



Ore Valley Housing Association

3 Year Business Plan

2022/2023

to

2024/2025

Ore Valley Housing Association Limited

Business Plan 2022/23 - 2024/25

SECTION 1 – EXECUTIVE SUMMARY

- 1.1 Introduction and why we have a Business Plan
- 1.2 Respecting Equality, Diversity and Inclusion

SECTION 2 – OUR MISSION, VISION, AIMS AND VALUES

- 2.1 Our Vision
- 2.2 Our Mission Statement
- 2.3 Our Values
- 2.4 Our Aims

SECTION 3 – OUR DRIVERS, PRIORITIES, KPI's AND ACTION PLANS FOR 2021-2024

- 3.1 Business Drivers
- 3.2 Key Priorities
- 3.3 KPI's

SECTION 4 – FINANCIAL PLAN / FORECASTS

- 4.1 Financial Plan and Forecast
- 4.2 Scenario Planning
- 4.3 Sensitivity Analysis
- 4.4 Conclusions

SECTION 5 – ASSET MANAGEMENT

SECTION 6 – MANAGING RISK

APPENDICES

Appendix 1 – Ore Valley Group

Appendix 2 – PEST Analysis

Appendix 3 – SWOT Analysis

Appendix 4 - Fife HA Alliance Development Project Summary 2021/22

Appendix 5 - Action Plans

Appendix 6 - 10 Year Financial Projections (30 year projections are available electronically)

SECTION 1 – EXECUTIVE SUMMARY

1.1 Introduction

This Plan's purpose is to present our vision and our mission for the three years from April 2021 and takes account of the Business Planning Guidance issued by the Scottish Housing Regulator in December 2015.

The plan approved by the Board is aimed at our tenants, staff, and service users, as well as other interested partners, stakeholders and regulatory bodies. The Plan has been developed in conjunction with staff; and the Board through their regular meetings and detailed discussions about the organisation's goals and structure.

Ore Valley HA, was registered in 1991 by a voluntary committee all of whom were resident in Cardenden, with the aim of achieving the transfer of housing stock in Cardenden from Scottish Homes. That aim was successfully achieved with stock transfers taking place in 1995 and 1997 resulting in the transfer of 411 homes.

From 2000 onwards we have developed and managed additional new housing designed to a high standard to meet local housing needs, adding new build homes in the Cardenden, Lochgelly and Lochore areas of Central Fife. We have also participated in the Scottish Government's Mortgage to Rent Scheme which has prevented 75 families from becoming homeless and bringing these homes into the Association's rented stock.

As at 31st March 2021, Ore Valley Housing Association owns and manages 724 affordable homes, in addition to this number a further 31 OVHA owned properties are leased to our subsidiary Ore Valley Enterprise Ltd. for mid market rent (MMR) and a further 45 homes are leased by Ore Valley Enterprise Ltd from Fife Council for the provision of MMR. In total 800 homes are in Management.

Over the past 2-3 years new housing development has become more challenging, There are several projects either under construction or which are at feasibility stage and have been included in the Strategic Housing Investment Plan (SHIP) approved by Fife Council and Scottish Government, we continue to play an active part in the Fife Housing Association Alliance (FHAA) through which new housing projects are delivered. and we will continue to consider and promote future viable projects.

The Scottish Government has set out its plans for Housing in its 'Housing to 2040' strategy document. The strategy intensifies the importance of a strong social housing sector and sets ambitious targets for the future provision and standard of new and existing homes.

Ore Valley HA will establish development programmes within areas where it is possible to make a difference to the communities we work with. Within this plan period we intend to develop an additional 140 properties within Cardenden, Lochgelly, Cowdenbeath and Lochore, representing 20% growth in the number of properties over the period.

We are now in our 26th year of operation, since the first homes transferred and we continue to perform as a vibrant and ambitious organisation, with a good reputation locally and within the Housing Association sector across Scotland.

Our Regulatory status has been assessed as 'compliant' by the Scottish Housing Regulator (SHR). Meaning that following review the SHR believes that OVHA 'meets regulatory requirements, including the Standards of Governance and Financial Management'.

Our performance monitoring reports demonstrate that we are a stable and good performing organisation, although we are not complacent about our performance and we are keenly aware of the specific challenges we will face in relation to; COVID recovery issues, Brexit impacts, increasing inflation and energy costs leading to what has been described as a 'cost of living crisis. We are also acutely aware of the impact of legal and regulatory requirements including EESSH and EESSH2 (Energy Efficiency Standard for Social Housing), as well as continuing issues relating to Welfare Reform.

Our top strategic goals revolve around the theme of equality and social justice and we will aim to work towards this through the provision of high quality well managed homes and continually improving services the development of which will be based on listening to our tenants and the wider community.

The SWOT and PEST analysis contained in this Business Plan set out some of the challenges and our strategic risk assessments set out what we intend to do to mitigate the impact of the challenges we face.

Providing excellent value for money is vital to our strategy, ensuring we continually look for efficiencies and more effective ways to deliver services. We intend to continue to introduce new ICT systems to support updated business processes, including some of the customer benefits which flow from improved digital access through the continuing development of our self service portal.

We are full members of HouseMark, and participate in annual benchmarking with the aim of having more robust cost and performance assessment across all areas of work, which will feed into a process for review of our progress in producing value for money. We participate in a range of HouseMark events aimed at business insight and improvement.

