



Quality property
management services

Business Plan

2020 to 2023

(Annual Update March 2020)

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APPENDICES

Appendix 1 Annual Budget 2020/21

1. INTRODUCTION

- 1.1 As a registered housing association and a charitable organisation, Rural Stirling Housing Association (RSHA) is somewhat limited in what it can do, mainly restricted to offering social rented housing. Venachar Ltd has been created to complement the work being done by RSHA and is able to deliver commercial services which lie out-with the scope of RSHA. By working together, both organisations will be able to make a greater and broader impact in the local area. Together we form the Rural Stirling Group (RSG).
- 1.2 This business plan should be read in conjunction with the RSG Strategic Plan 2020-23 which sets out the Strategic Direction and ambitions for the group over the next three years. Reference can also be made to the RSHA Business Planning document 2020-23.
- 1.3 We are a start-up company and, whilst we are ambitious, we are also realistic. We benefit enormously from having the clear support of our parent company (a parent company with a 30 - year track record) but we are also mindful that RSHA drives our strategic direction.

2. ABOUT US

- 2.1 Venachar Ltd was established in 2013 and is a wholly owned subsidiary of RSHA and a company limited by shares. Although we are a separate company with our own Board, both organisations share a common desire to meet housing needs in rural Stirlingshire. You can find out more about Venachar Ltd by following this link to RSHA's [website](#) Here you will also find details of our Board members.
- 2.2 Venachar Ltd was initially established as a vehicle to bring empty homes back into use through a £90k grant from the Scottish Government (SG). We were not successful in identifying eligible projects for this fund and this objective is no longer relevant. This grant has now repaid by RSHA.
- 2.3 We have an independence agreement which sets out our relationship with RSHA. Venachar does not directly employ staff and has a Service Sharing Agreement with RSHA.
- 2.4 In preparing this update of our Business Plan we have taken account of the Scottish Housing Regulator (SHR) regulatory framework and the requirements of the statutory guidance on Group Structures and Constitutional Partnerships (2019).
- 2.5 Our remit is to:
 - To provide management services to private owners in the local area
 - Enter into lease agreements with those owners to enable the property to be brought back into use as affordable housing

- Management of other property owned, developed or acquired by RSHA as agreed with the parent
- Other activities as agreed with RSHA from time to time as part of the Business Plan

2.6 Through Venachar's role in meeting local housing and community needs we are currently:

- Letting a small number of Mid-Market Rent (MMR) properties in Callander and Strathyre that have been leased from our parent, RSHA. These were shared ownership properties where the Association has bought back the owners share, without grant.
- Offering property management services to private owners in the local area, with one property in Doune currently in management.

3. CONTEXT

3.1 This business plan sets out how we will contribute to achieving the Strategic Objectives for the RSG. We also recognise that our own plans need to respond to the needs of our parent company.

Our purpose

3.2 Our purpose is to provide services which complement the work of RSHA and offer value to RSHA's current or future tenants and the wider community. How we focus our activities and design our services will change over time as we respond to the needs of the housing association and our local communities. In the future these services may include employability, environmental, or even arts projects. However, over the next three years of this business plan period, we expect our focus to be on continuing to provide good quality management services to our mid-market rent tenants and quality management services to our existing clients.

Our vision

3.3 Ultimately our ambition is that with our support, RSHA can broaden its impact in the local area. Looking more specifically over the next 3 years, our vision is that we will:

- build up a proven track record of successful delivery;
- have raised our profile to achieve a strong presence in the local area; maintain our portfolio of exiting projects;
- be financially viable and self-sustaining through our trading activities; and
- have demonstrated a successful working relationship with RSHA.

Our values

3.4 As a subsidiary of a socially responsible, charitable organisation, our values are very important to us and drive our behaviours. We see ourselves as a social enterprise and thus seek to balance our social aims with a business-like approach. Our values in many ways become the standards of behaviour we wish to achieve. We value:

- being socially responsible – doing what’s best for our communities
- being focused on quality – ensuring our services are high quality, safe, trustworthy, and comply with regulations and the law
- being entrepreneurial and commercially aware – creating opportunities to improve our impact and strengthen our business
- being inclusive – ensuring we do not, either intentionally or unintentionally, disadvantage anyone
- being open and honest – ensuring we are fair and transparent in how we conduct our business

The National Context

3.5 In recent years, against the background of a continuing squeeze on public finances, housing associations have been encouraged to explore innovative ways of funding new housing provision. This has created potential new opportunities which RSHA, as a Registered Social Landlord (RSL) and charity is not able directly to take forward. At the same time the private rented sector has grown considerably throughout Scotland and the UK. Concern about standards of management in the private rented sector has, and is likely to continue to lead, to greater regulation and the imposition of higher legal standards. Existing landlords are not always best placed to meet these challenges. There has also been a strong focus by the Scottish Government on empty homes, and initiatives established to help bring these back into use.

