



BUSINESS PLAN

2024 - 2027

cairn ancho

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EXECUTIVE SUMMARY

We are pleased to present the updated Business Plan for Cairn and Ancho, covering the period 2024 to 2027. This plan lays forth our strategic objectives for Cairn Housing Group. As we embark on this new phase of service delivery, our focus remains on enhancing customer service, customer satisfaction, maintaining high standards of tenancy and estate management, investing in our housing stock, and improving repair services. Additionally, we will continue to drive organisational growth through our new build development program and our independent living court redevelopment program.

To improve services to our customers, we are committed to enhancing performance, particularly in reducing voids relet times. We also want to leverage the benefits of our investment in new IT infrastructure to continue our digital improvements.

Our dedicated staff will continue to provide advice and support to tenants and other stakeholders nationwide, collaborating closely with local authorities, other partners, voluntary organisations, and statutory bodies to ensure comprehensive welfare support for those in need.

We are committed to fostering active engagement with our customers and communities, offering opportunities for increased tenant involvement in service enhancement, standards monitoring, and community development initiatives.

Upholding our commitment to affordability, we will deliver value-for-money services through sustainable rent structures. Integration of Cairn and Ancho will progress, aiming for a successful tenant ballot during the life of this plan.

We will pursue further efficiencies and governance enhancements within the Cairn Housing Group to serve the best interests of both current and future tenants.

Audrey Simpson, Chief Executive

Angus Lamont, Chair of Cairn

Bill Finlay, Chair of Ancho



OVERVIEW

Welcome to Cairn Housing Association and Ancho's ambitious journey outlined in this comprehensive business plan spanning 2024 to 2027. As we step into this challenging strategic period, we are committed to advancing our mission of providing quality, safe, affordable homes, and services in our communities, throughout Scotland. This document serves as a roadmap, detailing our goals, strategies, and the steps we will take to contribute positively to the communities we serve.

As we move forward to implementing this plan, we will be actively seeking tenant input and feedback in the form of tenant panels and through online surveys. If you wish to register your interest in taking part in a tenant panel, please contact us on enquiries@cairnha.com

We will be reporting our progress on the delivery of this business plan to our tenants and other stakeholders at regular intervals. Please see our stakeholder section for more details.

How this plan was developed

Over the last year the plan has been developed using feedback from tenants, The Joint Board of Management, The Executive Team, and views from all staff. The feedback has been gathered via our tenant survey, a survey of all board members and the board strategy day. All staff teams were invited to feedback in the form of surveys and in person discussions and an extended management team strategy day.

The business plan is laid out to show our intent, starting with our long-term vision for the organisation against each of our stated outcomes. We then set out our continued focus on day-to-day delivery for our tenants as well as our improvement and change projects



Figure 1 Performance Framework

Our performance and risk framework is connected to this business plan. This allows us to link operational performance to improvement actions and allows the actions within the plan to be linked to the risk mitigation.

ABOUT US

Cairn and Ancho stand as robust organisations, dedicated to addressing the critical need for affordable housing. We operate in 25 Local Authorities across Scotland.

The Association formed in 1989 as the Scottish arm of the Royal British Legion Housing Association with around 1,000 tenancies, providing sheltered housing properties. In 1992 we changed our name to Cairn Housing Association. In 1993, 70 properties transferred from Culdion Housing Association. In 1996, 1000 properties were transferred to Cairn from Scottish Homes in the Highlands. Through our development programs and a further series of transfers from Lochside and Outlook Housing Associations we continued to see the organisation grow. Cairn has been recognised as the 42nd best UK not-for-profit organisations to work for by Best Companies, as well as achieving four stars for Excellence award by Quality Scotland. Our Care & Repair Service was awarded a Scottish Quality Mark by Care & Repair Scotland. In 2018 Cairn & Ancho entered a constitutional partnership. Ancho was founded in 1999 as part of a transfer from Scottish Homes. In 2022 Pentland Housing Association transferred to Cairn. Today Cairn and Ancho have over 4500 tenancies, provide handy person services in and around Inverness and carry out factoring of garage sites and for homeowners in mixed tenure areas through our commercial subsidiary Pentland Community Enterprises.