Although this plan is focussed on the activities of Ore Valley Housing Association, we take our role as the parent of a diverse group structure seriously and we

intend to deliver improvements across the group through the development of a strong corporate core responsible for governance, performance review and support to front line services.

1.2 Respecting Equality, Diversity & Inclusion

We are committed to creating safe and inclusive neighbourhoods along with an environment where people can live and work without experiencing any form of discrimination or harassment. Our overarching Policy, backed by procedures on Equality, Diversity and Inclusion, Equal Opportunities, Dignity at Work and our Customer Charter Standards, outlines the following commitments:

- As a service provider and employer we recognise the requirements of the Equality Act 2010; oppose any form of discrimination and will treat all customers, internal and external, with dignity and respect.
- We recognise diversity and will ensure that all of our actions ensure accessibility and reduce barriers to employment and the services we provide.

Our Equality, Diversity & Inclusion Policy is based on the following principles.

- We will ensure the integration of equality, diversity and inclusion practices into everything we do, and ensure that employees are treated with fairness and respect by each other and by members of the public, Board members, contractors and staff.
- We will implement fair and just employment practices ensuring that no job applicant or employee will receive less favourable treatment on the grounds of Age; Disability; Gender Identity or Reassignment; Marriage and Civil Partnership; Pregnancy and Maternity; Race; Religion or belief; Sex and Sexual Orientation.
- We will ensure people are recruited and employees promoted solely on the basis of their own merit, experience, ability and potential. This applies throughout the entire duration of employment as all decisions will be based on only relevant merits.
- We will provide an environment appropriate to the needs of those from all walks of life, and offer a culture and environment that respects and values each other's differences and promotes dignity, equality, diversity, inclusion and human rights.

SECTION 2 – OUR MISSION, VISION, VALUES and AIMS

2.1 Our Vision

For everyone to have the opportunity to lead healthy fulfilling lives.

2.2 Our Mission Statement

To provide good quality homes, services and support to communities

2.3 Our Values

Our values underpin the way we behave and work in pursuit of our vision.

1. We will be a responsible & caring landlord & employer.
2. We will be open & accountable in everything that we do.
3. We will be proactive & innovative in dealing with opportunities & challenges.
4. We will be honest, approachable & reliable.
5. We will be respectful and will give fair treatment to everyone.
6. We will listen to & learn from our customers and wider networks.

2.4 Our Strategic Priorities

1. A strong corporate core
2. Equality and Social Justice
3. Housing Quality
4. The Environment
5. Sustainability
6. Service Improvement
7. Reducing our climate impact

SECTION 3: OUR DRIVERS, PRIORITIES AND KPI's

3.1 Business Drivers

There are currently a range of drivers which are likely to have a significant impact on Ore Valley HA's business priorities during 2022/23. to 2024/25, these derive from both internal and external sources and are outlined below:

3.1.1 External

1. The roll out of full service Universal Credit in Fife continues to result in growing numbers of our tenants requiring support beyond traditional social housing management activity.
2. Tenant participation arrangements - work will continue on the development and implementation of our Tenant Participation Strategy, throughout the life of this plan.
3. The introduction of EESSH 2 and 'carbon net zero' targets - This requires us to develop a better understanding of the energy performance and potential for improvement of our existing housing stock. This will impact on the need for the development of work programmes and investment.
4. Factoring - We are a registered Factor and are developing services in relation to circa 200 homeowners in Cardenden, the delivery of Factoring Services is a new area of work for us and services will continue to be developed, assessed and reviewed with the objective of continual improvement.
5. Climate change and the environment - We will review all of our activities in order to minimise the impacts our activities may have on climate and the environment.
6. The wider economy - As a result of a number of factors including COVID, Brexit, War etc. We are currently being impacted by changes to the economy, resulting in rising inflation and continuing increases in energy costs, increasing interest rates resulting in a cost of living crisis. There are additional challenges in relation to the supply chain and the availability of a skilled and experienced workforce, these issues are particularly acute in the construction sector. We will continue to appraise these impacts and respond accordingly.
7. The global pandemic COVID-19 and the impacts on individuals, communities as well as the national and global economies - this has and will continue to impact on the work we do at all levels whether in relation to individual wellbeing related issues or broader policy and practical project delivery, we will continue to consider and develop appropriate responses.
8. The Scottish Government Strategy - Housing to 2040 has highlighted a requirement for 100,000 new homes over the next 10 years.
9. 'Ending Homelessness Together' - The Scottish Government approach to address homelessness issues in Scotland - We will use all reasonable endeavours to support this aim, working in collaboration with Fife Council and other partners..
10. Demography - The changing needs of an ever ageing population - We will monitor the impact of ageing on our tenants and the wider community and will consider how to adapt existing homes and services to meet changing needs.

