albyn
Housing Society
building homes...supporting communities

Albyn Housing Society Business Plan

June 2020 – March 2025
(Year 2 Refresh: 2021/22)

Date Presented to Board	Signed by Chair	Review Date
30 March 2021	Maxine Smith	Mid-year reports on progress (September 2021) Annual reviews for March 2022

Executive Summary

The Society has prepared a comprehensive Business Plan to enable it to succeed in a dynamic and challenging post-COVID environment. This updated plan reflects all that we have learned about the impact of COVID 19 on The Society and incorporates these lessons alongside critical and emerging priorities as well as a streamlined operational plan. As the impact of the COVID 19 pandemic continues to unfold in the coming years, it will remain important for us to continue to adapt to the new normal and what it means for our business.

One year into the global pandemic and our five-year plan has taught us many things about what is important and therefore, where we need to prioritise our efforts and resources. At the same time, the Scottish Government has announced its national strategy Housing 2040. This has some wide-ranging implications for The Society from the emphasis on affordable warmth and zero emissions and the new tenure-neutral housing standard (to be legislated in 2024/25), through to the creation of digitally enabled new-build properties (from 2021/22) and improvements to the Social Housing Charter regarding internet-based services for customers and reducing rural depopulation.

Our five Strategic Objectives highlight what it is we are here to do for our customers and our Action Plan demonstrates how we will achieve our objectives over the next two-three years. The most significant change in this refresh relates to our transformation plan and the need to adapt that plan so that it allows an agile approach to emerging priorities for customers and staff within the year and to manage the impact of rising uncertainty across the economy and its subsequent impact on the Society as a social business. The Business Plan also includes the consideration of risk and risk management, our key performance indicators and a financial forecast that shows the Society to have costed, realistic and ambitious plans to deliver its objectives.

The plan covers a rolling five-year period from a financial perspective and a remaining three-year period that all enables a responsible approach to strategic issues within the new context. All progress against its objectives will be monitored through the Board and its Committees. All progress, delays or changes to the business plan are communicated to the board mid-way through the financial year and a revised and updated plan is presented to the Board (in a regular business year) in advance of the coming financial year.

The Board's capacity for strategic leadership is clear in its ambitions for the Group and the appointment of our new Leadership Team is an excellent opportunity to match these ambitions to delivery on the ground. This plan marks the beginning of a new strategic future for Albyn Housing Society (AHS)[1] with a more focused agenda around core business, improving standards and offering quality homes and services for our tenants and customers.

[1] Please note that the Group comprises Albyn Housing Society, Highland Residential (Inverness) Ltd, and Albyn Enterprises. Each business has its own business plan and should be read in conjunction with the AHS one.

The major strategic themes of this Business Plan are contained in:

1. Routine activities that underpin our core business operations, specifically during times of COVID 19; and
2. Business Transformation Plan

The specific strategic objectives are as follows:

1. **Our homes -** We will provide high quality, affordable, sustainable, and energy-efficient homes by implementing an asset management strategy driven by tactical analysis of data and targeted investment
2. **Customer experience** – We will streamline our customers' journey and improve customer satisfaction by developing a Customer Experience Strategy. Underpinning this strategy will be the successful implementation of Project Phoenix, delivering on our digital transformation agenda, to enable our customers more flexibility in how they interact with us by providing a suite of online services
3. **Our people** – Our working culture is respectful, effective, engaging, and inclusive and driven by our tenants' needs. We embrace agile and flexible working and the lessons we are learning from COVID 19, enabling cultural change, and driving the people agenda
4. **Our finances** – We will be efficient and effective stewards of our tenants' money and charitable resources to enable the delivery of affordable, quality services for our tenants. We will support the business to invest in stock improvement, systems, and our people
5. **Our partnerships -** We will use our expertise to influence social housing policy and develop partnerships across the Highlands that add value to our communities

Key numbers include:

- We will invest £43.8million (net of grants) across the five years of the planning period providing 678 new social houses to increase our stock levels to 4,209. Investment in improving the quality of our existing homes will result in expenditure of £21.3million on component replacement of heating systems, kitchens, bathrooms and windows and doors. This will provide heating upgrades to 677 properties, kitchen upgrades to 434 properties, bathroom upgrades to 283 properties and window & door upgrades to 385 properties across the five years to 25/26.
- Due to the increases in our stock unit numbers we will see income from rented accommodation increase from £16.134million in 2021/22 to £20.313million by 2025/26 with rental inflation assumed to be CPI + 1.0% across the period.
- We project a surplus of £2.443 million in 2021/22, rising to a target surplus of £4.849 million 2025/26. The generation of surpluses from our activities enables reinvestment into the upgrading of our existing stock and the provision of new social housing for our communities.
- £10 million of loan facilities are in place now and available to be used by Albyn for its existing development programme. These funds will be utilised to complete our existing development programme and undertake specific developments aligned to the City Region Deal in the next 2 years. Thereafter, Albyn will raise additional debt at the end of 2022 to support its planned development activities of 100 units per annum thereafter, dependent upon continued availability of Government Grant support. A further £46million will be raised by the end of the three years of the five-year forecast period.

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Section I Background

Background

The Highlands are home to an estimated 235,540[2] people and has the 7th highest population of Scotland's 32 Local Authorities and the lowest population density at 8 persons per square kilometre. The presents some challenges in terms of understanding and delivering value for money in the delivery of new build and maintenance activity as well as being able to serve a wide range of housing needs across rural, remote, and urban settings.

As we have learned in the past 12 months, geographic distance has become less of a barrier to the delivery of services than it once was, due to the two periods of lockdown and the tiered restrictions in place arising from COVID 19 and instead, there are some new challenges regarding digital accessibility where our knowledge of tenants' digital and online opportunities are less well known and understood by The Society.

We provide homes to 6,250 people across 70 towns and villages. The Inverness and Inner Moray Firth areas continue to show greatest population growth, while the outlying, more remote and rural areas have seen a decline in population.

COVID 19 Economic Impact

As of Nov 2020, the Office for National Statistics estimates unemployment in Scotland at 4.5%[34] of the working population. Last year's prediction of a doubling of unemployment have not materialised and it is difficult to say with any degree of certainty what impact the furlough scheme has had on these rates. We continue to monitor rent arrears keenly each month. Equally, it will be important for the Society to keep abreast of what our customers are reporting to us and to assess and local unemployment trends affecting the region differently and to take responsive action to support tenants who may feel this economic impact more keenly.

Rather than make use of pre COVID 19 data to inform our business plan, The Society has opted to make use of live data in real time situations to inform operational decision-making over the coming year. We have put measures in place to enable us to monitor the welfare and financial impacts of COVID 19. This has shown that:

- we have seen an increase in tenant arrears during the pandemic which has now levelled off but which may still remain a challenge in 21/22 as we enter the post-pandemic phase and Government support schemes begin to withdraw as the economy opens up.
- 1,012 tenants are in rent arrears as at December 2020 compared to 966 at the same point last year (+4.8%) 1,133 tenants are in rent arrears at the end of May 2020 (an increase of 263 compared to the same point in the previous year)

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2 https://www.highland.gov.uk/info/695/council_information_performance_and_statistics/165/highland_profile_-_key_facts_and_figures

3

4 Office for National Statistics LFS: ILO unemployment rate: Scotland: All: %: SA - Office for National Statistics (ons.gov.uk)

– Current tenant rent arrears are £171,153 higher than at the same point last year (£743,250 in total) representing 4.94% of rental income (4.03% last year).

As the ongoing economic impact of COVID 19 emerges, it will be important for the Society to consider additional pressure on household budgets such as higher costs of living in remote and rural areas, fuel poverty and home energy efficiency, internet connectivity will likely become more important than the cost of travel for as long as travel restrictions remain in place.

A review of the Highland Housing Register in April 2020 highlights that there are 7,785 applicants with greatest demand in the Inverness area at 40% of all applicants while Sutherland (4%), Caithness (7%) and Badenoch and Strathspey (7%) show least demand as a percentage of all Highland Housing Register applicants.

With regard to the Highland Housing Allocations policy this means that we need to consider how to work in partnership to improve access to social housing and by prioritising our stock to meet the demand from those most in need.