The local context

3.6 We have no staff and use RSHA resources to operate. We have a Service Sharing Agreement and an Independence Agreement in place with RSHA that sets out how the two organisations will operate together.

Our Strategy

- 3.7 As a member of the RSG we work alongside RSHA to support and complement the services that our parent organisation provides. We also rely on RSHA to provide us with the resource that we require to deliver our own service.
- 3.8 The future for Venachar was an agenda item at the RSHA Group Strategy Day held in 2019. It became evident during several discussions that there was a consistent issue about staff capacity; this led to the fundamental question as to whether the Group Board should reduce its ambition for Venachar.
- 3.9 Following the Group Strategy Day independent consultants were appointed to consider the possible future options for Venachar, given the potential future risks and opportunities.
- 3.10 An initial Options Appraisal was undertaken by a group of Venachar and RSHA Board Members in August 2019. At this session, five possible options were identified.

- 3.11 Given the lack of staff capacity, the Group Board Members preferred option was to “Park” Venachar but allow it to ‘tick over’ by continuing to meet its MMR and management agent services commitments for owners. It was also suggested that to reduce the governance burden of servicing another board, the subsidiary should not have an external Board but should instead be replaced by current Board members and senior officers. The ‘tick over’ option will be reviewed in 12 months at the next RSG Board Strategy Day.
- 3.12 The focus of our activity in the next three years will therefore be the management and maintenance of our MMR property and the provision of management services to individual property owners. A key Strategic Objective of the RSG is to *Develop New Homes to Meet Our Communities’ needs* to improve quality and choice for tenants. We will therefore support RSHA with the small scale buy back of existing shared ownership homes where this makes commercial sense to do so.
- 3.13 However it is anticipated that the scale of such activity will be modest.

Our challenges

- 3.14 The outcome of the independent Options Appraisal exercise is disappointing for us and reduces our ability to grow and diversify at this time.
- 3.15 We face the same challenges as any other start-up company – finding customers, creating a market for our services, building a brand and reputation and managing the business. However, we also need the support of our parent company to help us to do this. At this time our parent company have prioritised delivering excellent housing services to tenants and being the best landlord that they can be. We respect that this will require all their available resources and that our ambition will be secondary to this priority.
- 3.16 We feel confident that with the support of RSHA we shall be able to overcome these challenges together and when the time is right we will be ready to respond, setting a new path and grow our role and contribution to achieving the aims and objectives for the RSG and our communities.

4. PRIORITIES

- 4.1 We are still very committed to doing what we currently do and continuing to do this well. Our focus over the next three years will be to provide good quality services and grow our profile and reputation in our local communities. This will ready us and ensure we are poised to take advantage of new opportunities that may come as a result of the review of the strategic direction of the RSG in three years’ time.
- 4.2 This is reflected in our priorities for the next year, which will be to:

- continue to provide good quality property management services to our existing private owner in the local area. If new opportunities present themselves, we will make a business case for this to our parent company Board.
- manage our existing MMR properties well to further the aims of RSHA
- build our reputation and the profile of our organisation by providing good quality services that represent value for money
- manage our budgets and build our financial strength

Our Impact

- 4.3 We hope that by successfully delivering our priorities, we will make a demonstrable social impact as follows:
- increased choice for housing applicants
 - alleviated pressure on RSHA’s waiting list positively contributed to RSHA’s impact

5. RESOURCES

- 5.1 Venachar does not, for the foreseeable future expect to directly employ staff. RSHA staff, all based in the Association’s Doune office, will deliver services in accordance with the agreed Service Sharing Agreement.
- 5.2 The budget for the year 2020/21 is reporting a small surplus of £722 (see Appendix 1).
- 5.3 Although this is a small surplus, this reverses the trend of the last few years which reported losses of £3,857 in 2019 and £942 in 2018. These losses were due to the resource cost of adhering to the new legislation surrounding the letting and management of private residential property.
- 5.4 The forecast opening reserves position as at 1 April 2020 is an accumulated loss of £1,591. This is expected to reduce to an accumulated loss of £869 at 31 March 2021, following the surplus position of £722 for the 2020/21 year.
- 5.5 The forecast is for Venachar to continue to report small profits going forward. If we estimate the same profits will continue over the 3-year business plan period, we will see the accumulated reserves position revert to a positive balance by year 3.

