



*Leicestershire Rural Housing Association*

# **BUSINESS PLAN**

## **2017/18—2021/22**

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# **LEICESTERSHIRE RURAL HOUSING ASSOCIATION**

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## **BUSINESS PLAN 2017/2018 TO 2021/2022**

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|---------------|--|
| <b>Item 1</b> | <b>INTRODUCTION TO THE BUSINESS PLAN<br/>AND MISSION STATEMENT</b>   |
| <b>Item 2</b> | <b>SUMMARY OF AIMS AND OBJECTIVES</b>  |
| <b>Item 3</b> | <b>THE OPERATING ENVIRONMENT AND<br/>EXTERNAL CONSIDERATIONS (INCLUDING<br/>SWOT ANALYSIS)</b>   |
| <b>Item 4</b> | <b>CURRENT ACTIVITIES AND STRATEGIC<br/>FOCUS</b>  |
| <b>Item 5</b> | <b>FINANCIAL PROJECTIONS FOR THE PLAN<br/>PERIOD</b>   |
| <b>Item 6</b> | <b>APPENDICES</b><br><br><b>1. Board Membership</b><br><b>2. Stock Profile</b><br><b>3. LRHA Operational Risks</b><br><b>4. Glossary</b> |

## Item 1

# INTRODUCTION TO THE BUSINESS PLAN AND MISSION STATEMENT

The mission of LRHA can be summarised as follows:

“LRHA exists to support the development and sensitive management of affordable housing within rural Leicestershire. We work closely with District Authorities and Parish Councils in order to ensure that rural developments meet the needs of local people who cannot access housing in their communities.”

The primary aim of Leicestershire Rural Housing Association is the provision of affordable housing for those in need within the villages of Leicestershire, a task which commenced in November 2002 with the transfer of managed properties from East Midlands Housing Association.

At the beginning of the plan period Leicestershire Rural Housing Association managed 164 homes located in 17 different villages, and we are encouraged by the progress that is being made in a very challenging and competitive environment.

We have been greatly assisted by the support we have received from emh homes (formerly East Midlands Housing Association), the enabling work led by the Leicestershire Rural Housing Group and partner Local Authorities. It is our clear intention to continue to build on this throughout the plan period. We will also look to engage with Local Enterprise Partnerships and any emerging devolution structures, including Combined Authority arrangements.

This Business Plan takes into account the significant changes affecting affordable housing – particularly the impact of the refocusing of capital subsidy, rent re-structuring, welfare reform, and Government policy announcements. At the same time we are determined not to lose sight of our primary objectives of providing affordable, attractive, well managed homes for local people within the villages of Leicestershire; securing improved services for our residents; and contributing to the sustainability of the rural communities.

This Business Plan sets out the way ahead for achieving our aims, and how the anticipated challenges will be addressed and will be subject to annual review.

## Item 2

# SUMMARY OF AIMS AND OBJECTIVES

The purpose of this Document is to set out the objectives and financial plans of the Association for the period 2017/2018 – 2021/2022.

Throughout this period the organisation will continue to work with the communities of rural Leicestershire to meet local housing needs. The Plan sets out the approach the Association will take to provide such dwellings, and how it will secure the support to do so while maintaining its financial viability. Alongside this, the Association will continue to provide high quality of services to its Residents, and strive to improve such services through the development of local offers via engagement with the Resident Involvement Board. In this context, the Association's operations will remain resident focused and geared to "local" aspirations.

LRHA will continue to look for opportunities to expand its housing management base by working with other organisations in the public and private sector whilst continuing to promote itself as a specialist manager of rural developments. However, this will only be pursued where it is viable to do so in financial terms, has strategic value, and where our management expertise brings tangible benefits to residents.

Stock will continue to be maintained in good condition in line with emh homes' Asset Management Strategy. Improvements to existing stock will be undertaken with an emphasis on achieving affordable running costs for residents, and defining sustainability aspirations.

The Association will continue the core business of supporting the provision of new homes for the benefit of local people and rural communities. Such growth will continue to be achieved organically through partners and will be influenced by evidenced needs. Sound financial management will remain crucial across all the operations of LRHA. The plan demonstrates how our viability will be maintained throughout the plan period by the creation of surpluses and the achievement of key financial ratios.

LRHA will also meet any revised regulatory requirements set by the English Social Housing Regulator, and periodically review our compliance with the latest NHF Code of Governance.

**In summary, the Association will:**

- 1. Provide high quality housing management services to its Residents.**
- 2. Expand the number of homes in management.**
- 3. Support the provision of new homes for the benefit of local people and rural communities, based on evidenced needs.**
- 4. Maintain stock in good condition and undertake improvements for the benefit of residents.**
- 5. Ensure sound financial management that creates surpluses and achieves target financial ratios.**
- 6. Ensure compliance with regulatory and governance requirements.**
- 7. Sustain communities through housing.**

The Board is fully aware of the challenging environment in which the Association operate and feel that the plan represents a sound basis on which to progress during the next five years, and it sets out clear commitments and targets for business growth and the delivery of high quality management services.

In this respect, the key objectives for the period can be summarised as follows:

## **1. Business Development and Growth**

- Assess all opportunities for planned growth that arise via partners through the Homes & Communities Agency (HCA), other funding streams (e.g. Local Enterprise Partnerships, Combined Authorities), or private sector partners.
- Explore any new initiatives and planning mechanisms promoted by Government, including Community Land Trusts, Community Led Development and cross-subsidy models.
- Take opportunities to promote the wider business, and its values, to increase the Association's profile.
- Maintain our level of engagement in the development of local, regional and national networks to ensure the priority for rural housing is retained, and current and future funding concerns are highlighted.
- Promote the business in the context of the devolved powers and the Neighbourhood Development Planning process.
- Where possible, mitigate risk from competition by Partnership working.
- Promote itself as a skilled manager of rural stock and expand the management portfolio where there is strategic benefit and where it has value strategically.
- Where appropriate, look to offer management services to the Private Rented Sector.

- Continue to operate close working relationships with Partner Local Authorities and engage with any new combined authority structures emerging as a result of the devolution agenda.
- Engage with Local Authorities over the potential for LRHA to act as a management partner for 'out of area' Associations who may buy up affordable homes that are secured as planning gain but where there is no local Association in a position to purchase.
- Continue the servicing arrangements with MRH for the period of the Plan, on the basis that service standards are maintained, Business Plan targets are delivered and efficiency of operation continues to be demonstrated.
- Work closely with the Leicestershire Rural Housing Group (and their rural housing enabler strategic partner, Midlands Rural Housing), Parish Councils, Local Authorities and rural communities to ensure local needs are identified and met;
- Address the impact of Welfare Reform and define the policy approach towards the voluntary Right to Buy, and take steps to mitigate the emerging risks to the business, particularly those arising as a result of imposed rent reductions.
- Increase engagement with the wider rural network, politicians, policy-makers and funding agencies to ensure that rural housing issues remain on the political agenda and a thematic priority for investment.
- Promote flexibility in identifying business opportunities and housing activities that have positive impact on revenue streams.

## **2. Management and Maintenance Services**

- Continue to provide a high quality service to Residents which is monitored by KPIs, survey responses and resident feedback.
- Maintain its stock in good condition and input into partners' Asset Management Strategy to ensure all properties achieve the Decent Homes Standard.
- Assess the impact of Welfare Reform on the Association's residents.
- Ensure compliance with health and safety obligations.
- Engage with opportunities to improve the environmental standards of stock, including Government initiatives.
- Make improvements to our properties to retain people in their homes.
- Consult with residents over any proposed planned work.