With 48 years' experience of providing social housing in Highlands, Albyn continues to play a significant role in the provision of social and mid-market rental properties in the region.

COVID 19 Wellbeing Impact

In 2020/21, the Society spent much of its time adapting to what the new restrictions meant for customers and staff. First and foremost in our minds, was the need to ensure customer and staff health, safety and wellbeing. This was a considerable challenge and we took some swift and necessary action to safeguard our staff and to ease the transition to home working:

- Transition to home working within a 48-hour period to ensure that no staff member was unnecessarily exposed to COVID related risks at work, and adhering to government guidelines
- Considerable effort into undertaking DSE assessments, providing training in homeworking, mental health and wellbeing for managers, safe ways for working for staff, highlighting personal development opportunities on Litmos
- Investing in new equipment to allow staff to work from home as comfortably and safely as possible
- Investing time and resource in improvements to our ICT capabilities e.g. Remote Desktop Server improvements and £54,000 in new ICT equipment
- Carrying out two staff surveys and responding to individual circumstances
- Updating frequently asked questions
- Providing full-time and flexible furlough opportunities
- New homeworking policy and guidance
- Reminders about the Employee Assistance programme
- Putting in place a new Health, Safety, Environment and Quality team structure
- Hosting alternative ways to engage staff such as quizzes, birthday and Christmas celebrations using Teams and fundraisers for charity (not our

preferred ways but certainly important changes so that staff can still feel involved with each other)

- Encouraging regular breaks from the screen and to take regular outdoor/fresh air breaks
- Encouraging staff and managers to focus on work outputs and addressing the need to work flexibly from home, rather than overly focus on the 9-5 pattern of work
- Regular formal and informal engagement with trade union representatives focussing on staff wellbeing, and joint 'badging' of staff communications about safe ways of working

This year, 2021/22, we will turn our attentions to the ongoing health and safety and wellbeing challenges arising from COVID 19 and the new remote ways of working, as well as encouraging staff to promote their own and others wellbeing at work. We have established a new Health, Safety, Quality and Environment Team and are in the process of refreshing health and safety training for the Leadership Team to ensure that we are aware of and responding to emerging needs of staff and customers. We are also putting in place additional support for our HSEQ Team by engaging a specialist, external health and safety expert.

Section II Purpose of the Business Plan

This business plan has been prepared with the input of the Board of Directors, the Leadership Team, and is the outcome of several discussions with staff and external stakeholders as well as a wide-ranging desktop review of internal management documentation. This business plan identifies three areas of focused activity for the period 2020-2023.

It will be formally approved by the Board at its meeting on 30th March 2021.

1. Routine activities that underpin our core business operations, specifically during times of COVID 19; and
2. Business Transformation Plan

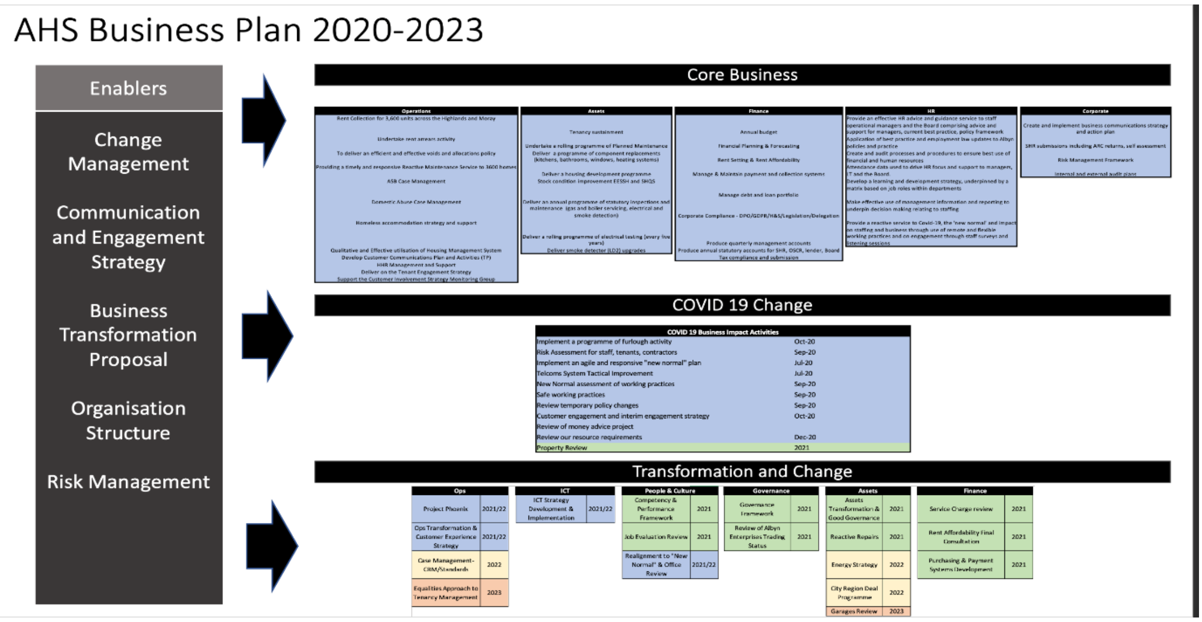


Figure 1: Overview of Business Plan 2020-2023

1 Core Business and Routine Activities

These include all activities that are supported through the regulatory framework and extensive customer services operations. Our Core business includes maintenance of our homes, support for tenants including rent collection, allocations, antisocial behaviour, signposting to money advice and other community support services. It also includes robust financial management and good governance, as well as tenant engagement, policy development work and Human Resource activity.

A regular feature of any business operation is to seek to continuously improve its operations from regular and routine reviews of policy and practice. The routine business improvement activities in this plan are characterised by what would ordinarily be expected of minor tweaks or changes to policy and practice as opposed to wholesale change that would fundamentally change the way we work.

2 Response to COVID 19

The global pandemic has had and is likely to continue to have a significant impact on our business activities. This is every bit as true in relation to what we do as it is to how we do it. Many of the actions outlined in the plan will out of necessity require immediate attention and for that reason, it is important for the business to take a balanced yet agile approach to work which falls outwith the areas one and two listed above.

Our primary responsibility as an RSL must be with our tenants and we have designed temporary policy changes and service reduction with their safety and wellbeing at the front of our mind. Equally, we will need to prepare to return to a new normal while ensuring that our obligations to our tenants are fulfilled.

3 Business Transformation Activities (See appendix 1)

Prior to COVID 19, Albyn Group was engaged in several business transformation projects. These include the transition to a new cloud-based, self-service housing management system (known as Project Phoenix), the restructure of the Leadership Team, ICT reviews of hardware and software applications, a review of mobile working, City Region Deal and FIT Homes Development, and a Garages Review.

Since COVID 19, it has become clear that the business needs to invest in its programme of change management and business transformation activities. This is because, COVID 19 has illuminated and put pressure on many parts of the business's operations, including the business's readiness to transform its operations through Project Phoenix and the temporary suspension of the recruitment of substantive post holders for the Leadership Team. This business plan therefore seeks to prioritise these change initiatives to ensure that the business is fit for the future. The Business Transformation Team was recruited in Q2 of 2020 and has begun the process of embedding sound and robust programme management approaches across The Society.

This business plan, therefore, also seeks to address the resource requirement to support business as usual in the context of COVID 19 and wider business transformation.

Section III Vision, Mission & Strategic Objectives

Vision (Where are we going)

We are a best-in-class social landlord that reinvests our surpluses into better quality and more homes for future generations of tenants in the Highlands

Mission (what is our purpose)

To provide affordable, high quality homes to people who need them

Values (Guiding principles that drive our behaviours)

1. We are responsible and accountable for our actions
2. We are open and honest in how we conduct our business
3. We are inclusive, fair, and respectful in how we treat each other and our customers
4. We are open to challenge
5. We make a difference and improve the lives of our tenants
6. We listen to our tenants and partners and respond effectively to feedback
7. We celebrate success and recognise our achievements
8. We work together to be the best we can working as a team to drive excellence
9. We will undertake our business and manage our relationships with appropriate reference to ESG (Environmental, Social and Governance) criteria.