Reserves forecast	Year 3 2022/23	Year 2 2021/22	Year 1 2020/21	2019/20
Reserves b/fwd	(147)	(869)	(1,591)	(1,360)
Expected profit	722	722	722	(231)
Reserves c/fwd	575	(147)	(869)	(1,591)

- 5.6 Note that there is little slack available in this business model and any unforeseen expenses or downturn in rental income received will have a noticeable impact on the financial outturn, albeit the numbers are small which reduces the overall risk.

6. RISK

- 6.1 Managing risk is fundamental to any successful business and reduces the chance of having to deal with unexpected surprises. We understand the importance and value of managing risk and that a Risk Management Policy and Framework is an essential element of good governance, improving our decision-making and enhancing our outcomes and accountability.
- 6.2 To ensure resilience in uncertain times requires a robust approach to the identification and management of risks that we may face. The RSG have carried out a comprehensive review of approach to risk, putting in place a new Risk Management Policy and Framework in November 2019 and a refreshed Risk Register based on our new framework in February 2020.

Our Risk Management Framework

- 6.3 Our new approach provides a framework for managing risk across the RSG. The framework allows us to identify and assess all the risks to the group, identifying their owner and existing controls, and, if the level of risk is assessed to be unacceptable, to provide additional mitigation to remove or reduce the risk.
- 6.4 The risk management framework presents the strategy and methodology for managing risks identified and is based on eight steps:
- *Identify and register all risks relating to the Group's business*
 - *Categorise, analyse and quantify the impact of each risk*
 - *Appoint appropriate owners to manage each risk*
 - *Remove risks or reduce risks to an acceptable level*
 - *Create increased efficiency of resources, costs and protect income sources*
 - *Create increased risk awareness at all levels within the Group*
 - *Propose risk appetite levels for adoption by the organisation to ensure the most cost effective means of managing risk are achieved.*
 - *Monitor and review risks*

- 6.5 Our new framework is designed to: integrate risk management into the culture of the organisation; raise awareness of the need for risk management; encourage a positive approach to risk management; support improved decision making, innovation and performance through a good understanding of risks and their likely impact; and manage risk in accordance with good practice.

Our Audit & Risk Committee

- 6.6 The RSHA Board is responsible for overseeing risk management across the group. It is assisted by the Audit & Risk Committee, charged with monitoring the management of high-level risks, reviewing the risk appetite, ensuring proper controls are in place and annually reviewing the organisation's approach to risk management.

Our Risk Register

- 6.7 Our Risk Register details all up-to-date risks (including strategic, operational, reputational, financial, etc.) where we set out their causes and potential impact, assign a named person to be responsible for their management, the controls we have in place together with a scoring system to help us to understand their seriousness. We use this proactively to identify, assess, control, monitor and review the risks to our organisation. The risk register will be kept under constant review to provide assurance to our Board that key risks are being managed effectively across the group and that tenants' interests are protected. Registered risks will be reviewed formally at each meeting of Audit and Risk and reviewed regularly with the responsible risk owners to ensure that the register is maintained in a complete state and that all new risks are identified and tracked. If, due to control measures or new work programmes, risks are no longer valid, they will be marked as such in the risk register (moved to the archive) with the reasons for this noted.

Our Risk Controls

- 6.8 Our new Risk Framework gives us confidence that we have strengthened our approach to risk and have robust controls in place. Our focus on risk applies across the RSG and are embedding a culture of risk management within our organisation. Our Risk Management Framework is based on the Institute of Risk Management's recommended process and we have taken account of the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management (2019).

7. MONITORING & REVIEW

- 7.1 Our Business Plan will be subject to a comprehensive review every three years to coincide with the three-year RSG Strategic Planning Cycle.
- 7.2 We will review and update this Business Plan every year as part of our annual Business Planning process. This will include an update of our business projections, operational plans and operating environment.

Performance Management

- 7.3 Our Board will receive a regular review of performance against agreed priorities and plans and progress with delivery of the Business Plan including financial expenditure and performance against budgeted projections.

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Venachar Ltd is a wholly owned subsidiary of
Rural Stirling Housing Association