3.1.2 Internal

1. Rent affordability - we need to balance housing investment and organisational resources with service delivery to ensure that the homes we provide remain affordable and tenancies sustainable, this is likely to see an ongoing increase in the need for enhanced tenancy support.
2. Asset Management - this area of operations is critical and the team is being reconfigured and refocused, the operation of this function and resource requirement will be kept under ongoing review. We aim to ensure that our tenants' homes are safe and well maintained through ongoing maintenance programmes.
3. Organisational Structure and resource review - This has involved the need for a review of organisation, staffing and resources, to ensure that we can continue to provide high quality services and meet all regulatory requirements.
4. Succession planning - The Board has recently been refreshed with the recruitment of additional suitably qualified and experienced individuals, the strengths of the Board will be kept under review throughout the period of this plan.
The current CEO has been in post for 22+ years and steps are being taken to plan for replacement during the period of this plan in the event of his exiting OVHA, which is anticipated in year 2 of this plan.
Following discussions with Kingdom Housing Association around the potential for constitutional partnership the Board concluded that OVHA could continue to provide quality homes and services on a continuing sustainable basis.
5. Financial Projections - the financial projections show that OVHA faces several years where cash flows are tight, we can however demonstrate compliance with covenants and a positive balance sheet. Assumptions generally and the annual rent review in particular may be challenging for both tenants and the organisation, financial control will be subject to continuous rigorous monitoring.
6. New build housing proposals - The delivery of new homes is exciting for us and the communities where they are located.. There is however an impact on resources and these will be considered in conjunction with the organisational structure and resource review mentioned above. The Allocation of new homes will take account of the emphasis on addressing issues of homelessness.

3.2 Key Priorities

The Strategic and Organisational priorities along with the drivers outlined at 3.1 above, will influence the key priorities for staff over and above the normal customer service provision for the period of this plan, these priorities will include the following :-

These link directly to our key visions/aims:

1. To promote engagement on a wide range of issues aimed at improving the quality of life and sense of wellbeing amongst our tenants and the wider community.
2. To consider the most efficient use of IT systems to deliver increased access to digital, self service systems, thus allowing more staff time to be spent supporting tenants who are stuck with complex issues.
3. To fundamentally review our approach and information in relation to equality, diversity and inclusion.
4. To identify and implement ways in which we can reduce our impact on climate change and the environment.

5. To develop and embed our alternative tenures approach to MMR and factoring, in conjunction with Ore Valley Enterprise Ltd.
6. To consider if and how the Ore Valley Group identifies and appraises opportunities to provide additional housing, housing options and other community projects.
7. To ensure that our organisational structure is set up to deliver our objectives.
8. To ensure that our staff teams are motivated, inspired and empowered, to deliver high quality services to our tenants and others.
9. To consider and take account of the wellbeing of our staff
10. To develop our Asset Management function and systems with emphasis on tenant safety and planned preventative maintenance.
11. To ensure that financial plans are developed which are prudent and deliverable.
12. To develop a strong Corporate Core.

The priorities outlined above are not necessarily stand alone and are not in any hierarchical order, each priority is likely to involve multiple pieces of work over the period of this plan and each will be a consideration in everything that we work on in future and will influence how we do things.

3.3 KPI's

Performance measurement is critical to our understanding of business risk. Through the development of our strong corporate core we will aim to reconsider how we measure and analyse our performance.

We have therefore identified the key areas that are core to our business performance and to our achievement of top level priorities. Some are locally agreed with our stakeholders where applicable and others are set by our Board and Management Team.

Where there are locally agreed targets we will also measure if there are appropriate structures in place to engage communities and whether these locally agreed targets are being achieved.

Customer Service	Number of properties passing/failing
<ul style="list-style-type: none"> Overall tenant satisfaction levels Number of customer complaints 	<ul style="list-style-type: none"> SHQS EESH & EESH2
Repairs Performance	Arrears

<ul style="list-style-type: none"> • Tenant satisfaction levels • Repairs completed right first time • Repairs completed on time • Repairs average time • Gas services completed in time • Electrical Safety Inspections completed by due date • Void properties repaired and relet • Planned and cyclical projects completed within budget 	<ul style="list-style-type: none"> • Current rent • Former rent • Rechargeable repairs • Rechargeable court costs
Relets <ul style="list-style-type: none"> • Number of days • Number of offers • Costs of voids/rent loss 	Staffing <ul style="list-style-type: none"> • Turnover • Absence • Staff Satisfaction/Attitude surveys • Staff development and training • Grievance • Discipline
Finance <ul style="list-style-type: none"> • Financial Ratios • Operating surplus • Net surplus • Minimum net surplus • Debt per unit • Actual costs against budgeted • Unit Costs <ul style="list-style-type: none"> ○ Rent per property per week ○ Reactive maintenance ○ Cyclical maintenance ○ Major repairs including capitalised ○ Management costs per unit • Loan Covenants <ul style="list-style-type: none"> ○ Gearing - Maximum ○ Interest cover - Minimum 	Possible areas for locally agreed targets, engaging tenants and others <ul style="list-style-type: none"> • Tenancy management/conditions of tenancy • Physical environment – improvement of open spaces • Management of open spaces <ul style="list-style-type: none"> ○ Grass cutting ○ Dog fouling ○ Maintenance of landscaping ○ Tree planting • Anti-Social behaviour complaint response times and community safety issues • Void turnaround times

<ul style="list-style-type: none"> • Financial reports <ul style="list-style-type: none"> o Produced on time 	
Governance <ul style="list-style-type: none"> • Numbers attending Board and committee meetings. • Board reviews conducted on time • Training provided. 	

Section 4 – Financial plan/Forecasts

4.1 Financial Projections and Key Assumptions

4.1.1 Financial forecast

The base case 30 year financial forecasts have been prepared on a prudent basis. We have provided for interest rates to rise steadily over the period to 3% for 2026/27 and remain at that level thereafter, bad debts increasing from 1.0% currently to 2.0% by 2026/27 and rent arrears increasing by £176k in the next five years.