Strategic Goals (How are we going to get there)

Our homes - We will provide high quality, affordable, sustainable, and energy-efficient homes by implementing an asset management strategy driven by tactical analysis of data and targeted investment

Customer experience – We will streamline our customers' journey and improve customer satisfaction by developing a Customer Experience Strategy. Underpinning this strategy will be the successful implementation of Project Phoenix, delivering on our digital transformation agenda, to enable our customers more flexibility in how they interact with us by providing a suite of online services

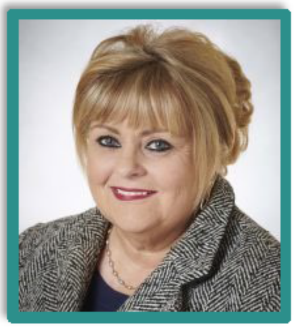
Our people – Our working culture is respectful, effective, engaging, and inclusive and driven by our tenants' needs. We embrace agile and flexible working and the lessons we are learning from COVID 19, enabling cultural change, and driving the people agenda

Our finances – We will be efficient and effective stewards of our tenants' money and charitable resources to enable the delivery of affordable, quality services for our tenants. We will support the business to invest in stock improvement, systems, and our people.

Our partnerships - We will use our expertise to influence social housing policy and develop partnerships across the Highlands that add value to our communities

Section IV The Board & Leadership Team

Chair of the Board – Maxine Smith

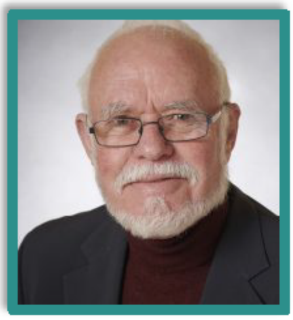


Maxine was appointed as Chair of the Board in 2019 after 14 years of Board service. She is a local businessperson and Highland Councillor for Cromarty Firth and has a long-term interest in volunteering for her community. Maxine joined the Board due to her passion for making a positive difference to people's lives.

Vice-Chair – Carl Patching

Carl joined the Board in 2020. Carl has a wealth of experience in delivering business change in both the public and private sectors. With many years at a senior level in consulting and outsourcing, he has devised and developed strategies both within organisations and consultancy, along with the responsibility for the delivery of effective outcomes. Carl is eager to help Albyn develop and deliver on its strategy for the benefit of members. Carl is a member of the Staffing, Health, Safety, and Environment Committee.

Ian Fosbrooke – Company Secretary



Ian joined the board in 2016 after originally serving as a Tenant Representative on the Performance Committee, and served as Vice-Chair in 2019. Ian brings experience from a varied career including project management gained from working offshore, within the construction industry and in hospitality. Ian is passionate about encouraging more tenant members to join the board. Ian is a member of the Staffing, Health, Safety, and Environment Committee.

Chair of Audit and Risk - Jim Convery

Jim joined Albyn's board in 2004 and is Chair of the Audit and Risk Management Committee and a member of the Performance Committee. Jim spent his career in public sector audit and brings experience in audit, governance, risk management and financial management and reporting to the board. Jim holds a MA (hons) in Economics and Accounting and is a member of the Institute of Chartered Accountants of Scotland and the Chartered Institute of Public Finance and Accountancy. Jim is committed seeing the Society achieve our vision whilst helping to ensure that the Society is well governed and exercises prudent financial management.

Chair of Performance Committee – Clea Warner

Clea joined the Board in 2020. Clea has more than two decades of transformational leadership experience within the charity sector which includes leading the strategic development of an extensive property portfolio. Clea brings with her extensive experience of balancing challenging business and charitable objectives, driving innovation and profitable growth for causes she is passionate about. Clea is Chair of the Performance Committee and a member of the Audit and Risk Management Committee.

Chair of Staffing, Health, Safety & Environment Committee – Donna Smith

Donna joined the Board in 2019 and is a local businesswoman who is committed to making a difference to people both within a work environment and out. She has experience in IT, corporate governance, corporate planning, performance management and business improvement. Donna is passionate in using her skills in a community-focused environment and supporting Albyn's work providing sustainable, affordable housing in the Highlands. Donna is Chair of the Staffing, Health, Safety & Environment Committee and Vice Chair of the Audit and Risk Management Committee.

Chief Executive - Lisa Buchanan

Lisa is an experienced third sector chief executive who joined the Albyn Leadership Team in June 2019. Lisa joined Albyn after taking a short career break to complete her MBA and to have her son.

Prior to that, she was Chief Executive at Cantraybridge College (2011-2016). In this role, she was tasked with leading the organisation through significant changes in health and social care policy via the introduction of Self-Directed Support. She led the organisation through a period of significant fund raising and capital development in order that the organisation was prepared for the change in policy.

She held a non-executive board appointment with the North Highland College UHI (2015-2018) where she served on the Finance, HR, and Remuneration Committees.

In 2010 she was a Police Fulbright Scholar which took her to conduct a comparative analysis of how the San Francisco Bay Area handled homophobic hate crimes.

Lisa gained her MBA from Strathclyde University in 2017, has a Masters in Equality and Social Inclusion (Dundee, 2009) and an MA (Hons) in Languages.

Director of Finance and Corporate Services - Andrew Martin

Andrew joined the organisation in April 2018. Andrew has a strong background in accountancy and is a Fellow of the Chartered Institute of Certified Accountants (FCCA). He brings a wealth of experience having worked within finance roles in a variety of sectors in the UK and abroad. Andrew holds a Post Graduate Diploma in Management from the Nottingham Trent University Business School.

Prior to joining Albyn, Andrew worked in the Further Education sector for 16 years, latterly as Deputy Principal & Finance Director at a Nottinghamshire College and formerly for the Skills Funding Agency as Regional Director of Finance & Resources.

He has worked in the privatised Water Industry both in the UK and overseas and has held positions in finance roles within retail, manufacturing, and the NHS. He began his career as a trainee accountant in the motor industry.

Director of Customer Services (Interim) – Kirsty Morrison

Kirsty joined Albyn in February 2021 and has 20 years' experience in strategic development, business improvement and innovation, business development and performance and change management, in both housing and community safety services.

Latterly, Kirsty was commissioned to redesign service delivery and significantly improve performance in an RSL, and to improve culture and employee engagement. She also led on a successful Transfer of Engagements. Kirsty has a Post Graduate Diploma in Housing Studies and an MA (Hons) in English.

Director of Assets and Subsidiaries (Interim) – Morag Beers

Morag joined the organisation in Summer 2020. Morag is a General Practice Chartered Surveyor, studying at (the then) Paisley College of Technology then qualifying with the RICS in 1992. She has a wealth of experience in both the public and private sector.

For 20 years, Morag was based in Amsterdam, working internationally in property management, development and investment returning to Scotland in 2020. Besides work, Morag teaches on a range of property topics for Glasgow Caledonian University and the RICS.

Head of HR and Organisational Development – Laurie Macleod

Laurie MacLeod joined Albyn as Interim Head of HR on 18th March 2020, a day after the offices shut for lockdown; and since has focussed on supporting the board, leadership team and staff through Covid-19, furlough, and supporting improvements in Albyn's people processes and practice. Working in local government, civil service & NDPBs, the NHS, and higher and further education, Laurie's values have driven her experience in the public and now third sector. With 34 years' professional HR practice, it's about supporting organisations where the purpose, vision and values drive behaviours and culture. A chartered member of CIPD, Laurie is trained in mediation and coaching and a licensed practitioner of psychometric tools for personal development.

Laurie has a degree in archaeology from the University College, Cork - National University of Ireland and a postgraduate diploma in personnel practice from the University of Westminster.

Section V Key Performance Indicators

4.1 Setting KPIs

The key performance indicators are set out in appendix 2. In usual circumstances the KPIs are set at a high level for the customer services teams and are reflective of the previous year's performance with a stretch target for improvement. This year however, we have adopted a different approach based on the past year's performance during COVID with an expectation that we start to see gradual improvements in these indicators to pre-COVID levels. These detailed actions support the delivery of our Strategic Objectives and contribute to our compliance with the Scottish Housing Regulator's Performance Standards.

The KPIs reflect a series of monitoring data and qualitative data available to assess our team's performance.