As an organisation, we take pride in our ability to adapt to evolving housing challenges and provide innovative solutions. This plan reflects our commitment to improvements, sustainability, and, most importantly, making a difference in the lives of those we serve.

Cairn and Ancho in numbers:

4,500+

homes across Scotland

700

factoring service to
700 homes

200+

dedicated staff
across Scotland

5

offices located in
Edinburgh, Bellshill, Irvine,
Inverness, and Thurso

£25M

Our total turnover is
c.£25 million with Net
Assets of c. £79 million.

We comprise two
registered social
landlords and Scottish
charities, Cairn and
Ancho.

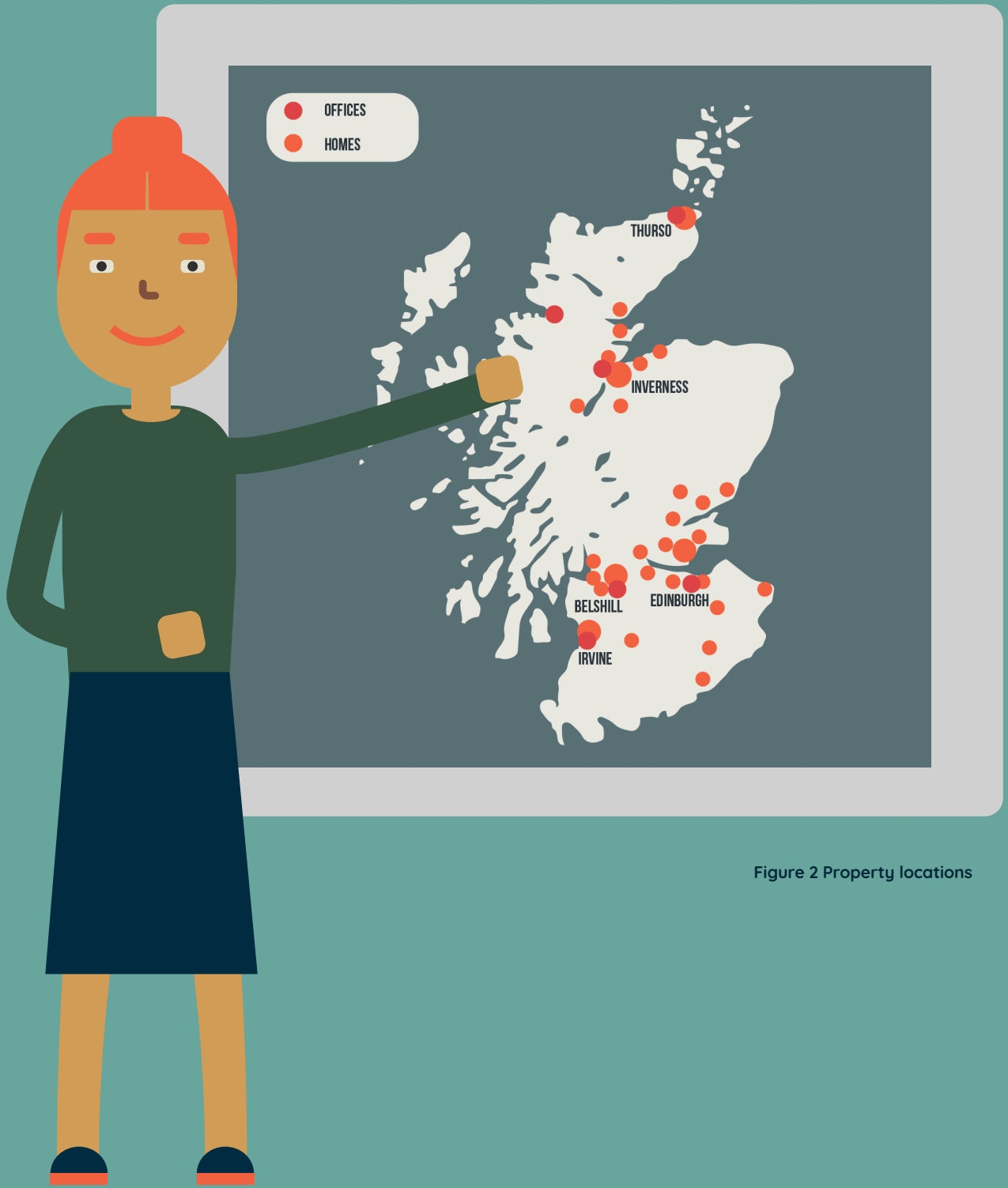


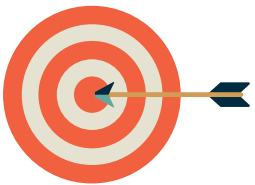
Figure 2 Property locations

MISSION STATEMENT VISION AND VALUES:



Our Mission: To provide quality, safe, affordable homes, and services, in our communities and with our partners, throughout Scotland.

Our Vision: We want to change more than where people live. We want to change how they live too through:



Great homes - Great services - Great people.

Our Values:

Customer first Our customer comes first, and we will always aim to achieve high quality outcomes for customers.

Excellence We value excellence and quality and aim to achieve high standards in all we do. We always strive to be the best that we can be.

Accountability We are accountable for our actions, and we take responsibility and ownership for outcomes.

One team We work as one team and build excellent working relationships to achieve our goals.

Respect We value high standards of fairness, treating everyone with consideration and dignity. We show this through our everyday words and actions.

Governance & Senior management structures

The Cairn and Ancho Boards meet jointly through the Joint Governing Bodies meetings, where each board deals with its own business and joint matters are discussed by all. This meeting happens every quarter with additional meetings for Strategy and Development matters.

We have three sub committees focused on Audit and Performance, our Asset / Development strategy and finally our remuneration or salary matters. These are shown on the diagram below and Terms of Reference are in place for each.

Our business is organised into four Directorates. This is shown in figure 4 along with their core responsibilities.