We have assumed inflation at 6% for increase in costs for year commencing 1 April 2023, reducing to 4% for the following year and then 2% for the remainder of the model. Maintenance inflation has been included at 0.5% above inflation for the years commencing 1 April 2023 and 2024 and then returning to inflation only levels after that. Rental increases have been assumed to be 0.5% below inflation for 2023/24, 0.5% above inflation for the next nine year then reducing to 0.25% above inflation for the remaining duration of the 30 year forecasts.

£1.69m has been budgeted on component replacements in the next five years.

The Board's stated aim is to continue their strategy of developing new social housing as and when financially viable. The projections include the following new developments, 10 units on the site of the Bowhill Miners Institute already owned by OHVA, 46 units on the Fabtek site in Lochgelly, 15 units Rosewell Drive Cardenden and 34 units Cowdenbeath High Street. The total estimated cost for these units is £15m with approximately £8m of grant funding and a private finance element of approximately £7m.

Although the aim of the Association is to continue to develop, the current projections only include identified opportunities which are included with the current SHIP. Where further development opportunities arise these will be assessed on an individual basis and the effect on the 30 year projections before these are taken forward. It is hoped that approximately 100 new units could be developed every five years.

A summary of the results for the Association for the next five years are shown in the tables below. Full budgets and 30 year projections have been prepared and are available.

4.1.2 Income and expenditure

Year Ending 31 st . March	2023	2024	2025	2026	2027	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	4,118	4,528	5,158	5,268	5,381	24,453
Operating costs	3,314	3,493	3,788	3,852	3,921	18,368
Operating surplus	804	1,035	1,370	1,416	1,460	6,085
Net interest charges	745	834	1,069	1,064	1,046	4,758
Net surplus	59	201	301	352	414	1,327

4.1.3 Balance sheet

Year Ending 31 st . March	2023	2024	2025	2026	2027
	£'000	£'000	£'000	£'000	£'000
Property	41,187	49,122	54,841	54,138	53,480
Other fixed assets	812	978	1,449	1,426	1,402
Other assets	824	799	777	739	702
Cash	1,377	1,290	1,382	1,365	990
Loans	(18,462)	(21,998)	(25,230)	(24,619)	(23,635)
Grant	(23,984)	(28,239)	(30,969)	(30,449)	(29,928)
Other creditors	(622)	(619)	(616)	(613)	(610)
Reserves	1,132	1,333	1,634	1,987	2,401

The property, loans and grant figures increase in 2024 and 2025 due to the new developments. Apart from Bowhill Miners Institute which is already owned, the new developments will be acquired on a turnkey basis. As part of the new developments, a total of £0.7m will be expended on commercial units at the Fabtek and Cowdenbeath High Street developments. Total reserves increase to nearly £1.3m by 2027.

4.1.4 Cash flow

The cash balance throughout the first four years remains approximately £1.3m and is approximately £1m in March 2027.

4.1.5 Loan covenants

Year Ending 31 st . March	2023	2024	2025	2026	2027
Gearing	60.8%	62.3%	64.9%	62.8%	59.7%
Maximum	70%	70%	70%	70%	70%
Interest cover	112%	147%	154%	152%	155%
Minimum	110%	110%	110%	110%	110%
Headroom £'000s	14	307	474	449	467

Both covenants are met throughout the period.

4.1.6 Unit costs

Year Ending 31 st . March	2023	2024	2025	2026	2027
	£	£	£	£	£
Rent per unit per week	91.21	96.22	99.66	102.16	104.71
Reactive maintenance	365	388	405	413	422
Cyclical maintenance	254	271	283	289	294
Management costs	1,307	1289	1,261	1,286	1,312