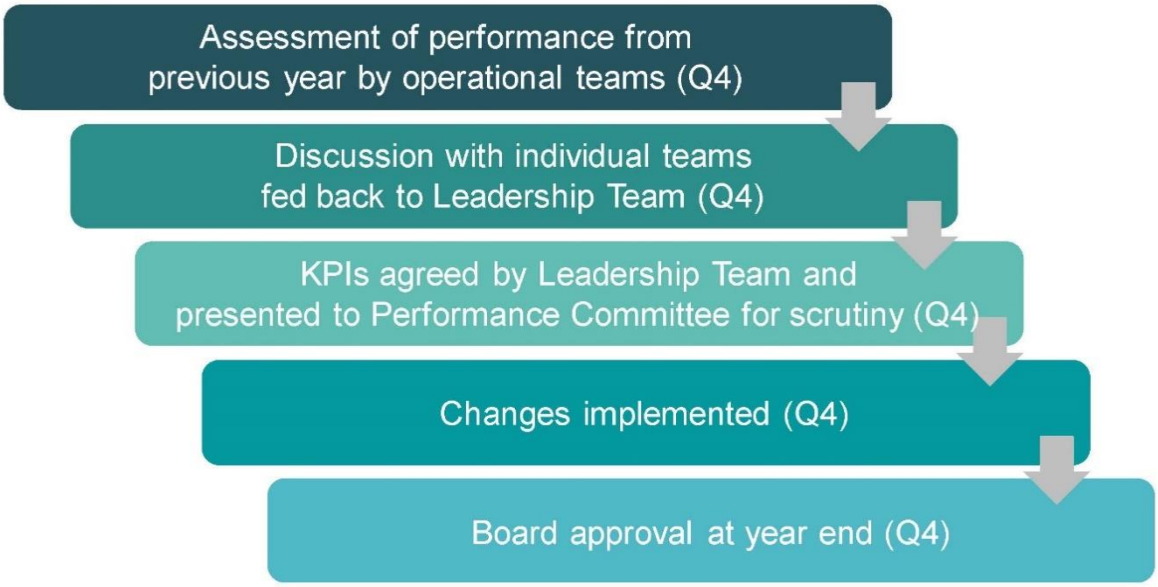


Figure 2: Process of Setting KPIs

4.2 KPI Monitoring

Last year saw the introduction of operational planning and the Operational Management Team (OMT) will put in place operational plans for their respective teams. The KPIs are monitored weekly and monthly by operational managers and quarterly by the Leadership Team and the Board.

The OMT report quarterly against the plan to the whole staff group and are producing regular communications bulletins for staff on operational performance.

The KPIs have been extended beyond the routine performance reports required through the ARC (Annual Return on Charter to the Scottish Housing Regulator) to include a more comprehensive set of indicators that will enable us to drive performance improvements in the coming year. Specifically, the KPIs were revised to include additional factors which better reflect the business plan objectives for the new financial year. Additional KPIs have been added from the Assets Team to reflect

Asbestos, Radon, Fire Risk and Planned Maintenance. Details of the Planned Maintenance KPIs are yet to be confirmed.

This year will see the implementation of a new performance management framework that will be underpinned by this more comprehensive KPI framework.

Section VI Communications Plan

Communications is a thread woven throughout all objectives, activities, and most technologies within Albyn Group. While it would take many pages to detail the full scope of our current and future efforts, this document will focus on high-level and corporate communications for this financial year.

In addition to delivering the standard cycle of annual reports, surveys, and collateral that we typically do, 2021/22 will provide a focus for further defining Group communications needs, as well as building processes, standards, and structure to empower teams and individuals to communicate both within Albyn and with stakeholders. Individual communications plans will be required for many of our activities, such as Project Phoenix, business transformation, change management, and crisis communications.

We must seek to balance our resource with the goals of our business plan. Working remotely presents its own challenges, but also an opportunity to re-evaluate channels and processes currently in place to see where we can improve for the benefit of all.

Appendix 5 contains a copy of our communications plan for 2021/22.

Section VII Risk Management

The Risk Register is contained in appendix 4 of the business plan. COVID 19 and lockdown have illuminated pressures across the business and have created health and safety risks previously unseen by the business. More than ever, the risk register will require to be frequently monitored and adapted as the social and economic impacts of COVID19 unfold.

Responsibility for risk management is shared across the business in the following ways:

1. The Board is responsible for ensuring that there is an adequate risk management framework in place that helps the Board to advise the board about strategic risks to the organisation so that it can inform its strategic planning and ensure that the Leadership Team is fulfilling its responsibilities to manage risk within the business.

2. The Leadership Team is responsible for ensuring that the risk management policy, framework, and register is kept current and monitored through monthly Leadership Team meetings. It is also responsible for reporting risk management changes and mitigation measure to the board on a quarterly basis. It also supports the operational management team to manage operational risks.

3. The operational teams and all staff are responsible for undertaking any operational actions that support the identification or mitigation of risk.

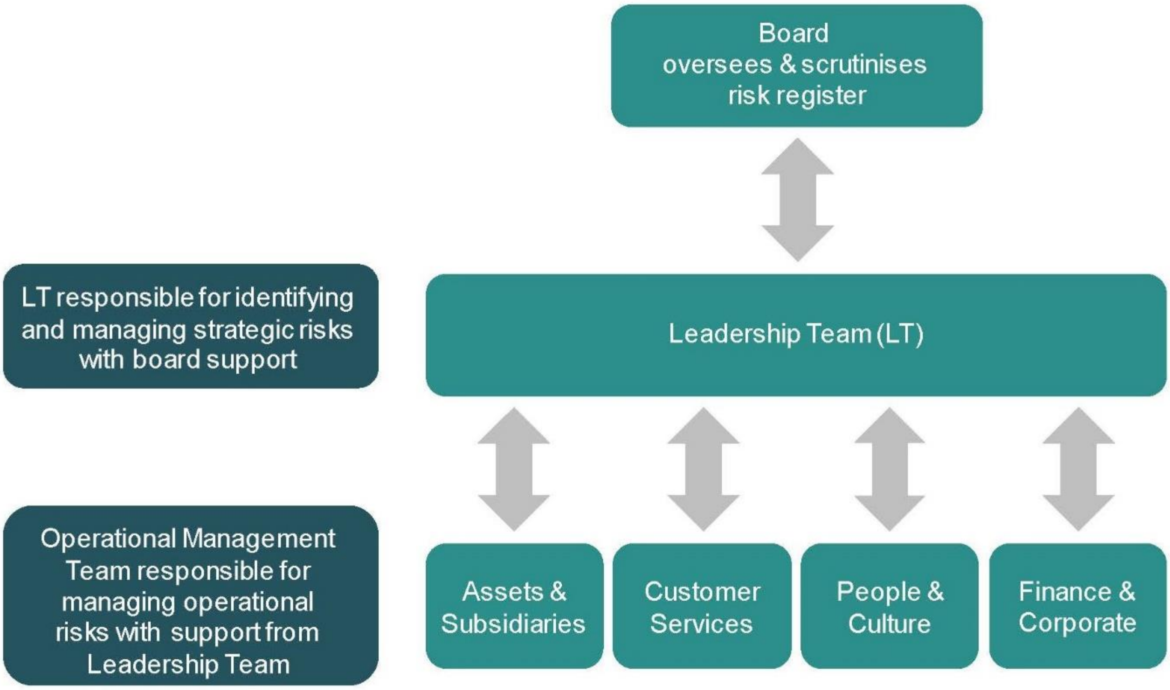


Figure 3: Overview of risk management responsibility

Internal Audit

In addition to the process of risk management described above, the Board appoints internal auditors to assure themselves of our internal management activities. The Internal Audit of 2019/20 identified Data Protection as an area for improvement, alongside the completion of internal audit recommendation made in previous years. This year (2020/21) we are reporting a completion rate of 65%, a demonstrated improvement since last year (52% 2019/20).

This is strong progress in a year that seen the considerable impact of COVID 19 and although some recommendations have had revised timescales put in place due to the volume of backlog recommendations, the Leadership Team is confident of completing these in year. To strengthen the system of internal control and will be accountable to the Audit & Risk Management Committee for their monitoring and implementation.

Section VIII Financial Forecasts and Scenario Planning

BUDGET FOR 21/22 AND FIVE-YEAR FINANCIAL FORECAST

<u>Overview & summary of the position</u>

1. Overall Result – 2021/22 budget

1.1. Total operating income for 2021/22 is expected to be £19.675million including £17.045million of core income and £2.59million of LIFT sales income.