## **3. Resident Involvement and Engagement**

- In conjunction with our RHA partners, look for opportunities to further develop and engage with the Resident Involvement Board.
- Meet Co-regulatory expectations of any Regulatory Code in a manner that is proportionate and relevant to the business of the Association.

- Explore the use of social media platforms to engage with residents.
- Develop approaches to enable increased member engagement with residents.

#### **4. Financial Considerations**

- Ensure financial viability in its operations, with surpluses being generated in each year of the plan, and compliance with key financial ratios and covenants being demonstrated.
- Explore additional sources of private finance, and work with its partner RHAs to secure competitive borrowing in the context of the prevailing financial climate.
- Achieve a balance between financial prudence and support for residents to be able to maintain their tenancies during difficult economic times.

#### **5. Governance**

- Ensure Board accountability from a resident perspective via engagement with the RHA wide Resident Involvement Board.
- Undertake periodic reviews of Board member skills and experience and Board effectiveness.
- Ensure that any Board succession arrangements and any new member appointments are implemented without adverse impact on the governance of the business.
- Ensure compliance with the adopted NHF Governance Code and Regulatory Standards.
- Adjust the structure and arrangements for Board meetings to ensure effective consideration of wider strategic matters and emerging risks impacting on the business. Also allow for greater opportunities for board engagement with operational staff.
- Ensure Board members are sufficiently trained, briefed, and engaged to be able to act as advocates for our work.

#### **6. Community Engagement and Cohesion**

- Actively identify opportunities to add value to main stream activity for the benefit of the communities where we work.
- Seek community input and engagement to identify best use of LRHA resources and local priorities for investment.

## **7. Achieving Value for Money**

- Continue the cost sharing arrangements with its partner rural housing associations, and Midlands Rural Housing.
- Include a formal statement on achieving value for money in the annual accounts.



## **Item 3**

# **THE OPERATING ENVIRONMENT AND EXTERNAL CONSIDERATIONS (INCLUDING SWOT ANALYSIS)**

## **KEY ISSUES AND RISKS**

The Association's expectation is that the operating environment will continue to be challenging and will cover a period of significant fiscal constraint.

In particular, the plan will cover the period of the UK exit from the European Union, and it is recognised that this is likely to dominate the political and economic environment for the foreseeable future. This will present risks and opportunities for the sector, but it is difficult to say with any accuracy what the impact will be on the LRHA business. As a consequence, this plan concerns itself with the current focus of the business and addressing the tangible challenges that are presenting themselves.

In particular, it is anticipated that the following areas will have a direct impact on the operations of LRHA, and will need to be monitored and reviewed over the period of the Plan.

### **1. Extension of the Right to Buy to Housing Associations**

While other priorities have intervened the Government has continued to promote its manifesto commitment to extend the Right to Buy to housing association tenants. Following agreement between Government and the NHF this will now be progressed on a voluntary arrangement and will enable "discretion" on what homes providers will sell.

The majority of the stock LRHA manages has been developed utilising the Exceptions approach, with planning granted on the basis that the homes will be retained for local people in perpetuity. The voluntary deal that rural locations present specific issues, and there would be no expectation to sell homes that have been provided on this basis.

In this context, the "voluntary" nature of the arrangement means there is no legislation that overrides the planning agreements in place, which means such homes could not be sold in any event.

Alongside this, the Board has also taken the view that it will work with emh homes to encourage it to utilise its discretion not to sell homes that would be difficult to replace, and will use the framework of the existing “Right to Acquire” exemptions as the basis for this.

In practice, this means the proposed VRTB policy will result in only a small proportion of the LRHA stock being available to sell.

At the time of preparing this plan, further elements of the VRTB proposals are to be tested via a “regional pilot” scheme. This will include the application of “portable discount”. emh homes’ policy will set out when such discounts will apply, although for LRHA managed stock this will be limited given that much of it is unable to be sold in any event, and is therefore not subject to “discretion”.

emh homes’ policy position will be published in due course and communicated to residents when the formal scheme is launched. However, given that the policy will be based on the principles above, the Board are of the view that the overall business risk is reducing, as the potential for property sales will be limited.

## **2. Rent reductions and future Rent Control**

The Government has re-confirmed its previous announcement that social housing rents across England will reduce by 1% a year for four years until 2020. This will apply to both social and Affordable Rents. Such a rent reduction will impact on income streams and cash flow over the plan period.

Given this, the financial projections included in this plan have been modelled to take this into account. These continue to show surpluses being created and financial covenants being achieved. The rent reduction arrangements proposed by Government have indicated a return to CPI +1% in 2020/21. However, the Association has taken a cautious approach to its financial planning and based its projections for the post 2020 period on a “no increase” scenario. In practical terms, close financial management will be required over the plan period to ensure this position is maintained, and the financial projections will be subject to stress testing moving forward.

## **3. Relationships with Partner Housing Associations**

LRHA has always recognised that it will need to operate in partnership with other registered providers. It is hoped that maintaining partnership working in this context will lead to management opportunities in rural areas with a variety of registered providers. In respect of management

aspirations, the Association continues to recognise the threat presented by the potentially limited capacity of developing registered provider partners, and the possibility of new providers entering the area. However, these new partners could also present significant opportunities to the Association as a management partner.

#### **4. The Devolution Agenda**

The Government devolution agenda continues to be implemented, with an increasing role for Local Enterprise Partnerships, and the promotion of Combined Authority proposals. In this context, the Government is keen to devolve the powers and budgets of public bodies to the local level and Combined Authorities remain a favoured model for this, which may lead to increased integration of funding streams. It is anticipated that it will include those for housing delivery. As a consequence, LRHA will need to identify opportunities to engage with any Combined Authority arrangements in its area of operation. Such structures will undoubtedly have an increasing role as strategic influencers and funding bodies moving forward.

#### **5. Funding priorities and future investment**

Despite the welcome increase in investment for affordable housing, the current level of public investment targeted at new rural housing is limited. This is not helped by the lack of national or local investment targets as part of current funding streams.

That said LRHA anticipates a small development programme from emh homes for the plan period, which will be supported by Social Housing Grant via the HCA and Local Authority partners.

There will still be increased reliance on other forms of funding, particularly that from Local Authority partners. There will also be an ongoing need to review alternative funding solutions and models to maintain delivery of rented homes – this includes cross-subsidy, sourcing alternative funding and increased use of partner Association's own resources.

#### **6. Regulation and Governance**

The current regulatory framework is primarily concerned with ensuring social housing assets are protected, and investment in new supply is encouraged. Managing risk to ensure that both elements can be delivered is crucial. This requires effective governance to manage the

Association's resources; ensure financial viability is not compromised; and the impact of its activities on the business are clearly understood.

LRHA will periodically assess, and test, compliance with the regulatory framework which is likely to be modified as the independent regulatory function becomes established. However, the business is not exposed to the wider commercial risks that affect some larger providers given that it is solely concerned with meeting rural needs through supporting the provision of general needs affordable housing. Therefore, the Association does not anticipate compliance issues in relation to asset protection.

As it currently stands, regulatory engagement for LRHA is minimal on the basis that it does not open itself up to significant risk, and remains below the 1,000 unit regulatory threshold.

However, as the operating environment becomes more challenging, the potential risks to smaller providers can increase. Any new regulator is likely to take a "risk-based" approach to regulation which could bring smaller providers under closer scrutiny. This will need to be monitored as the framework evolves.

LRHA has continued to adopt the National Housing Federation Code as its governance model, and will periodically test compliance to ensure the requirements of the code are met.