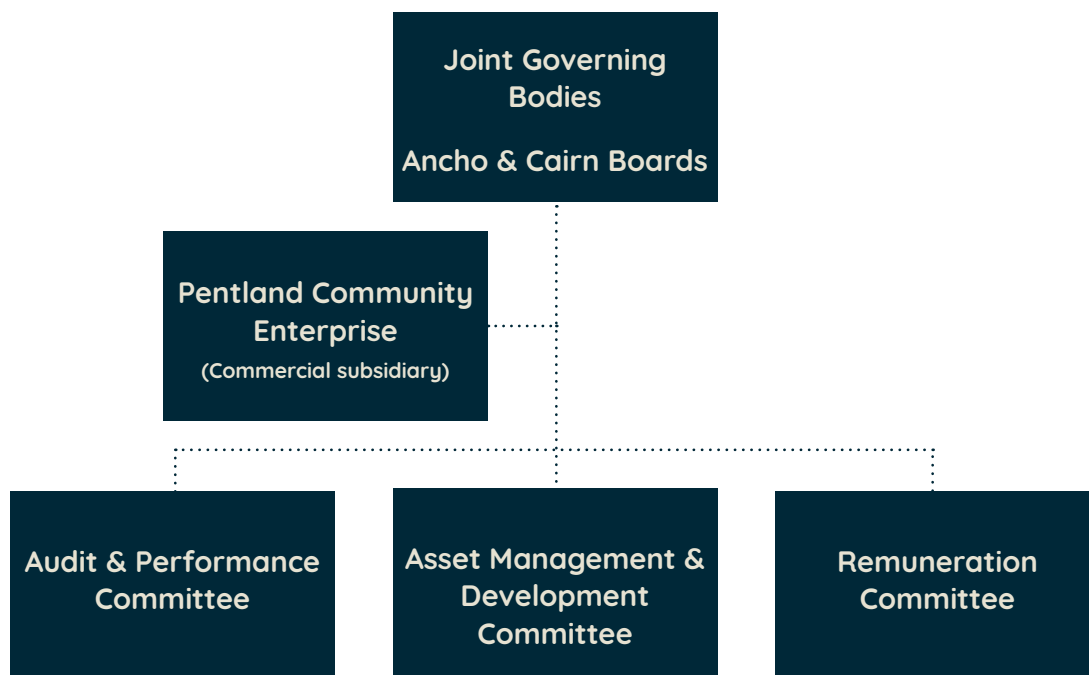


Figure 3 - Governance structure



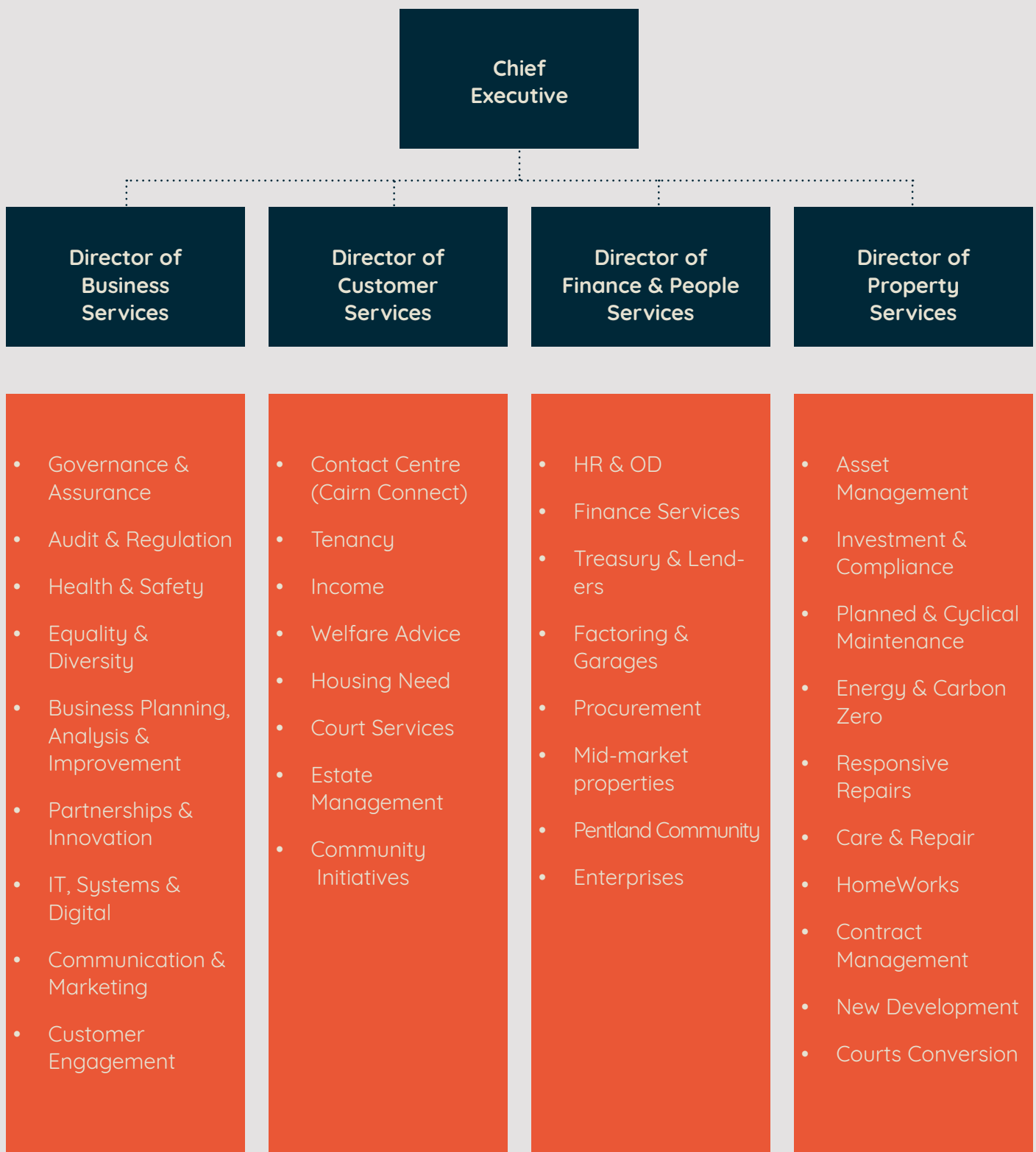


Figure 4 - Departmental structure

KEY STAKEHOLDERS

The following is a list of our key stakeholders, who are core to our business delivery and influence this plan and our future aspirations.

Customers

Our customers include tenants, residents, and service users. Our focus is on delivering the best possible services and developing meaningful relationships between ourselves and our customers.

This is the group of stakeholders for whom we exist. These are the people that we deliver services to and build homes for. Our customers are the basis of Cairn and Ancho and as such are the most important stakeholder group.

Staff

Our staff team are vital to all that we do as an organisation. We are only as good as those who deliver services on our behalf. It is vital that we provide appropriate incentives, support and direction to our staff in return for performance and high levels of professional behaviour. We will focus on engaging our people and maximising their potential to deliver great services to our customers.

Local Authorities

We work in 23 local authorities across Scotland. The customers we serve are also customers of the local authority, therefore local authorities have significant interest and influence on our work. We will continue to develop our existing good partnership relationships with local authorities to contribute to their strategic objectives in the interests of local communities.

Regulation

We welcome the rigor and scrutiny that audit, and regulation brings to ensure high standards of probity, risk management, governance, and financial health. We will continue our positive and professional working relationship with our Regulators, responding to queries and information requests accurately and in a timely fashion to meet regulatory standards.