1.2. Total operating costs of £12.089million will result in an operating surplus before interest, depreciation and amortisation of £7.585million. Interest charges net of capitalisation of £2.993million will be chargeable in the 2021/22 financial year.

1.3. The overall surplus after depreciation, amortisation and interest charges will be £2.443million.

1.4. Tenanted property numbers will increase by 258 in 2021/22 to 3,789.

1.5. Long term debt levels will increase from £86.8m at the start of the year to £96.4m at the end of the year, a net change of just over £10million after capital repayment in year of £1.985million.

1.6. £15.0m will be financed through a new fund-raising exercise which is required by March 2022 utilised in part to pay down the second RCF which will be drawn in year. We expect to go out for proposals to raise this debt in the Autumn of 2021.

1.7. Net spend on development is planned be £12.6million in 2021/22 including £19.3million on development costs, and £6.6million in grants receivable. Other fixed asset additions of £198.4k allow for the residual investment in the new Housing Management System.

1.8. Interest cover will be 155.09% compared to the 110% covenant floor level and gearing will be 29.65% compared to the 40% covenant ceiling.

2. Core Planning Assumptions

2.1 Continuing the strategic goals from the previous budget and forecast, the core assumptions continue to provide resources to support the move towards maintaining and improving existing stock whilst delivering a development programme that is more modest and in line with an ongoing programme of 100 units per annum.

2.2 The budget also includes resource to implement the business transformation programme where these are known, although in some cases further implications of the change programme will need to be subject to business case and affordability assessments.

2.3 Last year's programme for development anticipated that across the five-year planning period, 571 units would be completed. In the current budget and forecast, 678 units will be completed, as a result of the completion delays of the current programme moving many of the onsite completions into the 21/22 financial year from what would originally have been 20/21. In 21/22, 258 units will be brough into use with the programme settling to a 100 units programme thereafter.

2.4 By the end of the five-year planning period, Albyn will have reached 4,209 units. Further development after this planning horizon has not been factored into the plan as the extension of the development programme will be considered outside of the five-year planning window by the Board at each annual approval of the budget.

2.5 Of the additional units, 533 will be social rent builds, 145 will be Mid-Market rental and a further 25 units will be built for NSSE programmes. The exact mix may change depending upon the selected schemes and planning requirements.

2.6 The development programme drives the need for further debt, resulting in increased interest charges which in time yield additional future revenues and costs from operating an increased portfolio. During the development phase, the society must service debt on development until stock is handed over, putting increased pressures on the affordability to invest in existing units. The Board has discussed at length its desire to move towards a maintain and build approach to asset management and this budget and financial plan reflects that approach.

2.7 Build costs are as provided by the Assets & Investment team and represent expected costs and cost norms for the developments proposed. Grant levels are based on current policy which may not be continued after the next Government election.

2.8 Development costs and grant levels for the undefined elements of the programme (that being the 100 units per year after current schemes have been concluded) are based on standard and average costs of build and benchmark grant levels. Both may change depending upon the nature of the scheme although all development will continue to be subject to investment appraisal to determine affordability.

2.9 Whilst the budget seeks approval for the planned development programme for contractual start in 2021/22, the Board will continue to have the opportunity to make on-going decisions regarding the continuation of the programme when the budget is set each year.

2.10 Albyn will invest £78.5million in its development activities over the five year period which will be supported by £34.7million of capital grants.

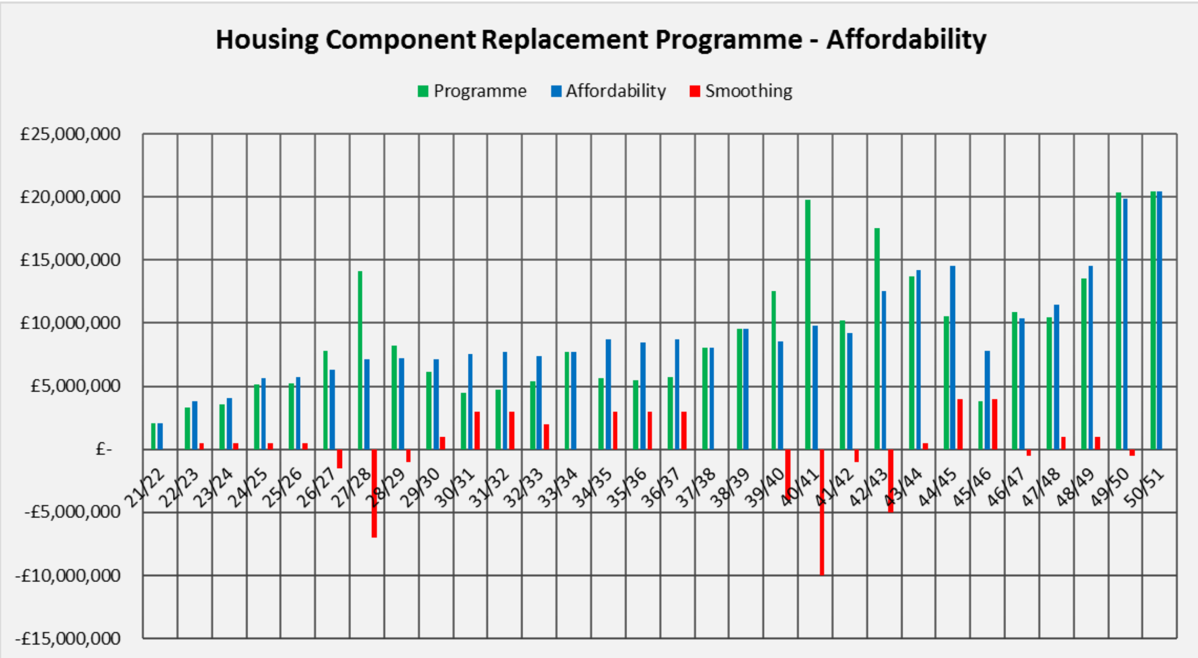
2.11 During this planning period, loan debt will increase from £86.4million to £121.8million at the end of year 5. Capital repayments of £10.6million will be made against amortising debt offsetting the net £46million required to meet the development programme needs.

Stock Improvement Programme

2.12 The stock improvement, or component replacement programme provides some budgeting challenges for Albyn due to the cyclical nature of development in the past and the way in which replacement cycles fall within financial years. This provides for a necessity to smooth out the expenditure in the replacement of Heating systems, kitchens, bathrooms and Windows and Doors to meet affordability and covenant obligations.

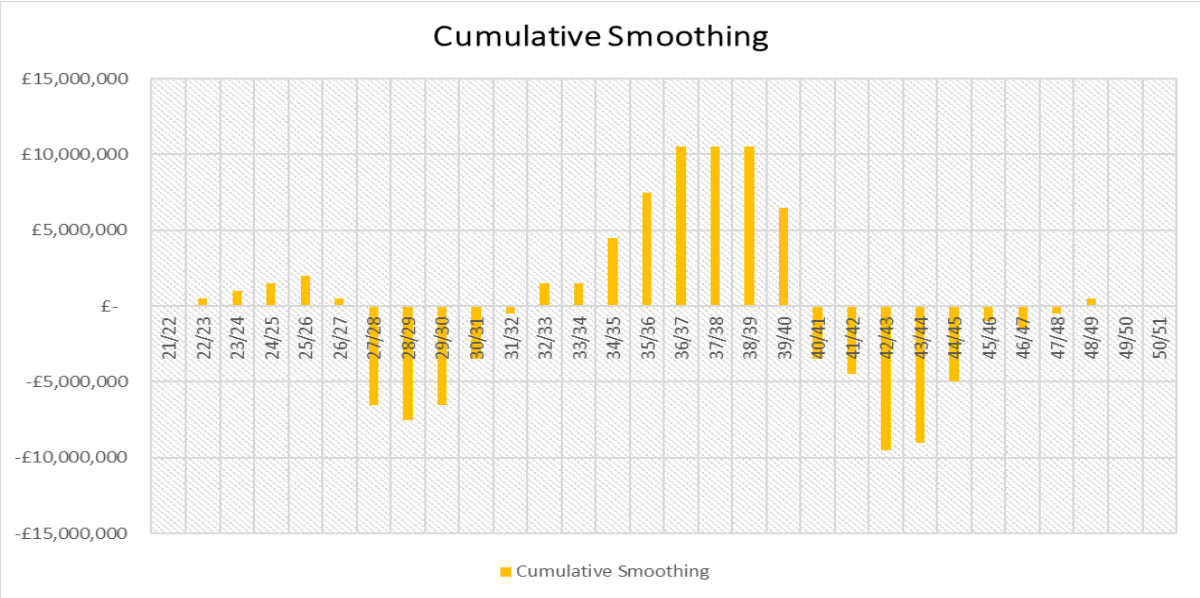
2.13 For the 21/22 financial year, the programme that had been planned for last year and suspended due to the pandemic has been budgeted with each subsequent year of the programme being moved one year on in the replacement cycle.