## **7. Climate Change and Renewable Technologies**

At the point of preparing this plan, The Association has taken the view that the focus on the existing housing association stock will increase, particularly with regard to energy efficiency and limitations on carbon dioxide emissions. It is anticipated that specific requirements in relation to retro-fitting will emerge. We have a strong commitment to address these issues with our partners. Additionally, we recognise there is an obligation to our residents to improve environmental standards in the stock we manage and reduce the potential for fuel poverty. With this in mind, the Association will look to encourage the balancing of future investment in renewable technologies to ensure the benefits are passed on to existing residents as well as those occupying new developments. The Association is committed to gaining increased experience and learning, and will engage with its partner rural housing association in Warwickshire, which is embarking on an exemplar Passivhaus development and an urban Passivhaus scheme is now open in Leicester following development by emh group.

## **8. Private finance and borrowing**

Lenders continue to take a more commercial view of the sector, and margins have been increased to reflect the risks associated with income restrictions. This will impact on future borrowings for partners, and will be factored into their financial planning including that of development programming which impacts on the growth of LRHA. However, cautious assumptions have been used in the development of the 5 year financial plan, which confirm that such approaches can be accommodated from a viability perspective.

Alongside the wider long-term borrowing concerns, there remains a limited range of products available to purchasers of Shared Ownership homes, which is still compounded by high deposit requirements. This continues to pose a disincentive to develop shared ownership products, which is a concern given the increased level of emphasis on delivering home ownership initiatives. The model shared ownership lease, introduced as part of the “Protected Area Status”, has alleviated some of these concerns by allowing leaseholders to purchase 100% of the equity in their property and attracted more lenders to the market.

Nonetheless, sales risks remain, and LRHA will only receive limited numbers of shared ownership homes as part of rural schemes where a clear demand has been evidenced.

## **9. Changes to Welfare Benefits**

The Government continues with a programme of reforming welfare benefits which affect residents, providers and housing authorities. Steps have already been taken to minimise the impact of benefit reductions which has resulted in rent arrears levels being maintained or even reducing. However, this positive trend will be impacted as more benefit recipients are moved on to Universal Credit which has inbuilt administrative delays with increased reliance on direct payments from claimants.

The Association is in a position where the number of residents claiming full or partial benefit is low when compared to others in the sector. (At the point of preparing this plan, around 17.8% of tenants claim partial housing benefit, and 16.07% claim full housing benefit.) However, we cannot be complacent as welfare reform will have a direct impact on the Association’s income stream.

Significant activity is being undertaken to inform residents of the changes, and a cautious approach has been adopted to financial planning assumptions in order to acknowledge, and anticipate, the impact on the Association.

The restricting of housing benefit to local allowance caps applicable to the private rented sector remains a concern. The imposition of such caps, coupled with the increased migration to universal credit, is likely to increase rent arrears. As a consequence, there are implications for the housing management and income recovery function which will need to be sufficiently resourced to maintain the Association's income stream. These resources have recently been enhanced and will be monitored closely over the plan period.

## **10. Neighbourhood Planning**

Neighbourhood Planning was introduced as part of the Localism Act. This is designed to give local people the power to influence development in their local communities, providing significant support can be secured – this is currently set at 50% of those voting in a local referendum.

Increasingly, rural communities are looking to engage with these arrangements, and MRH is working to support many Neighbourhood Plans from a rural housing perspective. The process is bringing forward potential development opportunities where communities have recognised the need for more housing, and are including options in their plans which may present opportunities for the Association in the medium term. LRHA is ideally placed to assist in the delivery of this objective whilst providing a commitment to meet local needs, which is often the primary driver for increasing local housing supply.

## **11. National Planning Policy Framework**

The “National Planning Policy Framework” continues to have an impact on development activities of partners. Some changes have been positive. The maintenance of and enhancements to the “Exceptions” policy the ability to utilise “cross-subsidy” from market is beneficial.

Our key Local Authority partners have adopted policies that will allow a proportion of open market homes to be developed on such sites, and we anticipate this mechanism will be increasingly used to support the provision of rented homes in the future. There is, however, some concern with regard to the status of five year housing land supply and the impact this is having on the release of “exception” sites due to the hope value attached to land surrounding many villages. In the short term, this may negatively impact on the number of exceptions opportunities coming forward. However, recent proposals in the Housing White Paper are endeavouring to increase certainty in respect of land supply and the local plan process, and this should positively impact on this position.

In addition, the White Paper also provided some clarity on the policy approach with regard to the provision of “starter homes”. Local planning authorities will still have a duty to promote this form of provision, but there will be no set requirement for residential sites. The Housing White Paper also re-confirmed that local planning authorities did not need to secure “starter home” provision on exceptions sites. This direction of travel is seen as positive, and should avoid any dilution of the exceptions planning mechanism.

## **12. Achieving Value for Money and Business Efficiency**

The Association will continue to ensure value for money in its activities and operations. In conjunction with its partner Rural Housing Associations, Midlands Rural Housing will review the staffing resources required to carry out key functions in order to identify management cost efficiencies and associated overhead savings during the plan period.

The cost sharing arrangement with partner Rural Housing Associations, in relation to the staff support from Midlands Rural Housing, will continue. This approach has already demonstrated its value from a cost efficiency perspective, while enabling the full range of skills to be secured for the effective running of the business.

The Association recognises that the issue of cost efficiencies is a crucial one for the sector, and cannot be avoided during a period of income restrictions. It is against this background that the NHF issued its voluntary code on “Mergers, Group Structures and Partnerships”. This puts the onus on Boards to ensure organisations operate effectively and efficiently, and that opportunities to do this should be regularly reviewed.

In this regard, the Board has recently reviewed options for increasing efficiency whilst still delivering on the key aims, objectives, and values of the organisation. In this context, the current cost sharing arrangement with the partner RHAs is already regarded as a good practice example of a formal “partnership” arrangement as described in the Code. That said, the Association will not be complacent in identifying further operational efficiencies moving forward.

In summary, the Association has recognised that the areas identified above, while raising potential risks, can present potential opportunities. However, they have all been areas for consideration in the development of the Association’s risk strategy, and will undoubtedly be key influences on the Association’s business over the plan period. A detailed analysis of the risks identified is contained in the Association’s Operational Risk Map, which forms an Appendix to this plan.



### 13. LRHA SWOT Analysis

As part of the process of identifying the key strengths and weaknesses of the organisation, a SWOT analysis has been undertaken, the outcomes of which are as follows:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"><li>• Specialist provider with local credibility</li><li>• Local knowledge, accountability and focus</li><li>• Good track record of delivery and performance</li><li>• Committed Board members with wide skills and experience</li><li>• Independent position</li><li>• Good reputation with partners and stakeholders</li><li>• Partnership working ethos</li><li>• Innovative support structure with efficiency of operation</li><li>• Financially robust and viable</li><li>• Strong support from local authorities</li><li>• Well resourced and efficient structure</li><li>• Good satisfaction levels amongst residents</li><li>• Association has a place on the MRH Board</li><li>• Part of a strong 'servicing partner' structure with MRH</li><li>• Measured approach to risk</li><li>• Well informed / connected with housing and rural stakeholders</li></ul>	<ul style="list-style-type: none"><li>• Reliance on others to deliver</li><li>• Narrow product and operational range</li><li>• Small organisation</li><li>• Lack of 'wider awareness' of activities and services</li><li>• Cannot develop in own right</li><li>• Cannot own stock</li><li>• Reliant on key staff covering wide-ranging tasks</li><li>• Reliant on specific planning policies</li><li>• Not a registered Housing Association with the HCA</li><li>• Bound by sector rent structures</li><li>• Limited ability to influence in own right</li><li>• Measured approach to risk</li></ul>



OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Rural issues remain high on political agenda (locally, and nationally)</li> <li>• Demand for outputs increasing</li> <li>• Specialisms can be offered to others</li> <li>• Management of rural stock for others</li> <li>• Product expansion into intermediate housing management</li> <li>• CLTs providing management opportunities Neighbourhood planning</li> <li>• Other funding streams to influence and promote to partners (Community Led funding, LEP)</li> <li>• New planning mechanisms</li> <li>• Engaging with the Leicester &amp; Leicestershire Local Enterprise Partnership</li> <li>• Land owners willingness to engage</li> <li>• Planned and committed approach to enabling through Leicestershire Rural Housing Group backed by political will</li> <li>• Potential for management opportunities if Providers from 'out of the area' are encouraged to buy S106 units or develop through HCA Continuous Market Engagement process</li> <li>• Devolution, Combined Authority and increased local decision making</li> <li>• Management of private rented stock</li> </ul>	<ul style="list-style-type: none"> <li>• Rural issues lose priority status (urban bias)</li> <li>• Stock/management rationalisation by partners</li> <li>• Competition from others including private developers</li> <li>• Reducing number of investment/ management partners</li> <li>• Failure to perform on service delivery</li> <li>• Reducing public subsidy and increasing costs</li> <li>• Increased maintenance input/requirements</li> <li>• Change in local planning policies</li> <li>• Reputational damage from service delivery failure</li> <li>• Reduced fieldwork activity resulting from Rural Housing Enabling Strategic Partner</li> <li>• Non-compliance with new regulatory framework</li> <li>• Reduced number of lenders and/or increasing margins</li> <li>• Lack of developments due to reducing site availability as a result of unadopted Local Plans</li> <li>• Voluntary Right to Buy (VRTB) for Housing Associations</li> <li>• 1% rent reduction year on year until 2020</li> <li>• Welfare reform impacting on residents and Associations income stream</li> <li>• Further rent reform / restructuring</li> <li>• Starter home initiative stifling opportunities for other affordable products (e.g. rent / shared ownership)</li> <li>• Lack of grant funding for affordable rented housing diminishing supply</li> </ul>

## Item 4

# CURRENT ACTIVITIES AND STRATEGIC FOCUS

In order to achieve its objectives, it is necessary for the Association to concentrate its activities in areas that will deliver the required results. This Section of the plan identifies those areas, and explains how they will assist in the delivery of the plan objectives.

## 1. The Planning System

The Association will always ensure before supporting any development that the needs are well researched and the dwellings to be provided are geared to the requirements of individual settlements.

LRHA recognises that effective use of the planning system is vital in achieving its aim of providing affordable housing in the villages of the County. Indeed, the Association anticipates that the majority of developments will be on land that receives "exceptions" planning, or similar, consent.

Not only does this have the advantage of producing housing solely for the community in which it is located, but such land is made available at significantly less value than that applied to development or "open" market sites. This has a positive effect on development costs and scheme viability. The low land value is crucial in providing truly affordable housing, and is essential in offsetting high procurement and service costs normally encountered on such sites.

LRHA will actively encourage village communities to meet their local housing requirements in this way and will, wherever possible, support Midlands Rural Housing, the Leicestershire Rural Housing Group, Local Authorities and Parish Councils in identifying sites of this nature. The Association does, however, recognise that new mechanisms are likely to emerge and could result in different approaches being taken at the local level. Local policies that enable cross-subsidy with market homes on exception sites are evolving, and we are well placed to provide assistance and support to rural communities who may want to explore this option.

The Association will also promote the provision of rural affordable housing utilising the principle of "planning gain", and the identification of sites purely for the provision of affordable housing.

## **2. Service delivery to residents**

As a manager of property, LRHA aims to provide excellent services to its residents, and will strive to improve this service when opportunities to do so present themselves.

The Association remains committed to increasing engagement with residents over the services it provides, and is looking at new mechanisms to achieve this, including the use of its website and also through social media.

Proven resident engagement structures are in place to enable scrutiny of The Association's performance. This is primarily through the Resident Involvement Board in conjunction with partner RHAs. The Board receives annual reports in relation to resident complaints, satisfaction with new homes, and Customer Care performance. Alongside this, the Association's Board will review its approach to external communications with particular emphasis on the role of members and how they may be able to increase their engagement with residents and external parties to improve local accountability.

The Association has set clear targets against which it will monitor its Housing Management performance. To this end, it has adopted a set of "Performance Indicators". These indicators will not only be used as a measure to ensure effective management, but will also be used as a management tool to assess where improvements, for the benefit of residents, can be made. Performance against these indicators will be subject to regular review by the Board.

The main performance targets that the Association has currently set itself are shown overleaf.

## PERFORMANCE TARGETS

INDICATOR		TARGET
<b>HOUSING</b>		
1.	Average re-let time	Less than 28 days
2.	Lettings made to applicants with a strong local connection	More than 80%
3.	Gross arrears rented as a percentage of overall rent receivable	Below 3.25%
4.	Gross arrears shared ownership	Below 2%
5.	Tenancy turnover per annum	Less than 8%
6.	Rent loss through vacant dwellings	Less than 1.6%
<b>MAINTENANCE</b>		
7.	Repair appointments made and kept	More than 90%
8.	Repairs completed in target time	More than 99%
9.	Properties with valid Gas Safety Certificate	Not less than 100%
10.	Customer satisfaction with repairs service	More than 90%

LRHA is committed to continuous improvement. The performance targets are reviewed annually through performance management and formal comparison with the other Rural Housing Associations and small Housing Associations. This benchmarking, together with the outcomes of Resident Involvement through satisfaction surveys and the Resident Involvement Board, allows challenging targets to be worked towards so that the Association can be, where feasible, continuously improving.

LRHA exists as a specialist manager of small "local needs" schemes. There are clear differences in management between the rural environment and the urban areas. Remaining sensitive to local circumstances and consultation over local connections are just two areas where LRHA has significant experience and expertise. The Association recognises that these management skills are a resource that could be effectively deployed in the management of stock for partner registered providers. The Association will look for strategic opportunities to expand its management role with particular emphasis on managing stock for other registered providers, private developers, stock holders and Local Authorities in rural Leicestershire where financially viable to do so and where it presents benefits to residents and the wider community.

To summarise, in respect of its housing management and maintenance activity, LRHA will over the plan period:

- Strive to provide high quality management, maintenance and customer services to its Residents.

- To strike a balance between focusing on KPIs / performance levels and supporting residents to live in their homes during difficult economic times.
- Set clear Performance Indicators to monitor the delivery of services.
- Promote itself as a skilled manager of rural stock and look to expand this element of the business where it has strategic value and is financially advantageous to do so.
- Maintain its stock in good condition to ensure all properties achieve the Decent Homes Standard.
- Make improvements to properties, where financially viable to do so, to retain people in their homes.
- Continue to widen the membership of the Resident Involvement Board, and identify options for increasing Board member engagement with residents.
- Ensure compliance with all health and safety obligations. and monitor performance against key indicators.

### **3. Financial planning assumptions**

#### ***Assumptions on staffing and running costs***

The staffing resources required to manage the operations of the Association to the required standard will be provided by Midlands Rural Housing.

Midlands Rural Housing will meet its obligations utilising staff from its office located in Coalville, Leicestershire, and this will remain the basis of staffing resources for the plan period.

LRHA, in conjunction with its partner rural Housing Associations in Northamptonshire, Warwickshire and Derbyshire, jointly employs the staff within MRH. These costs are directly related to the time involved in running the business of the Association, and are regularly adjusted to ensure the contribution to salaries and overheads is fair and appropriate.