4.1.7 Key assumptions

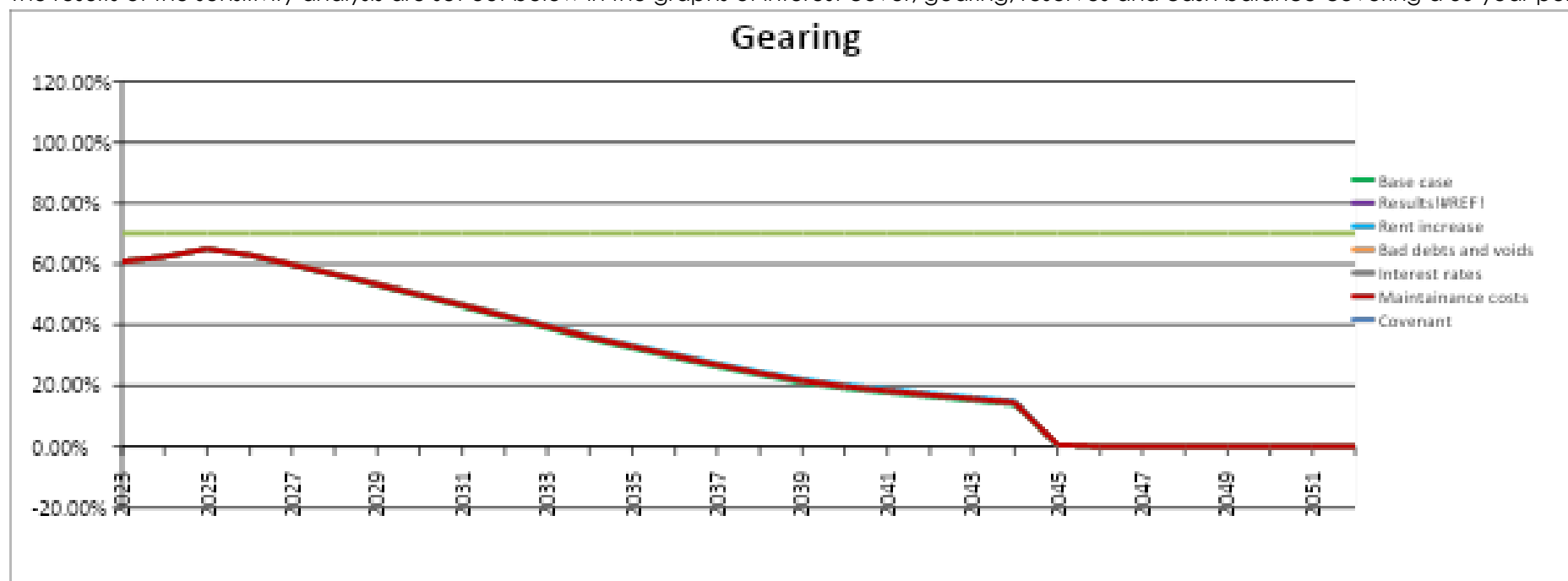
Year Ending 31 st . March	2023	2024	2025	2026	2027
RPI inflation	6%	4%	2%	2%	2%
Base rate	1.0%	1.5%	2.0%	2.5%	3.0%
Rent increase above inflation	-0.5%	0.5%	0.5%	0.5%	0.5%
Voids	1.0%	1.0%	1.0%	1.0%	1.0%
Bad debts	1.0%	1.25%	1.5%	1.75%	2.0%

4.2 Sensitivity analysis

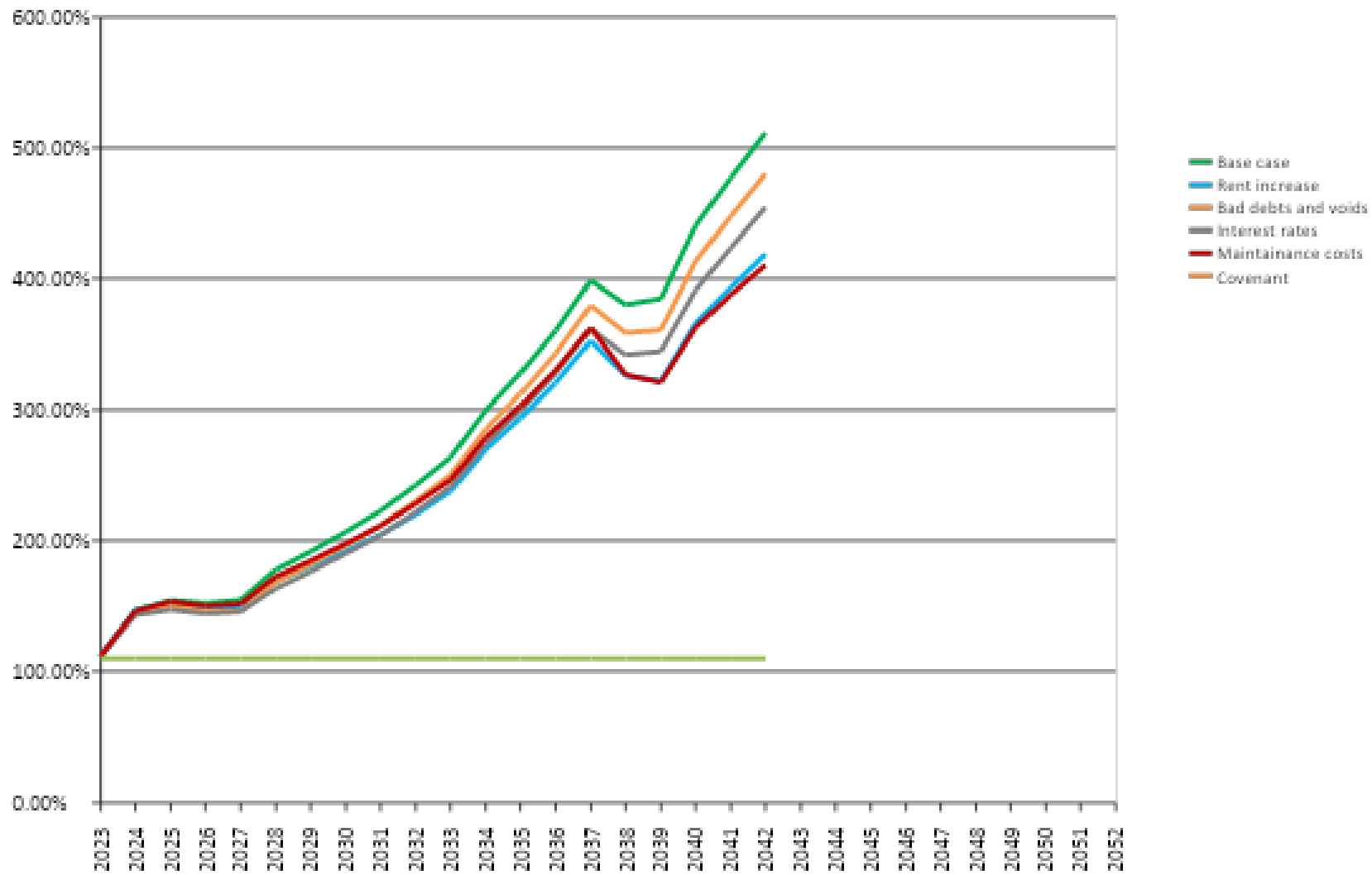
Sensitivity analysis has been performed on the following:-