Lenders

As a charitable, not-for-profit organisation, and social business, we borrow money from lenders to support both the building of new homes and the refurbishment of existing stock. Communicating with this group of stakeholders and providing them with relevant, accurate and timely information is vital and we will manage our finances to ensure compliance with our financial covenants.

Government

We will continue to seek to make a range of contributions to align our services and investment to meet the national policy priorities of the Scottish Government. We seek, with others, to influence the Government on housing policy, community, and health and social care where appropriate for the benefit of all our customers.

Partners

We work with local and national partner Organisations on a variety of initiatives. These relationships are valued by us and allow us to deliver a range of projects. We will also seek to learn from others and actively engage in the sector, including the CIH and SFHA, to contribute our voice and influence where appropriate.

Suppliers and Contractors

We work with a number of suppliers, contractors and developers throughout Scotland and have developed a great relationship with all our suppliers. We will ensure positive, professional partnerships following best practice in partnering, procurement and contract management.

SWOT & PESTEL ANALYSIS

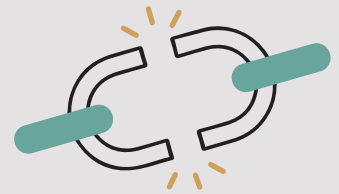
Following on from the surveys of tenants, the board, and staff. The SWOT and PESTEL analysis have helped us identify the areas that we need to focus on. We have six outcomes to focus on, which will address our weaknesses and take advantage of the opportunities we have identified.