2.14 In subsequent years of the programme a smoothing approach will be required to address the peaks of forthcoming activity which has been known about for some time. The graph below sets out the programme requirements and the affordability for delivery against the replacement programme.



2.15 The graph demonstrates that for the first 5 years of the programme there is sufficient affordability to bring forward future commitments in 22/23 to 25/16. However, in 26/27 there are two years where significant replacement demand will not be affordable and will result in replacements either being brough forward in the programme (according to affordability) or pushed back. Inevitably, due to the size of the replacement programme in these years, there will be a significant need to push back a number of component replacements.

2.16 The graph below provides a cumulative picture of the affordability to meet the schedule replacement needs:



2.17 It can be demonstrated that between now and 26/27 there is sufficient affordability to be ahead of the replacement cycle. However, the impact of the 27/28 programme, where a total programme requirement of £14.2million would be required pushes the position back to being £6.5million behind, and this position will take a further 3 years to get into line.

2.18 From this point, the Society has sufficient affordability to once again get ahead of the replacement programme cycle until a further challenge arises in 2041/42 where significant investment spikes occur.

2.19 It will be important to ensure that accurate property surveying enables a prioritisation during the planning period as indicated and the work currently being undertaken by PMP may bring to bear further clarity and detail on the programme needs.

General Core Assumptions

2.20 Other core assumptions included across the budget and financial forecast are as follows:

- The base CPI reflects the current OBR forecast for inflation of 1.2% in 21/22 rising to 2.0% by year 5 and then remaining at the long-term bank of England target thereafter.
- Rental income set at 1.0% above CPI throughout the plan.
- Employment costs set at CPI throughout the plan.
- Other non-pay revenue expenditure set at 1.0% above CPI throughout the plan.
- Short term interest rates set at 1.5%.
- Interest rate on future long-term debt of 3.00%.

- Average annual void losses of 0.5% of turnover until falling to 0.4% in year 5.
- Gross annual arrears of 8% in 2021/22 reducing to 6.00% across the long term.
- Bad and doubtful debts provided at a rate of 45% of arrears in 2021/22 rising to 50% by 2023/24 and beyond.

2.21 Salary levels are based on current establishment levels with known changes and vacant posts included within the initial budget. Additional resources have been assigned to support the organisational review, with Customer Services, Assets and Corporate allocated additional funds within the establishment. However, any additional posts will be subject to Board approval where this has not already been provided.

2.22 Development staff costs are assumed to be capitalised at the rate of 2% of completed construction throughout the development programme. This is in line with current policy to reflect the capital element of work undertaken by the assets team.

2.23 Reactive repair costs have been inflated according to the core assumptions with a further allowance added as the unit numbers increase across the planning period. The 21/22 financial year budget includes additional provisions to reflect the catch up that is required from the lockdown period.

2.24 Cyclical maintenance costs include the planned programme provided by the Assets team at £1.45million in the budget year (21/22) including to complete the LD2 programme. Thereafter, these costs are assumed to cease.

2.25 Service charge income and costs have been budgeted to reflect the recent consultation outcome and implementation of the new methodology.

2.26 The cross over budget has been set at £160,000 for 2021/22 slightly higher than historic levels but lower than the investment necessary during 20/21 which was inflated to react with emergency replacement requirements.

<u>Business Transformation and Change</u>

2.27 The Business Transformation and change programme includes a number of initiatives set out in last year’s business plan and which are due to be implemented or will continue implementation in the current year.

2.28 By far the most significant of the business transformation programmes is Project Phoenix, the implementation of the Civica CX Housing Management System.

2.29 A total of £862,509 will be invested in the change programme, much of which relates to the implementation of Civica CX under project Phoenix. A budget of £500,000 had previously been approved by the board for this project and the extended timeline requires that this investment is increased to £629,538.

2.30 Almost £200k has been includes in the budget to enable improvements to the customer experience under the operational transformation programme. Whilst the detail of this programme requires further development, £115k of this resource will be allocated to the Customer Services teams to deliver improvement to the tenant experience. The residual amount includes £20k for external support and £57k to support changes across the Corporate Services department.

2.31 Within the transformation budget, all of the Project Phoenix resources are a capital investment, and £173k of the residual costs are likely to be recurrent in future budget years with the remaining £60k a one-off revenue cost in 2021/22.

Debt Requirements

2.32 Increased debt will be needed to support development programme, amounting to £49 million across the planning period of 5 years.

2.33 The first debt requirement is in March 2022, meaning that a facility will need to be in place in the Autumn of 2021 of £15million. This will be used to pay down the RCF and renew them at the same point in time providing resources for the future commitments in the programme.

2.34 A further £12million will be needed in December 2022, £7million in March 2024, £5million in March 2025 and £10million in March 2026.

2.35 Due to the ongoing need for funds across the planning period associated with the regular commitment to development at a rate of around 100 units per annum, a decision will need to be made whether to rollup debt requirements from year 2 to year 5 in a larger RCF with a view to a larger long term debt call which would open up the opportunity to seek additional private placement funds.

3. Forecast for the 5 Years to 2025/26

3.1. The period between the budget year of 2021/22 and the end of the first 5 years of the forecast (2025/26) will see a further 678 new tenanted units added to the portfolio and result in income levels increasing from £16.134million (Rented accommodation) to £20.313million before the sale of shared equity properties.

3.2. Total operating costs rise from £9.500million to £9.789million before the cost of sale of shared equity properties as cyclical maintenance costs reduce in year two of the plan following the completion of LD2 fire safety works and other elements of catch up budgeted in 21/22.

3.3. The budget currently allows for the change team to be in place for the first 3 years of the forecast period.

3.4. The operating surplus before depreciation, amortisation and interest charges will increase from £7.585million in the budget to £11.532million in year 5 of the plan. Debt interest charges after capitalisation of interest will increase from

£2.993million in the budget to £4.242million as additional long-term debt rises to fund the additional units added in the planning period.

3.5. The overall surplus after interest, depreciation and amortisation will increase to £4.849million from £2.443million in 2021/22.

3.6. Total debt at the end of year 5 will be £121.790million from £96.403million at the end of year 1 (2022/22). Debt will fall gradually after year 5 for the remainder of the 30-year plan as no additional development has been assumed.

3.7. Bank covenants will remain compliant with interest cover falling to 120.38% in year 4 of the plan (2024/25) from highs in the budget of 155.09%. The remainder of the 30-year plan sees interest cover maintained about the 110% floor target through the management of commitments to the component replacement programme.

3.8. Peak gearing of 29.95% is seen in year 3 of the forecast period (23/24) falling to 27.82% by year 5 of the planning period. Thereafter, gearing falls steadily as debt decreases.

4. Cash Flows

4.1. Opening cash balances moving in to 2021/22 will be around £9.0million as an initial drawdown of the second £10million RCF will be made to manage the current ratio covenant with Nationwide. The development programme will require the drawdown of £49.0million to enable enough working capital and remain compliant with covenants across the first 5 years of the plan.

4.2. Development funding amounts to £51.005million across the 5 years to 2025/26.

4.3. Expenditure on other cashflow commitments include the requirements of house component replacement and capital loan repayments. Across the 5 years of the plan these commitments are as follows:

	Year 1 (21/22)	Year 2 (22/23)	Year 3 (23/24)	Year 4 (24/25)	Year 5 (25/26)	TOTAL
Component Spend (£million)	2.1	3.8	4.0	5.6	5.7	21.3
Capital Repayments (£million)	2.0	2.1	2.1	2.2	2.3	10.6

4.4. Operating cash generation remains managed throughout the plan with debt drawdown timed to minimise cash holdings whilst retaining sufficient working capital and a current ratio over greater than 1:1. In year 1, operating cash generated (before capital and loan servicing) is £6.86million rising to £11.54million by year 5.