- a) Rent increase limited to inflation only
- b) Interest rates increase by 2% above base case
- c) Bad debts and voids both increase to 1% from base case
- d) Maintenance costs increase by 1% above inflation every year

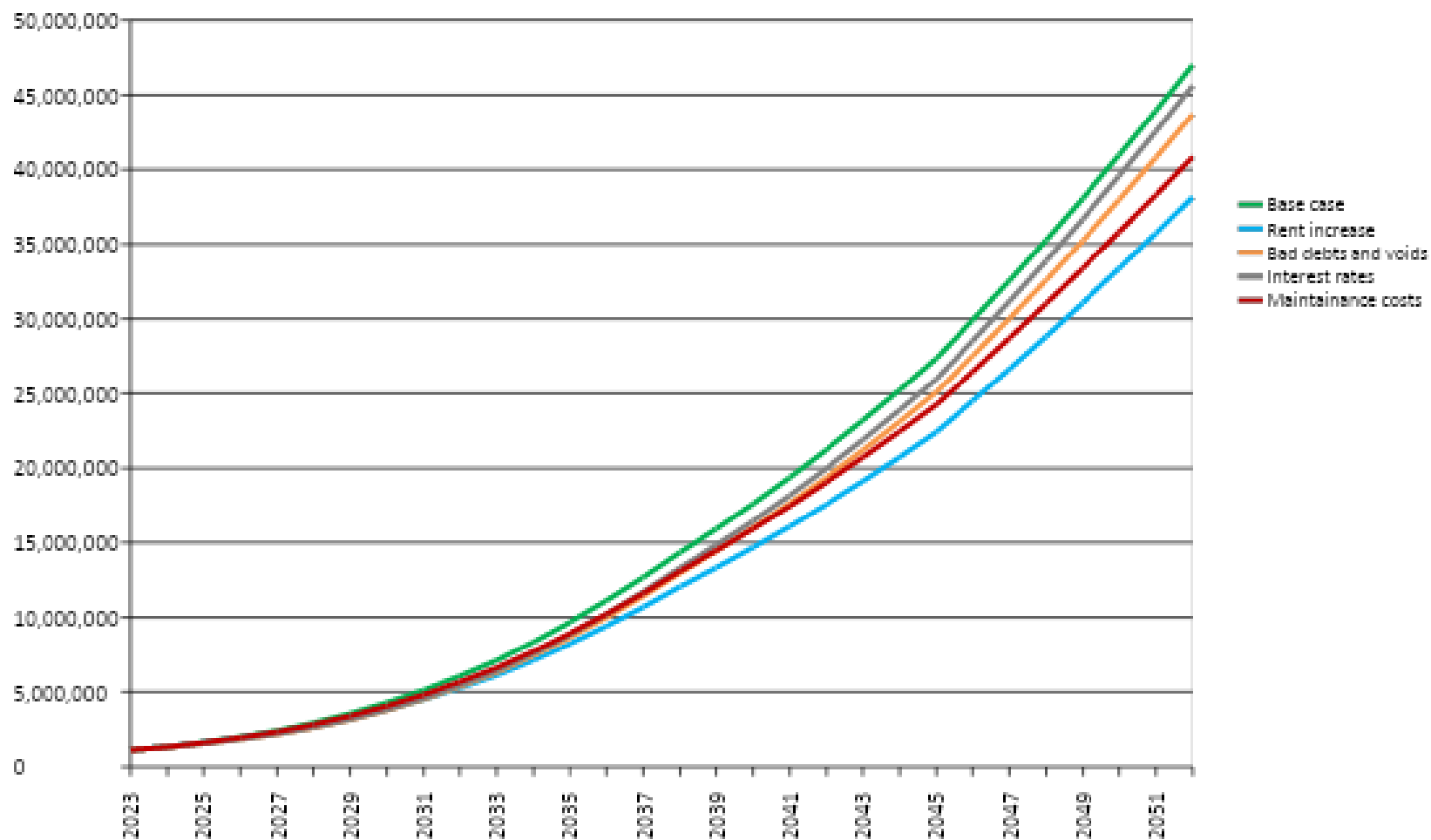
The results of the sensitivity analysis are set out below in the graphs of interest cover, gearing, reserves and cash balance covering a 30 year period.