STRENGTHS



- National presence
- Experienced staff team
- Strong governance
- Financial capacity and lender support
- Corporate services
- Partnerships with stakeholders
- Positive relationship with regulator
- Robust business planning process
- Leadership and management development
- Financial self-awareness
- Whole package employers, secure, flexible, inclusive, financially stable and accredited Living Wage employer.
- Clear vision and values
- Stock investment capacity
- Good levels of staff engagement
- Focus on organisational development
- Proactive asset management
- Financially sound & resilient business
- In-house property maintenance resource, reduces reliance on external contractors
- Clear Development Program

WEAKNESS



- Ageing stock components
- Low demand/hard to let issues
- Estate and environmental condition info
- Geographic stock spread across 25 LA's
- Stock condition data
- Tenant involvement opportunities
- Underdeveloped approach to factoring
- New Group structure still to mature fully
- Equality and diversity balance on boards
- Current performance challenges.
- Small teams in some service areas = lack of resilience
- Unclear court service offers and delivery plan
- Unclear ESG objectives
- Staff training requirements and digital capabilities



OPPORTUNITIES

- National presence
- New Executive Team
- Procurement improvements
- Improving approach to performance and project management
- Review of HomeWorks handy person and care takers services
- Utilisation of Pentland Community Enterprises
- Developing approach to community development and external grant funding
- Customer profiling
- Channel shift, step forward in digital, working/access to services
- Achievement of efficiencies after new systems implementation
- Further Group integration
- Future constitutional partnerships and rationalisation in the sector
- Increased usage of ESG model
- High demand for social housing
- Development of artificial intelligence
- Stock rationalisation (AMS)



THREATS

- Higher Inflation and Brexit impacts
- Debt portfolio
- Commercial/financial risk through subsidiary activity (rent control in PRS)
- Failure to actively manage costs in relation to income and stock levels
- Lack of succession planning for Board and Executive Team
- Failure of key contractors
- Changing customer aspirations/needs
- Failure to manage adverse impacts of further welfare reform
- Stock rationalisation (AMS) - lost income
- Increasing compliance and regulation requirements
- Challenges of development process (housing supply)
- Learning and development spend
- Failure to deliver component replacement
- Phasing out of gas & Net Zero targets
- Energy price volatility
- Homelessness targets
- Low demand / hard to let properties
- Increasing cyber threats

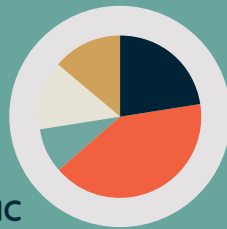


POLITICAL

UK Parliament Elections: The next UK elections is scheduled for late 2024, The outcome could have significant “consequential” funding for Scotland plus implications for a 2nd independence referendum.

Scottish Parliament Elections: 7th May 2026 may have an impact on housing supply of policy.

Local Government: The varying application of government policy at local levels leads to Cairn having to tailor responses and working practices to suit 23 LA’s.



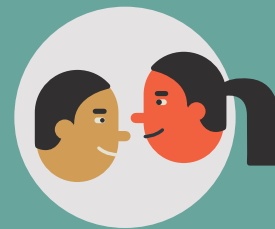
ECONOMIC

Grant Subsidy, with increasing costs of housing supply not reflected in grant subsidy.

High levels of Inflation. Higher cost places additional demands on the association, customers and staff.

Economic uncertainty, The Ukraine War, impacts from Covid.19 & Brexit, making economic predictions difficult.

Cost of Living the increasing cost of living on our customers and staff



SOCIAL

Demographic Change. An ageing population will have an impact on what and how we provide services.

Housing Market Demand. Increasing demand of social housing and knock on effects of higher mortgage rates.

Poverty, Cost of living, Food and Fuel poverty places increased demands on our services.



TECHNOLOGICAL

Working Arrangements, increased digital capabilities for working, leads to opportunities to work from anywhere and carry out duties away from a traditional office setting.

Digital Services, increased ability to communicate with our customers presents opportunities.

Cyber Security, increased cyber threats, places additional costs on the association and risks to be mitigated



ENVIRONMENTAL

Carbon neutral by 2045. Cairn and Ancho will be impacted by this target across all of the business operations.

EESH2 legislation requires an EPC rating of B by 2032

Active Travel is being promoted by the Scottish Government and will impact on new housing developments.

Climate Change our properties could be more liable to damage from storms.



LEGAL

New Housing Scotland Act, and introduction of rent controls for PRS could impact midmarket rents.