5. Covenant Review

5.1. Whilst there are several covenants in place across the various different Albyn lenders, there are two core covenants which can provide the greatest challenge in reaching satisfactory compliance. These are Interest cover and gearing.

5.2. There remains a single lender with a current ratio covenant (Nationwide) and this proves problematic in leading to a requirement to hold excess cash at the balance sheet date to ensure a 1:1 ratio. Discussions are ongoing to review the calculation or consider where this covenant can be aligned with other Albyn lenders.

5.3. An interest cover floor target of 110% requires the society to generate an adjusted operating surplus which is greater than the total annual net interest charges by a factor of 110%.

5.4. This covenant requires careful management of the underlying operating position (difference between actual cash income and actual expenditure) and careful management of the level of debt which yields an interest charge.

5.5. Across the first 5 years of the plan, interest cover is within the required range as follows:

155.09%	***137.73%***	***146.61%***	***120.38%***	***133.23%***

5.6. Year 4 (24/25) of the plan represents the closest compliance where sensitivities to weaknesses in operating performance or interest charges will be of greatest risk.

5.7. The remainder of the plan sees the margin of compliance increase consistently although this does get impacted from time to time with the levels of component replacement costs which have significant variances into the future plan (beyond year 5). To deal with this, the programme will be smoothed, bringing expenditure forward or pushing back as required.

5.8. The gearing covenant equates to total financial indebtedness as a percentage of the total historical carrying value of properties. This ratio shall not exceed 40%.

5.9. The range of outcomes for the first 5 years of the plan are as follows:

29.65%	***29.12%***	***29.95%***	***29.59%***	***27.82%***

5.10. As the values of property held are so large, grant levels resulting in amounts borrowed not likely to exceed 50% and a declining development programme assumed in the financial plan, the gearing covenant strengthens in each year of the forecast.

5.11. The current grant/debt ratio is the biggest factor in determining how far the Society can push its gearing ratio under current covenants. A 40% requirement will eventually come under increasing pressure if new development is financed at a debt rate of 50% of the historic cost of each unit.

5.12. Current headroom in the covenant (all other things remaining as planned) would indicate that debt would have to be £37.3million higher than the levels required by the current plan (or asset values to be impaired by similar amounts).

6. Sensitivity Modelling

6.1. In the post pandemic environment, determining an expected level of sensitivity and stress testing of the plan is more challenging than ever. The state of the national finances Government debt levels at post war levels with some significant challenges to balance the nations books. How the macroeconomic policy choices impact upon the key influencing factors to which the Housing sector is exposed is difficult to assess.

6.2. Low interest and inflation levels are the current indicators, with housing seen as very much a safe haven for investor's cash. However, whilst this is the current picture, a rebound in the economy could see investors switch to other sectors to attract greater returns for manageable risk changing the outlook. A rapid growth in the economy could drive inflation and ultimately interest rates to higher levels.

6.3. However, a failure of the economy to rebound from the pandemic could see a long period of stagnation of the economy and long-term low inflation and interest rates which would be counterproductive to the long term assumptions underpinning Albyn's financial model from the post 5-10 years.

6.4. As we continue to live through uncertain times, all members should be aware of the significance that sensitivities can have on the underlying financial performance of the society, even if all operational targets are met.

6.5. Small changes in key variables can have a significant impact on the financial indicators and result in covenant breaches.

6.6. This section of the commentary explores a number of fixed sensitivities and examines their impact on the key financial indicators and covenant positions.

<u>Inflation</u>

6.7. Changes to inflation measured through CPI have a significant impact on Albyn. Increasing inflation (at or above the BoE target of 2.0%) is generally favourable if inflation rises as not all of Albyn's costs are linked to inflation (bank debt) whilst core income increases are linked to inflation through current policy.

6.8. A reduction in CPI of 1.0% could result in challenges with cash balances and require additional borrowing as the plan progresses.

6.9. The ‘inflation-plus’ policy adopted by Albyn in rent setting is very sensitive to changes. Any deviation away from the current ‘plus 1%’ may result in covenant and cash challenges and the Board would need to think about the affordability of future development if it was minded to move away from this policy.

6.10. A period of reducing inflation will impact on the society the greatest with a fall of CPI to 0% causing a covenant breach within the first 5 years of the plan and significant liquidity challenges.

6.11. Interest rates, either through borrowing costs or LIBOR bring about sensitivities through marginal increases. A starting assumption of 3.0% for new debt increasing to 5.0% would cause interest costs to increase from £4.2million to £5.0million and a covenant breach in year 4 of the current financial plan. If interest costs were lower than the assumed 3.0% this would have a positive impact on all financial indicators.

6.12. Of course, it is unlikely that there will be a single sensitivity of this magnitude that will occur in the planning period, but more likely that a combination of sensitivities will combine to harm the financial prognosis.

6.13. Increasing interest rates and declining inflation would be a particular combination that would require significant re-appraisal of the financial plan and commitments.

Sensitivity Mitigation

6.14. Whilst there are a multitude of combinations of sensitivities from macros factors such as inflation and debt costs to specific indicators through employment costs to materials costs, the key to considering these factors falls within the mitigation factors that the Society can implement to protect against the adverse impacts.

6.15. Throughout the planning period, the society must continue to focus on service efficiency. The significant investment in the housing management system should deliver a greater operating efficiency from 22/23 onwards and the Board should seek to quantify this through a cost per unit metric. The financial plan has not at this stage made allowance for greater efficiency, but this exercise must be carried out to ensure that the investment makes sufficient pay back for the resources invested.

6.16. Where inflation falls, the board will need to look at the degree to which the ‘plus 1%’ factor on rents could be increased. This would need to be supported by a pull back against component replacement and lifecycles and a reduction in development. Increasing inflation will present the Board with a choice of increasing tenant rent by lower amounts that forecast or accelerating investment in stock improvements.

6.17. Increases in interest rates should largely impact on new debt, and if costs increase significantly then the development programme would need to be curtailed or re-assessed.

6.18. Staffing costs are an area in which the Society has been generous when comparing to the wider economy and public sector of the past decade. Inflation plus increases have been consistently awarded. Should the society need to react to increasing costs in other parts of the business it will require consideration of pay awards, and the level of staffing resource to meet acceptable levels of customer service.

Appendix 1 Business Transformation Plan
See Attached

Appendix 2 KPIs 2021/22
See Attached

Appendix 3 Communications Plan
See Attached

Appendix 4 Risk Register
See Attached

Appendix 5 Budget 2021/22 & Financial Projections 2025/26
See Attached

Appendix 6 Summary of Tenant Feedback from CISMG
See Attached

Appendix 7 PESTLE & SWOT Analysis

We have undertaken an environmental scanning exercise to consider the Key Influences that act on and within Albyn. The two processes used were a Political, Economic, Socio-cultural, Technological, Legal and Environmental (PESTLE) and a Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis. We have tried to avoid duplication between lists, for the sake of clarity. Influences sit within more than just one category, so if it is listed under one category and not another it has been considered across the board.

Our **PESTLE** analysis identified the following main results.

Political

- The Scottish Government's Housing 2040 Strategy maintains commitment to increasing the supply of new homes. that means the completion of the 50,000 homes target by 2021/2022 and a further 100,000 homes to be delivered over the next ten years. Albyn therefore needs to consider its support for the Strategic Housing Investment Partnership at an appropriate level.
- There will be a Holyrood election in May 2021 which may impact on the priorities for government in terms of legislative programme and its funding priorities in the wake of COVID 19 (discretionary housing payments)
- COVID related economic and social recovery plans – increase borrowing, reduced productivity and reduced economic output which may mean higher taxes and/or less public spending
- The role of housing in relation to health care, place making, community building and home working/economic activity are all considered as key themes in Housing 2040 and therefore this should influence decisions regarding existing stock and further new build plans.
- Uncertainties remain about the implications of Brexit. The UK left the EU in Dec 2020 and what this means in terms of the economic and social recovery remains to be seen. There may be links to be drawn in terms of availability of materials for contractors, labour supply, as well as any impact on inflationary pressures.
- The possibility of a second Scottish independence referendum which may influence public spending priorities.
- Roll out of the Scottish Government's digital strategy for broadband coverage and the Housing 2040 commitment to digitally enabled new builds and the Social Housing Charter commitment to internet services for tenants.