LRHA acknowledges, and accepts, that if its stock and activity base continues to grow and the management of income becomes more demanding, it will need staff resources to support it.

This will inevitably result in a requirement for further resources in relation to the housing management and maintenance functions. This will need to be addressed by increased resourcing within Midlands Rural Housing, in conjunction with the partner RHAs. However, such

resources must be readily accommodated within the financial plans of LRHA and the partner RHAs in manner that does not adversely impact on individual viability, and still demonstrates value for money.

#### **4. Incorporating Community Cohesion into our Core Activities**

LRHA provides more than just homes. Our activities contribute to sustaining rural villages as cohesive and vibrant communities. By promoting much needed homes for local people, which contribute significantly to their neighbourhoods, the benefits are not just to those housed, but to the community as a whole. While this is often seen as a “by product” of what we do, we want to ensure that benefits are embedded as core objectives.

In this context, LRHA will increase its commitment to, and investment in, community development activity. In particular, the Association will:

- Work with other agencies committed to community development in rural areas to ensure our contribution is part of a co-ordinated approach and not an isolated activity.
- Ensure that our homes are designed to environmental standards that benefit residents in terms of utility cost and reduce the possibility of fuel poverty.
- Look for opportunities in the villages where we work to improve economic and social viability; for example, utilising local skills and employment in development and maintenance activities, and contributing to community infrastructure projects.
- Provide management and support services that actively tackle social exclusion and contribute to maintaining people in their homes, whilst consolidating our role in the wider community.
- Undertake an assessment of specific development projects to establish the social and economic return on investment associated with the provision of such homes.

In short, LRHA believes it has a wider role than just promoting the provision of homes and managing rural properties; it is acknowledged that there is “added value” to our mainstream activity. We want to expand this to ensure community development is seen as part of our core business. That said, we recognise there needs to be “buy in” from the communities themselves, and much of our involvement will need to be led by the communities in which we work, and, in most cases, this is likely to be limited to the development process.

## **5. Governance and Board Control**

The Board of LRHA will ensure its activities are accountable. It will determine strategic direction of the business; oversee the management of risk, and ensure the Association adheres to its aims and objectives. Specifically, during the plan period, the Board will look to:

- 1 Identify communication and engagement approaches with a view to increasing Board accountability to residents and external partners.
- 2 Ensure compliance with the NHF Code of Governance and ensure arrangements are in place for Board member succession, recruitment and renewal.
- 3 Ensure proportionate compliance with any regulatory framework.
- 4 Ensure all members are sufficiently trained, briefed and engaged to act as advocates for our work, and act as a bridge between the organisation and wider partners, communities and the public.
- 5 Keep under review the existing Board meeting structure to ensure members are able to consider and debate wider strategic matters in the context of the Association's business objectives.

## **6. Risk Management**

LRHA recognises the importance of establishing a risk management framework, and a formal risk map has been developed as part of this process. A summary of this is attached to the plan at Appendix 3.

As part of the adopted framework, there is regular reporting of emerging risks to the business in order for the Board to take ownership of the process, and there are periodic reviews of the Association's risk appetite. With regard to this latter aspect, a recent exercise undertaken by the Board has indicated that, at present, its approach to most risks tends to be cautious, but there is a willingness to increase risk exposure in a number of areas, and move to a more open position.

The Board of LRHA has recently undertaken a review of its risk appetite. At present, the view has been expressed that the Association's approach to most risk tends to cautious. However, there is a willingness to increase risk exposure in a number of areas, and move to a more "open" position. This is particularly the case with regard to innovation and collaboration considerations.

Alongside this, the Board will take a more balanced approach to customer satisfaction and service delivery, and KPI considerations,

while being important, will not be the main driver for decision making. The Board is also accepting of greater challenge with regard to its activities – particularly where tangible business benefits can result. In essence, the Board takes the view that its risk appetite should increase in a range of areas in order to capitalise future opportunities.



## Item 5

# FINANCIAL ASSUMPTIONS

Attached to this section of the plan are the assumptions used in the financial planning process and the anticipated income and expenditure profile for the period. These project a healthy and robust financial position for the Plan period which is both attractive to partners, and demonstrates that the Association has the resources to fulfil the aspirations set out in this Plan.

Details are as follows:

- Appendix 1 - Assumptions on Unit Completions
- Appendix 2 - Assumptions on Houses in Management
- Appendix 3 - Other Assumptions
- Appendix 4 - Income & Expenditure Forecast for the Plan Period
- Appendix 5 - Balance Sheet for Plan Period

**LEICESTERSHIRE RURAL HOUSING ASSOCIATION**

**FINANCIAL PLANNING ASSUMPTIONS**  
**NEW HOMES INTO MANAGEMENT**

<b><i>PLAN PERIOD</i></b>					
<b>NEW HOMES SECURED</b>	<b>Year 1: 2017/18</b>	<b>Year 2: 2018/19</b>	<b>Year 3: 2019/20</b>	<b>Year 4: 2020/21</b>	<b>Year 5: 2021/22</b>
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
<b>Arising from:</b>					
<b>emh homes completion forecast</b>	<b>6</b>	<b>9</b>	<b>0</b>	<b>8</b>	<b>-</b>
<b>Other management secured</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>7</b>
<b>TOTAL</b>	<b>6</b>	<b>9</b>	<b>6</b>	<b>8</b>	<b>7</b>

**Appendix (2)**

**LEICESTERSHIRE RURAL HOUSING ASSOCIATION**

**FINANCIAL PLANNING ASSUMPTIONS**

**HOUSES IN MANAGEMENT**

	PLAN PERIOD				
	2017/18	2018/19	2019/20	2020/21	2021/22
Houses in management start of year (managed)	164	170	179	185	193
New homes into management	6	9	6	8	7
Total houses in management at year end	170	179	185	193	200

**Appendix (3)**

**LEICESTERSHIRE RURAL HOUSING ASSOCIATION**

**FINANCIAL PLANNING ASSUMPTIONS**

**FOR THE PERIOD ENDED 31<sup>st</sup> MARCH 2022**

**INFLATIONARY INCREASES**

	2017/18	2018/19	2019/20	2020/21	2021/22
Consumer Price Index	1.00%	2.70%	2.50%	2.25%	2.00%
Managed Charge Income – Fixed	0.00%	0.00%	0.00%	0.00%	0.00%
Managed Charge Income – Variable	-1.00%	-1.00%	-1.00%	0.00%	2.00%
Maintenance – Responsive	-1.00%	-1.00%	-1.00%	1.00%	1.00%
Maintenance – Planned	0.00%	0.00%	0.00%	0.00%	0.00%

