others; discuss at SMT; consider external assistance	Business case is robust; clear lines of comms/tasks/responsibilities	Inability to review operational issues	Full assessment of business case
Ensure separate professional/legal advice taken where appropriate	Cautious	Compliance with our company registration; BHA gov arrangements, independence agreement	2	3	6	VAT advice sought; legal advice sought on changes to PF registration	Agree business direction	Appropriate action taken and implemented	Update Board
Review registration requirements for VAT	Averse	Compliance with VAT registration based on turnover	3	2	6	VAT advice; review of procedures; review of costs	Implement	Appropriate action taken and implemented	Update Board
LPS is GDPR compliant	Averse	Group policies adopted and FPN	2	3	6	Complete for	All policies are updated	Internal processes are developed	100% compliance

		issued to residents; procedures robust				compliance May 2018; develop procedures	in line with BHA/group		
Meeting Care Inspectorate requirements for sheltered housing	Averse	New Staff don't have required skills experience to meet CARE requirements	3	4	12	Changes in staff – temp staff and review required on way forward	Temp positions; learning from others in sector	Decision required on de-registration	Sept 2019
Health and Safety requirements:	minimal	Staff to carry out basic fire safety risk assessments; ensure appropriate training for repairs operative	3	4	12	Review H & S policy & organisation procedures; continue staff training; inspect common closets	Develop further training plan for internal review	Develop Action plan for relevant assessment	Timetable met

### APPENDICES and related policies

APPENDIX 1 – Memorandum of Understanding

APPENDIX 2 – Independence Agreement

APPENDIX 3 – Service Level Agreement/GDPR

APPENDIX 4 – Budget

Policies specific to LPS (wide range of group policies on dropbox):

Remit and Standing Orders (revised 2017)

Terms and Conditions for Factored Owners (revised March 2019)

LPS Complaints Policy (revised March 2017)

Unacceptable Behaviour Policy (re-issued July 2018)

Staff terms and conditions of employment – updates from EVH May 2018

GDPR Fair Processing Notice