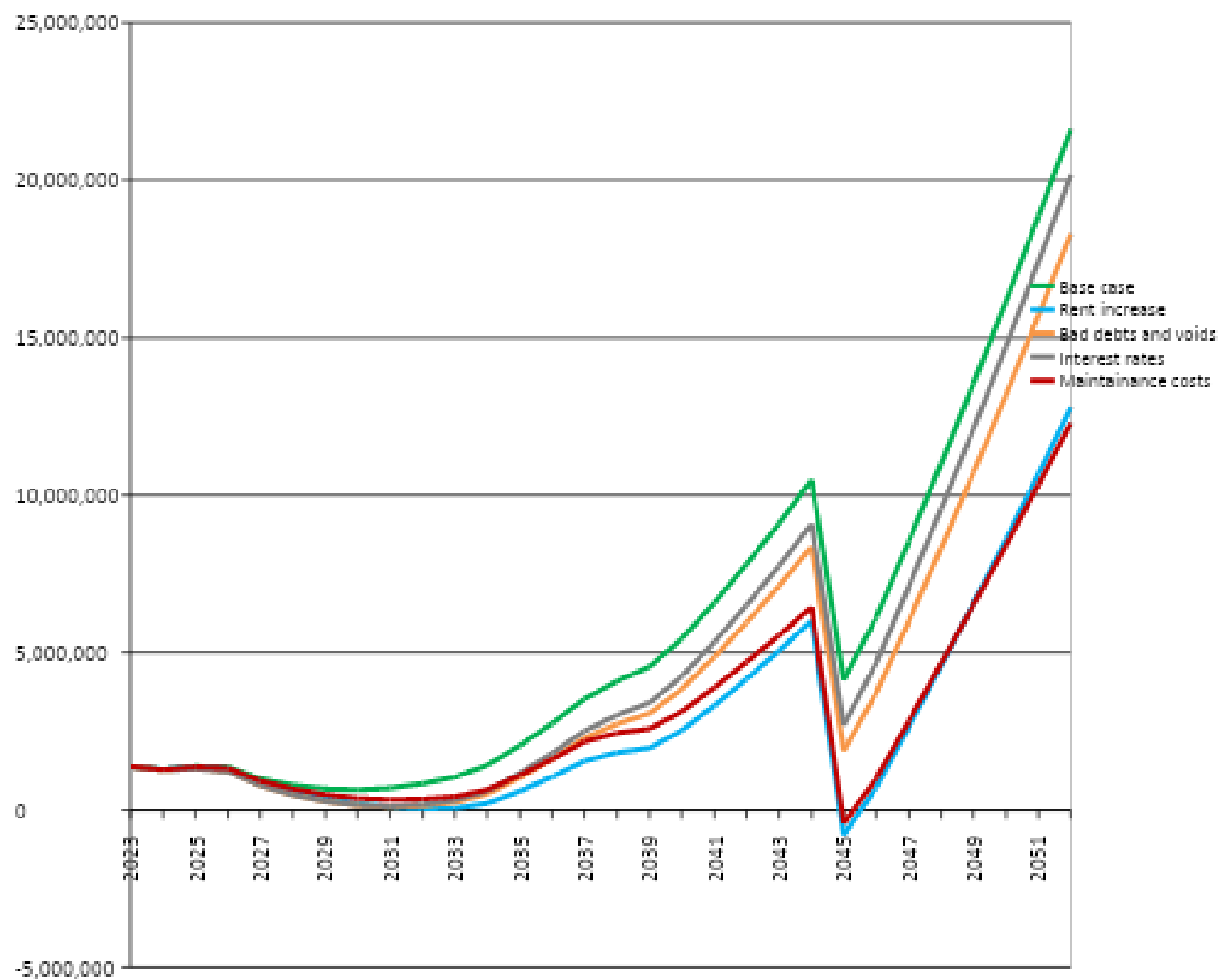
Interest cover



Reserves



Cash balance



4.3 Conclusion

As can be seen by the results of the sensitivity analysis, the Association meets both its gearing ratio covenant and interest rate covenant in all sensitivities.

The only sensitivities where the cash balance goes overdrawn is where rent increases are limited to inflation for the whole of the projection period and the maintenance costs increases are 1% above inflation for the whole of the projection period. This only occurs when the proposed Allia loan funding is repaid in full in 2045 (20 year loan taken out). This would be mitigated, if necessary, by refinancing the loan.

Cash reserves in all sensitivities reduce to below £0.5m, which is the minimum balance the Association currently feels it should hold.

The minimum balance is in 2032 at £52k for the sensitivity where rent increases are maintained at inflation levels only, which after the first two years is set at 2% per annum. If any of the sensitivities appear to be emerging over a period of several years, mitigating action would be taken to ensure that cash reserves do not fall below £500k. The first year this happens in any sensitivity is 2028. Mitigation action would be through a variety of cost reductions and looking at ways to generate additional income. The gift aid receivable from Ore Valley Energy in relation to the wind farm should also exceed the amount included within the projections.

The Association currently has unsecured stock and therefore could potentially raise additional borrowing to fund the planned maintenance programme if required, although this course of action would only be taken under exceptional circumstances.

The Associations' finances are currently healthy but there are significant headwinds ahead, including inflation (specifically in relation to maintenance costs), EESSH 2 costs, potential interest rate increase and the general state of the economy. The Association is confident it has the financial resources to meet these challenges.

SECTION 5 – ASSET MANAGEMENT

During 2017 we commissioned a specialist consultant to assist us with the development of our Asset Management Strategy a significant amount of work has been undertaken to 'cleanse' our data and gather information on newly identified asset groups, covering void turnover and condition, rent levels & arrears, anti-social behaviour, estate management, all of which feeds into a calculation of the cost in relation to each asset group.