**Appendix (4)**

**LEICESTERSHIRE RURAL HOUSING ASSOCIATION**  
**INCOME & EXPENDITURE FORECASTS**

	2017-18	2018-19	2019-20	2020-21	2021-22
	£	£	£	£	£
<b>Income From Lettings</b>					
Rent Receivable	0	0	0	0	0
Service Charge Income	30,988	31,825	32,620	33,354	34,021
<b>Gross Rental Income</b>	<b>30,988</b>	<b>31,825</b>	<b>32,620</b>	<b>33,354</b>	<b>34,021</b>
Less Voids	(16,207)	(14,787)	(15,238)	(15,757)	(16,608)
<b>Management Charge Income</b>					
Existing Units	184,217	178,884	178,867	179,427	183,120
New Units	6,394	12,659	19,046	25,553	32,542
<b>Total Turnover From Social Housing Lettings</b>	<b>205,392</b>	<b>208,581</b>	<b>215,295</b>	<b>222,577</b>	<b>233,075</b>
<i>Growth in Turnover</i>		2%	3%	3%	5%
<b>Management Costs</b>	64,380	65,604	66,810	67,982	69,342
<b>Service Costs</b>	25,324	26,008	26,658	27,258	27,803
<b>Routine Maintenance</b>	90,391	84,189	84,523	86,556	88,621
<b>Planned Maintenance</b>	8,552	10,136	10,708	11,324	11,951
<b>Bad Debts</b>	8,104	10,351	12,190	12,605	13,286
<b>Depreciation Of Housing Properties</b>	0	0	0	0	0
<b>Total Operating Costs</b>	196,751	196,288	200,889	205,725	211,003
<b>Surplus (Deficit) On Social Housing Lettings</b>	<b>8,641</b>	<b>12,293</b>	<b>14,406</b>	<b>16,852</b>	<b>22,072</b>
<b>I&amp;E from Other Activities</b>					
<b>Surplus Before Interest and Tax</b>	<b>8,641</b>	<b>12,293</b>	<b>14,406</b>	<b>16,852</b>	<b>22,072</b>
<b>Interest Collected</b>	142	146	152	159	167
<b>Interest Payable</b>	(450)	(450)	(450)	(450)	(450)
<b>Surplus Before Tax</b>	<b>8,333</b>	<b>11,989</b>	<b>14,108</b>	<b>16,561</b>	<b>21,789</b>

**Appendix (5)**

**LEICESTERSHIRE RURAL HOUSING ASSOCIATION**

**BALANCE SHEET**

	2017-18	2018-19	2019-20	2020-21	2021-22
	£	£	£	£	£
<b>HOUSING ASSETS</b>					
Housing Properties at cost	0	0	0	0	0
Social Housing Grants	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>Total Fixed Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Current Assets</u></b>					
Cash	334,525	346,965	361,525	378,537	400,776
Other	23,387	23,387	23,387	23,387	23,387
	357,912	370,352	384,912	401,924	424,163
<b>Current Liabilities</b>	91,321	91,321	91,321	91,321	91,321
<b>Net Current Assets</b>	266,591	279,031	293,591	310,603	332,842
<b>Total Assets Less Current Liabilities</b>	<b>266,591</b>	<b>279,031</b>	<b>293,591</b>	<b>310,603</b>	<b>332,842</b>
<b>LONG TERM LIABILITIES</b>					
Outstanding Loan Balance	0	0	0	0	0
Pension Liabilities	28,999	29,449	29,899	30,349	30,799
Loan Fees	0	0	0	0	0
<b>NET ASSETS</b>	<b>237,592</b>	<b>249,582</b>	<b>263,692</b>	<b>280,254</b>	<b>302,043</b>
<b>Capital and Reserves</b>					
Share Capital	10	10	10	10	10
Retained Surplus	237,582	249,572	263,682	280,244	302,033
	<b>237,592</b>	<b>249,582</b>	<b>263,692</b>	<b>280,254</b>	<b>302,043</b>

## **Item 6**

# **BUSINESS PLAN**

## ***APPENDICES***

- 1. Board Membership**
- 2. Stock Profile**
- 3. LRHA Operational Risks**
- 4. Glossary**

## **BOARD MEMBERSHIP**

The Board of LRHA comprises representatives from Local Authority partners, rural organisations, independent members and housing organisations. In addition representatives bring a significant range of skills and experience to the Board.

A regular “Skills and Experience” audit is undertaken to ensure the range of experience and knowledge remains relevant to the Association’s business, and the Association’s operations are fully compliant with the NHF Code of Conduct.

The following were members of the LRHA Board at the time the Plan was issued:

Cllr Reg Ward (Chair)	Hinckley & Bosworth Borough Council
Jenny Line (Vice Chair)	Building & Social Housing Foundation
Nikki Hening	CPRE
Chris Lambert	North West Leicestershire District Council
Caroline Large	Independent
Valerie Bunting	Independent



Village	Address	Number	Mix	Tenure
Moirā	Warren Row	6	1 x 1 Bed house 5 x 2 Bed house	Rented Rented
	Shortheath Road	3	1 x 2 Bed house 2 x 3 Bed house	Rented Rented
	New Row	4	4 x 2 Bed house	Rented
Measham	Chapel Street	1	1 x 2 Bed house	Rented
	Measham Hall	4	1 x 1 Bed house 1 x 2 Bed house 2 x 2 Bed bungalows	Rented Rented Rented
	Leicester Road	1	1 x 3 Bed house	Rented
Breedon on the Hill (Phase 1)	Southworth Road	8	6 x 2 Bed bungalows 2 x 3 Bed house	Rented Rented
Breedon on the Hill (Phase 2)	Southworth Road	10	2 x 1 Bed flat 2 x 2 Bed house 2 x 3 Bed house 4 x 2 Bed bungalow	Rented Rented Rented Shared Ownership
Swannington	Foan Hill	5	2 x 2 Bed bungalows 1 x 2 Bed house 2 x 2 Bed house	Rented Rented Shared ownership
Bagworth	Maynard Close	4	4 x 3 Bed house	Rented
	Maynard Walk	2	2 x 3 Bed house	Rented
	Chestnut Drive	8	6 x 3 Bed houses 1 x 3 Bed house 1 x 1 Bed flat	Rented Rented Rented
	Hawthorne Road	1	1 x 3 Bed house	Shared ownership
Congerstone	Chapel Lane	8	2 x 3 Bed houses 2 x 2 Bed houses 4 x 2 Bed bungalows	Shared ownership Rented Rented

Appendix 2 – Stock Profile

Village	Address	Number	Mix	Tenure
Markfield	Meadow Lane	1	1 x 3 Bed house	Rented
	Woodhouse Close	1	1 x 2 Bed house	Rented
Ratby	The Pinfold	4	2 x 2 Bed house	Rented
			2 x 3 Bed house	Rented
	Station Road	5	5 x 2 Bed house	Rented
	Stamford Street	8	8 x 2 Bed house	Shared Ownership
Thornton	Main Street	5	2 x 2 Bed house	Rented
			3 x 3 Bed house	Rented
Barnstone	Main Road	3	2 x 1 Bed flats	Rented
			1 x 2 Bed house	Rented
Quorn	Thomas Firr Close	4	2 x 2 Bed houses	Rented
			2 x 3 Bed houses	Rented
	Peter McCaig Way	12	5 x 2 Bed houses 3 x 3 Bed houses 4 x 2 Bed flats	Rented Rented Rented
Fleckney	Main Street	16	10 x 3 Bed houses	Rented
			6 x 3 Bed houses	Shared Ownership
	Orchard Street	5	3 x 1 Bed flats 2 x 1 Bed flats	Rented Shared Ownership
Appleby Magna	Parkfield Crescent	8	3 x 2 Bed bungalows 4 x 2 Bed houses 1 x 2 Bed house	Rented Rented Shared Ownership
Croft 1	Poplars Road	7	1 x 2 Bed bungalow 2 x 2 Bed houses 2 x 3 Bed houses 1 x 2 Bed bungalow 1 x 2 Bed house	Rented Rented Rented Shared Ownership Shared Ownership

Village	Address	Number	Mix	Tenure
Croft 2	Poplars Road	6	2 x 2 Bed Bungalow 2 x 2 Bed House 1 x 3 Bed House 1 x 2 Bed House	Rented Rented Rented Shared Ownership
Elmesthorpe	Spinney Farm Close	4	1 x 2 Bed house 1 x 3 Bed house 2 x 3 Bed house	Rented Rented Shared Ownership
Husbands Bosworth	Knights Close	8	5 x 2 Bed houses 1 x 3 Bed house 2 x 2 Bed house	Rented Rented Shared Ownership
Sharnford	Coopers Close	8	2 x 2 Bed houses 2 x 3 Bed houses 3 x 2 Bed bungalows 1 x 3 Bed house	Rented Rented Rented Shared Ownership