Economic

- COVID 19 economic impact will continue to unfold for the duration of this business plan. Direct concerns for AHS include falling rents due to redundancies or loss of earnings due to impact on key local industries such as travel and tourism, oil and gas, retail, and hospitality, increasing reliance on Universal Credit, especially difficult for tenants new to the benefits system. The extension of the furlough scheme has thus far masked any underlying economic recovery issues and therefore we need to remain responsive to actual levels of rent arrears.
- Inflation levels are likely to be low, with negative inflation a possibility. Overall, for the year, GDP contracted by 9.9%[5], marking the largest ever annual fall in GDP in the UK.
- 6.0 million people on Universal Credit on 14 January 2021. This is a 98% increase since 12 March 2020.[6]
- The Bank of England Rate is currently 0.1% which could be positive for The Society with regard to re-financing or raising further finance for the development programme[7]
- Current inflation levels are 0.7% for CPI in February 2021, falling from 1.8% at the beginning of 2020[8] . CPI is the rate used for the calculation establishing rent increase levels in The Society's 30-year plan.
- The Impact of COVID 19 on our suppliers is unknown and continuing to unfold

Socio-Cultural

- While the vaccination programme is rolled out, we face the ongoing uncertainty of the effectiveness of the vaccine in preventing further spread and transmission of the virus. We are therefore uncertain about the prospect of further periods of lock-down which will affect service provision, contractor cost, health and safety of tenants and our workforce. In March 2020, we expect to slowly ease out of the second period of national lockdown, having previously been in tier 3 at the end of quarter 3 2020.
- Beyond the economic consequences of unemployment/underemployment, are the obvious social difficulties that arise from such circumstances. Poverty, domestic violence, isolation and loneliness, fuel poverty, anti-social behaviour, mental health, and wellbeing impacts over and above what would be usual for a population not facing COVID 19.

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[5] Understanding the UK economy - Office for National Statistics (ons.gov.uk)
[6] Universal Credit statistics, 29 April 2013 to 14 January 2021 - GOV.UK (www.gov.uk)

[7] Bank Rate maintained at 0.1% - February 2021 | Bank of England
[8] Inflation and price indices - Office for National Statistics (ons.gov.uk)

- Plans for the Scottish Social Security Agency's implementation are delayed until 2024.

Technological

- The three months of lockdown have accelerated our own and others' use of technology. There is a compelling case for further investment in our ICT strategy and supporting platforms if we are to fully realise the gains and not roll back to the way it used to be.
- Tenants, customers, and partners will have increasingly higher expectations because of COVID 19 related ways of working and we need to mainstream these into our day-to-day operations.
- We are behind the curve in our use of social media, and this will be an opportunity for customer engagement and communication in the future.
- We need to understand how our tenants are affected digital exclusion and take steps to remedy this where we can or adapt our processes to suit
- The use of data to inform decision-making is improving. We have more data than we are able to use but we are less familiar with using it to make decisions or improvements.
- Understanding what our workforce needs to drive value for money through technological change needs to be a fundamental part of our change and learning and development strategies

Legal

- Possible changes to employment law arising from Brexit – it is unknown if the EU legislation will be brought into the UK legislative framework
- Community empowerment in Scotland, accompanied by funding streams aimed at rural communities, may offer opportunities for AHS to play its part in community and economic regeneration
- The introduction of GDPR (General Data Protection Regulation) in May 2018 continues to change our business and requires further efforts to improve our processes to ensure compliance. This work is ongoing, and we need to pay particular attention to the new operating environment i.e. homeworking which is becoming the norm.
- The Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order 2020 will add significant pressures onto the local authority, especially in the Inverness area regarding temporary furnished accommodation. This will be reflected in the Highland Housing Register Allocations Policy (currently under review) and AHS will need to be prepared to support these changes and any resulting impacts on its tenancy management
- Climate Change (Emissions Reduction Targets) (Scotland) commits Scotland to a target of net-zero emissions by 2045

- The Private Housing (Tenancies)(Scotland) Act 2016 introduced a new open-ended private residential tenancy to supersede existing tenancy arrangements. The new tenancy includes measures to control excessive rent increases. Furthermore, it allows local authorities (with Scottish Government approval) to set up rent pressure zones in their areas where rents rise for existing tenants would be restricted. Not yet come to pass but could be put higher up the agenda as economic pressures increase

Environmental

- The requirement to develop an energy strategy fit for the next 15-30 years as we embark of component replacements in line with the Scottish Government's target of net-zero emissions by 2045
- A need to embrace innovation in renewable heating technology and more general asset management functions
- To learn from current best practice in the energy sector and to increase our knowledge of energy generation, storage, and supply
- Embracing new models of working arising from technological change and COVID 19 (reduced mileage, efficient ways of working but also effects on motivation of staff who like working in an office compared to those who prefer working from home.
- Ban on gas heating systems in new builds from 2025

Our internal **SWOT** analysis produced the following main results.

Strengths

- The Board's commitment to and support for business transformation
- Active Board members with improved support for governance and compliance
- We have a new and engaged Leadership Team with an ambition for improvement with a broader industry skillset, well-equipped for the transformation journey
- Staff members with experience, skills and knowledge to support The Society through transformation
- Newly appointed and developing engagement with GMB colleagues
- Open and clear diagnostic of the challenges and risks related to our current practices
- A committed and dedicated staff team who are motivated to deliver a good service to our tenants
- Track record of compliance and financial stability
- We are an asset-backed business giving us greater security to withstand financial shocks and uncertainty
- The age profile of our stock is relatively young
- Becoming more customer-centric and putting our tenants at the heart of decision-making and performance

Weaknesses

- Leadership and management of change has driven the wrong behaviours and affected the motivation of our colleagues to engage with change for some groups of staff
- We need to improve our specialist knowledge in renewable energy power generation, storage, and supply
- Project, programme and management capabilities and framework are limited to outdated business practices impacting long-term asset management and change management
- There has been a historic over-reliance on the HR team to deliver the line management function
- Management and information systems are outdated and not integrated and therefore it is difficult to use this data to drive performance.
- The generalist customer service strategy drives inefficiency and lacks focus on specific role type
- A flatter management structure has not delivered the gains that were expected and therefore we need to develop the Operational Management Team
- Underdeveloped approach to corporate and team level communications with little use of interactive social media for staff or tenants
- Historic leadership and management of change has been poor with the impact of this being a lack of engagement in the process, uncertainty about the future and in some cases an undermining of change
- Poor customer satisfaction level compared to our peer group
- The volume of regulatory and business as usual work means that at times, the work of the subsidiaries can be overshadowed

Opportunities

- Started the roll-out of a project management framework and approach to staff development
- To introduce People and Culture Strategy for the whole organisation enabling us to create a more structured learning and development environment for our staff, upon which they can build their knowledge and skills based on the requirements of the business and the staff in a co-ordinated way.
- Through engaging Albyn's staff, we will create a shared vision which connects individual and team performance to the mission, vision, values, and goals of Albyn Housing group.
- New leadership in the organisation to accelerate business improvement, generate motivation in performance culture and a more outward-looking perspective for the organisation
- Motivated staff who want to make a difference for our customers
- New communications plan is a chance to increase awareness of The Society's work across departments, with customers
- An opportunity to drive performance behaviour through a change in ways of working and the IT systems through transformation
- Project Phoenix is in a better place to deliver a channel change in performance in customer services

Threats

- The unknown economic and social impacts of COVID 19 on rent and rent arrears
- Digital connectivity for people on low incomes may affect future service models
- Further reductions in public sector expenditure by both Westminster and Holyrood are likely to have an impact on our tenants.
- Lack of performance management culture within the organisation
- There remains evidence of a complaints culture rather than a problem-solving culture where both managers and staff are engaged in the process of change and finding solutions that promote teamwork and understanding