In addition a comprehensive stock condition and energy survey was completed. All but 22 properties were accessed by the surveyors resulting in a 100% external survey and 97% internal survey providing us with high quality data from a very significant sample of our stock.

Since the 2017 survey a number of significant programmes of work have been undertaken and our asset management system has been updated.

The review, development and implementation of improvements to our Asset Management arrangements have been identified as an important organisational priority.

It is intended to commission and carry out an updated stock condition survey during year 1 of this plan.

SECTION 6 – MANAGING RISK

We are aware that there are a significant number of risks currently facing Housing Associations and an extensive Risk Management Plan has been developed and is reviewed regularly. As part of the plan we have highlighted mitigation strategies and activities which assist in reducing either/both the likelihood and impact of the identified risk. We utilise the services of Quinn Internal Audit, with whom we work to review organisational risk and to assist with the development of approaches to identify and address both emerging and existing risks. In this section of the Plan, we have highlighted what we have termed to be the Serious and Imminent Risks.

Serious and Imminent Risks

Risk	Mitigation
The impact of COVID-19 and any subsequent pandemic.	We will keep arrangements for ensuring staff and tenant safety under review whilst following guidance from the Government and others. We have put in place robust systems which allow us to continue to keep essential tenant services running in the event of further lockdown.
The impact of the economy and supply chains.	<p>There are a range of issues impacting on the economy. of particular concerns is significant levels of inflation, rising energy prices and the 'cost of living crisis'.</p> <p>We are also concerned about rising construction costs as a result of the building material supply chain challenges and labour shortages in the construction sector.</p> <p>To mitigate these issues we will attempt to keep up to date with developments and respond accordingly in order to limit risk as far as possible. We will make prudent assumptions in relation to our programmes and associated financial outcomes.</p> <p>We will also maintain a constructive dialogue through the Fife Housing Association Alliance, with the Scottish Government in relation to new housing development projects.</p>

Risk	Mitigation
The impact of Welfare Reform arrangements	We monitor changes to welfare reform proposals continuously and we are proactive in offering support and assistance aimed at helping tenants to maximise both their income and sense of wellbeing.
The financial impact of our pension deficit	All existing pension scheme members and any new members are offered membership of the SHAPS defined contribution pension scheme. In so doing this has reduced the risk of further past service deficit liabilities accruing. The deficit in the pension scheme has reportedly reduced and pension deficit contributions have been discontinued. We are however aware that global economic conditions, which are volatile, could have a future detrimental impact on actuarial valuations of the scheme going forward.
The impact of future Scottish Government subsidy reduction on new housing development ambitions.	There is a risk that the level of grant funding available may make it more difficult to get projects into the programme and marginal projects more difficult to deliver. We will review our project assessment and management arrangements to ensure that new developments are only brought forward following a robust and thorough appraisal process.
Rising interest rates	It is likely that interest rates will continue to increase in the coming year. OVHA has mitigated its exposure to interest rate increases by having a significant proportion of current loans on fixed rates, in accordance with Treasury Management Arrangements. In relation to new borrowing for the development of new homes OVHA will consider a range of options in conjunction with its existing lenders and with Alia which offers bond funding backed by the Scottish Government.
Asset management strategy and processes being inadequate	Action is currently underway and it is proposed that we continuously review and improve current arrangements. Ongoing action is required to continue the development of new asset management arrangements, work on this will continue throughout the period of the plan. We receive support on a range of technical asset management arrangements from F3 Building Surveyors who are skilled and experienced in the affordable housing sector.
Failure to maintain SHQS and EESSH/EESSH 2 and carbon net zero targets.	The work undertaken in relation to the asset management arrangements has helped to address this risk. The stock condition and energy survey undertaken has enabled us to develop good data on our stock and we will develop and deliver work programmes to ensure that we continue to meet SHQS and can work toward further compliance with EESSH and EESSH 2. We are aware of the Scottish Government's decision to bring forward a review of EESSH2 in order to align the standard more

	closely with Government carbon reduction targets.
Risk	Mitigation
Factoring	We have registered as a Factor under the factoring (Scotland) Act as we are responsible for the maintenance of a number of communal areas. We are developing this service which is new to us. We will review good practice advice and will engage with others who are already providing this service so that we can finalise our policies and processes.
Rent affordability	<p>This is an ongoing issue of concern in that the economic capacity of our tenants, many of whom are not receiving real increases in earnings or current and future recipients of Universal Credit, may not be able to meet the costs of rising rents.</p> <p>We carry out an annual review of affordability, using the SFHA/HouseMark rent affordability tool, when preparing budgets. We will also consider ways of ensuring that our tenants are maximising their income, supported with budgeting and also that we are managing our costs effectively.</p>
Financial sustainability	<p>Monthly management accounts are prepared by Chiene + Tait (Accountants) and quarterly accounts are reviewed by the Finance Audit and Risk Management Committee before being presented to the Board.</p> <p>Review of processes for Project Management will include a review of financial controls and we will continue to look at ways of reducing our costs through effective procurement, more efficient working and discontinuing areas of work which do not add value.</p>
Governance of OVHA and subsidiaries	<p>A review of the membership of the OVHA Board is undertaken annually through an appraisal process. Steps have recently been undertaken to recruit additional Board members. The composition of the subsidiary Boards is also kept under review and further steps will be taken to strengthen the Boards of the subsidiaries throughout the period of the plan.</p>