NO	RISK CATEGORY	CAUSE	EFFECT
1	LRHA development procurement and viability	<ul style="list-style-type: none"> <li>- Insufficient subsidy/capital funding sources available for required product</li> <li>- Over extending of LRHA resources</li> <li>- Competition for resources</li> <li>- Direct funding of developers, and others, and reduced opportunities</li> <li>- Lack of Development Agent partners for LRHA with capacity and access to funding</li> <li>- Increased output expectations</li> <li>- Nimbyism</li> <li>- Insufficient rental values</li> <li>- Lack of Core Strategies resulting in increased hope value for sites</li> </ul>	<ul style="list-style-type: none"> <li>- LRHA unable to develop to meet identified needs</li> <li>- Failure to meet LRHA Business plan targets</li> <li>- Loss of development income to LRHA</li> <li>- Loss of reputation/influence</li> <li>- Inability to meet identified needs</li> </ul>
2	Welfare Reforms and introduction of Universal Credit	<ul style="list-style-type: none"> <li>- Government actions to reduce public spending and Welfare Bill</li> <li>- Changes to Welfare Benefit rules/ qualifying criteria and introduction of Universal Credit</li> <li>- New legislation/payment arrangements impacting on consistency of rental stream</li> </ul>	<ul style="list-style-type: none"> <li>- Impact on LRHA rental income</li> <li>- Rapidly increasing LRHA rent arrears, bad debts, court applications and evictions</li> <li>- LRHA residents seeking transfer to smaller properties</li> <li>- Increased assistance to residents requiring support (signposting)</li> <li>- Increased resourcing of the Housing Management Team</li> </ul>

Appendix 3 – LRHA Operational Risks

NO	RISK CATEGORY	CAUSE	EFFECT
3	LRHA ability to compete within sector	<ul style="list-style-type: none"> <li>- Inadequate priority attached to rural housing delivery</li> <li>- Increased competition for grant resources/ reduced funding sources</li> <li>- Unrealistic/unachievable output expectations</li> <li>- Insufficient internal resources to compete</li> <li>- Revised funding priorities</li> </ul>	<ul style="list-style-type: none"> <li>- Increased costs/excessive use of LRHA resources</li> <li>- Lack of new business for LRHA</li> <li>- Reduced development programme</li> <li>- Lack of homes being provided</li> </ul>
4	LRHA health and safety obligations	<ul style="list-style-type: none"> <li>- LRHA failure to comply with legislation</li> <li>- Inadequate policy approaches and monitoring procedures</li> <li>- insufficient priority/focus</li> </ul>	<ul style="list-style-type: none"> <li>- Increased risk of injury</li> <li>- LRHA legal liability and associated financial impact</li> <li>- Regulatory intervention (serious detriment)</li> <li>- Reputational damage to LRHA</li> </ul>
5	Withdrawal of managed stock	<ul style="list-style-type: none"> <li>- LRHA unable to meet partner performance expectations and VFM</li> <li>- Increased consolidation of management function by partner RSLs, or reduction in management fees</li> <li>- Property sales/stock rationalisation</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of income to LRHA, and viability of service</li> <li>- Efficiencies required in management service</li> <li>- Loss of geographical/local influence</li> <li>- Reputational fall out</li> <li>- Loss of purchase opportunities</li> </ul>
6	Increasing LRHA maintenance and void costs	<ul style="list-style-type: none"> <li>- Increases in building inflation</li> <li>- Ageing/deterioration of LRHA stock</li> <li>- Insufficient investment by LRHA in planned maintenance</li> <li>- Properties not attractive to potential residents</li> </ul>	<ul style="list-style-type: none"> <li>- Detrimental impact on LRHA budget</li> <li>- Unable to include necessary work in financial plans</li> <li>- LRHA resident dissatisfaction</li> <li>- Reputational damage</li> <li>- Increasing void times</li> </ul>

Appendix 3 – LRHA Operational Risks

NO	RISK CATEGORY	CAUSE	EFFECT
7	Changes to planning system	<ul style="list-style-type: none"> <li>– Change in planning legislation (NPPF)</li> <li>– Local policy making at LA level</li> <li>– Interpretation of wider Core Strategy policies</li> <li>– Government announcements and initiatives</li> </ul>	<ul style="list-style-type: none"> <li>– Loss/revision of planning mechanisms for delivery of new LRHA homes</li> <li>– Loss/revision of Exceptions Policy</li> <li>– Lack of appreciation of specific rural planning mechanisms</li> <li>– Implementation of cross-subsidy on Exception sites</li> </ul>
8	LRHA ability to access private finance	<ul style="list-style-type: none"> <li>– Insufficient lenders in the market</li> <li>– Increasing margins</li> <li>– LRHA inability to meet covenants</li> <li>– Insufficient security for loans</li> <li>– Inadequate financial skills on LRHA Board</li> <li>– Withdrawal of existing lenders from the sector</li> </ul>	<ul style="list-style-type: none"> <li>– Inability to secure loans at acceptable levels</li> <li>– Inability of LRHA to repay loans</li> <li>– Reduced lending market</li> <li>– Increased refinancing</li> <li>– Reduced development programmes</li> </ul>
9	LRHA interest rate exposure	<ul style="list-style-type: none"> <li>– Inflation/deflation in economy</li> <li>– LRHA lenders margins renegotiated</li> <li>– Fixed:Variable loan ratios not maintained</li> </ul>	<ul style="list-style-type: none"> <li>– Inability of LRHA to repay loans</li> <li>– Breach of LRHA lending covenants</li> <li>– Borrowing rate assumptions exceeded</li> </ul>
10	LRHA failure to comply with Regulatory Framework and Code of Governance	<ul style="list-style-type: none"> <li>– Insufficient attention given to revised (2015) regulatory obligations</li> <li>– Insufficient attention given to adopted (NHF) Code of Governance</li> <li>– LRHA failure to address resident focus/ co-regulatory agenda</li> <li>– Increased regulatory engagement emerging from private lender concerns</li> <li>– Risk based approach to regulation and increased attention on smaller (RASA) HAs.</li> </ul>	<ul style="list-style-type: none"> <li>– Regulatory intervention</li> <li>– Merger considerations</li> <li>– Loss of/reduction in LRHA development funding</li> <li>– LRHA reputational damage with partners and residents</li> <li>– Incorrect/ inaccurate certifications</li> </ul>

Appendix 3 – LRHA Operational Risks

NO	RISK CATEGORY	CAUSE	EFFECT
11	Business continuity	<ul style="list-style-type: none"> <li>- Destruction of MRH office(s)</li> <li>- Office site(s) unavailable to MRH staff</li> <li>- Hardware failure/destruction of equipment</li> <li>- No access to, or failure of, Group systems</li> </ul>	<ul style="list-style-type: none"> <li>- Disruption to service provision</li> <li>- Loss of MRH/LRHA records</li> <li>- Financial loss to MRH and LRHA</li> <li>- Reputational damage to MRH and LRHA</li> </ul>
12	Increasing LRHA rent arrears and bad debts	<ul style="list-style-type: none"> <li>- Rents not affordable to client group</li> <li>- Wider introduction of Universal Credit</li> <li>- Social changes (unemployment/benefits review and Welfare Reform)</li> </ul>	<ul style="list-style-type: none"> <li>- LRHA rent arrears/bad debts increase</li> <li>- Reduced income</li> <li>- Reduced surpluses</li> <li>- Increased demands on income management function</li> <li>- Increased evictions and associated costs</li> </ul>
13	Flood risk	<ul style="list-style-type: none"> <li>- Environmental change</li> <li>- Extremes of rainfall</li> <li>- Poor/inadequate land drainage in rural locations</li> </ul>	<ul style="list-style-type: none"> <li>- Flood damage to properties</li> <li>- Relocation of residents</li> <li>- Impact on insurance premiums</li> <li>- Disruption to service standards costs and potential rent loss</li> </ul>
14	Maintaining demand	<ul style="list-style-type: none"> <li>- LRHA unable to meet resident aspirations</li> <li>- Lack of demand for LRHA products</li> <li>- Demographic changes</li> <li>- LRHA not providing VFM/achieving local affordability requirements</li> </ul>	<ul style="list-style-type: none"> <li>- Loss of LRHA rental income</li> <li>- Lack of demand for LRHA services and homes</li> </ul>
15	Unable to meet resident aspirations	<ul style="list-style-type: none"> <li>- LRHA not meeting agreed service standards and resident aspirations</li> <li>- LRHA not involving residents in decision making</li> <li>- Resident Involvement Board not engaged effectively</li> <li>- Reduced resources for stock investment</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in complaints and service demands</li> <li>- LRHA unable to let properties</li> <li>- Lack of resident “buy-in” and failure of resident engagement structures</li> </ul>

Appendix 3 – LRHA Operational Risks

NO	RISK CATEGORY	CAUSE	EFFECT
16	LRHA Board membership and effectiveness	<ul style="list-style-type: none"> <li>- Insufficient skills and experience on LRHA Board</li> <li>- Lack of focus on key issues impacting on LRHA business</li> <li>- Insufficient membership renewal and succession</li> <li>- Insufficient effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>- Poor decision-making and governance</li> <li>- Inadequate business planning</li> <li>- Non-compliance with NHF Code and regulatory requirements</li> </ul>
17	Marketability of shared ownership	<ul style="list-style-type: none"> <li>- Lack of s/o mortgage lenders</li> <li>- Unattractive to purchasers</li> <li>- High deposit requirements</li> <li>- Local affordability</li> </ul>	<ul style="list-style-type: none"> <li>- Unable to sell LCHO products</li> <li>- Mortgages unavailable or expensive to secure</li> <li>- Reduced development of home ownership products</li> </ul>
18	Adverse publicity and media	<ul style="list-style-type: none"> <li>- Service delivery failures</li> <li>- Inaccurate/irresponsible reporting</li> <li>- Inadequate supply of prepared material</li> <li>- Insufficient promotion of the sector's work/poor sector image</li> </ul>	<ul style="list-style-type: none"> <li>- Poor perception of LRHA</li> <li>- Reputational damage</li> <li>- Failure to take advantage of PR opportunities</li> </ul>
19	Legislative change	<ul style="list-style-type: none"> <li>- Government policy reviews</li> <li>- Change in legislation</li> <li>- Judicial reviews</li> <li>- Increased transparency</li> </ul>	<ul style="list-style-type: none"> <li>- Increased scrutiny of housing management practices</li> <li>- Increasing legal costs and resource demands</li> <li>- Increased Government influence over activities</li> <li>- Revision of current business models</li> </ul>
20	LRHA service charges – not achieving cost recovery	<ul style="list-style-type: none"> <li>- Insufficient cost recovery</li> <li>- Tenant difficulty in meeting increases</li> <li>- Charges not supported within UC framework</li> <li>- Ineffective collection measures</li> <li>- Inaccurate budget setting</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient collection to cover costs</li> <li>- Service charges set at incorrect level</li> <li>- Affordability to residents</li> </ul>



Appendix 3 – LRHA Operational Risks

NO	RISK CATEGORY	CAUSE	EFFECT
21	Security of loan portfolio (Co-op Bank)	<ul style="list-style-type: none"> <li>- Instability in banking system</li> <li>- Insufficient capitalisation</li> <li>- Poor management and reputation</li> <li>- Co-op Bank withdrawal from the sector</li> </ul>	<ul style="list-style-type: none"> <li>- Inability to maintain existing facilities resulting in repayment demand</li> <li>- Requirement to refinance</li> </ul>
22	Restriction of LA allocation policies	<ul style="list-style-type: none"> <li>- LA policy changes to nominations/allocations criteria</li> <li>- Restrictive access to LA lists</li> <li>- LA responses to Homeless Reduction Bill</li> </ul>	<ul style="list-style-type: none"> <li>- Inability of applicants to access LA registers</li> <li>- Inappropriate nominations/allocation referrals</li> <li>- Local needs not being addressed as promised</li> <li>- Negative impact locally</li> <li>- Reputation and future growth undermined</li> </ul>
23	Voluntary Right to Buy for Housing Associations	<ul style="list-style-type: none"> <li>- Elected Government Manifesto pledge</li> <li>- Voluntary agreement between NHF and Government</li> </ul>	<ul style="list-style-type: none"> <li>- Potential to undermine “exceptions”/in perpetuity principles</li> <li>- Reduced community support/buy in</li> <li>- Landowners unwilling to engage</li> <li>- Increased land values</li> <li>- Negative view from lenders on asset security</li> <li>- Difficulties in replacement</li> </ul>
24	Policy and procedure reviews	<ul style="list-style-type: none"> <li>- Inadequate review of existing policies and procedures</li> <li>- Revised legislation/good practice introduced</li> </ul>	<ul style="list-style-type: none"> <li>- Outdated policies and procedures</li> <li>- Non-compliance with law/good practice</li> <li>- Inconsistent approaches</li> </ul>

Appendix 3 – LRHA Operational Risks

NO	RISK CATEGORY	CAUSE	EFFECT
25	Rent reductions/ rent control	<ul style="list-style-type: none"> <li>- Government intervention</li> <li>- Legislative change</li> <li>- Welfare reduction agenda</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction in income to LRHA</li> <li>- Impact on LRHA business viability</li> <li>- Further cost efficiencies to be identified</li> <li>- Potential to breach loan covenants</li> <li>- Inability to raise private finance</li> <li>- Inability to deliver Business Plan aspirations</li> <li>- Insufficient resourcing of the business</li> <li>- Reductions in service provision and performance</li> </ul>
26	Passivhaus development	<ul style="list-style-type: none"> <li>- Undertaking Passivhaus development proposals</li> <li>- Policy on reducing fuel poverty for residents</li> <li>- Planning requirements requiring eco friendly development</li> </ul>	<ul style="list-style-type: none"> <li>- Increased development costs</li> <li>- Increase input of Association's own resources (over extending)</li> <li>- Reduction in borrowing capacity for other projects</li> <li>- Restricted development programme</li> </ul>

## **GLOSSARY**

AHP	Affordable Housing Programme
CLT	Community Land Trust
CME	Continuous Market Engagement
CPI	Consumer Price Index
CSR	Comprehensive Spending Review
HB	Housing Benefit
HCA	Homes & Communities Agency
LA	Local Authority
LCHO	Low Cost Home Ownership
LEP	Local Enterprise Partnership
LIBOR	London Interbank Offered Rate
LRHA	Leicestershire Rural Housing Association
LRHG	Leicestershire Rural Housing Group
MRH	Midlands Rural Housing
NHF	National Housing Federation
NPPF	National Planning Policy Framework
PR	Public Relations
RHA	Rural Housing Association
RPI	Retail Price Index
RSL	Registered Social Landlord
SWOT	Strengths, Weaknesses, Opportunities, Threats
UC	Universal Credit
VFM	Value for Money
VRTB	Voluntary Right to Buy

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