Regulator and meeting requirements of the SHR.

Freedom of information and GDPR, leading to increased costs and implications of data security

OUR VISION TO 2030

We created six outcomes to structure our improvement activity around in our 2020 Business Plan. While the life of this plan is to 2027 the Board of management developed a clear direction for Cairn at the Strategy Day in 2023 which was based on SWOT and PESTEL analysis and staff/tenant feedback. The following sets out that vision against our six agreed outcomes to 2030

Great Homes

Outcome 1

We have high quality homes.

We will continue to prioritise investment in our properties to ensure we provide warm, safe and secure homes for our tenants. We will use the data from our Asset Performance Review to understand the needs of our stock and to target the investment program and consider disposal or demolition and regeneration where appropriate. We will continue to work with our local authority partners to develop new build properties where appropriate to meet housing need across Scotland. We will continue to work towards our green homes and net zero targets and access grant funding where appropriate.

Outcome 2

We have thriving neighbourhoods.

It is not only important that we focus on bricks and mortar, but the neighbourhoods our tenants live in too. We will consider consolidation of where we have stock located to allow us to deliver services to customers in an effective manner. We will support tenants to stay in their homes, by providing access to welfare advice and other support services for those struggling financially. We will continue to reduce the time properties are empty and that we allocate to those in housing need. Working with partners, particularly local authorities, we will improve the estates and communities our tenants live in.



Great Services

Outcome 3

We have customer focused services.

Our customers are at the heart of the services we provide, and we will continue to involve them in our decision-making processes. We will update and modernise the services delivered within our independent living properties to ensure they meet our customer's needs. We will continue to use modern technology to allow customers to contact us in a way that is suitable to them and to deliver services in a timely manner. We will also use modern technology to ensure our customers' homes are safe.



Outcome 4

We are efficient and value for money.

Achieving value for money for our tenants is one of our highest priorities. We will review our charging framework for the services tenants receive to ensure that these are the best value. The service level agreements and our working arrangements with our partners will be updated to ensure we are getting value for money. We will continue to focus on how we procure goods and manage services to ensure we are getting the best value out of tenant's rent.

Great People

Outcome 5

We have skilled and engaged people.

Having the right people equipped with the right skills to deliver our services is important to us, as is our organisational culture expressed through our values. We will continue to invest in our team, whether that be staff or board members. We will continue to ensure that we recruit high quality individuals to work with us.

Outcome 6

We have sound governance.

Sound governance underpins every high performing organisation. We will build on our strong reputation, good relationship with the Regulator and continue to ensure that Cairn is run as effectively as possible. Compliance with regulatory standards and wider legislation, particularly that relating to Tenant and Resident Health and Safety will continue to be our priority. We will ensure we meet national standards and requirements for the safety of our customers.



OPERATING FOCUS

The following section of the plan is in two parts. Firstly, our ongoing service delivery priorities and those measures that are aligned against them which will allow us to monitor progress and tackle poor performance if required. Secondly our improvement agenda is laid out with key projects and high-level actions. A project plan will be created for each of these and will be resourced accordingly.

Areas of continuing Focus and monitoring

We have high quality homes	
Continued Focus and Measurement	
Focus	KPI
Investment & Compliance Programs	% Of gas safety certificates renewed within timescale EICR Water Hygiene testing FRA completed. Asbestos Management Lifts and Stairlifts % of Stock with up-to-date Stock condition survey Damp Mold & Condensation compliance SHQS compliance EESSH compliance
Development Programme	New supply delivered: absolute (social and non-social)
Reactive Repairs Delivery	Average time (hours) to complete emergency reactive repairs Average time (days) to complete urgent reactive repairs. Average time (days) to complete routine reactive repairs. % of Repairs completed right first time



We have thriving neighbourhoods

Continued Focus and Measurement

Focus	KPI
Arrears,	% Of income collected Current tenant arrears as a % of debit Former tenant arrears as a % of debit
Allocations & Voids Day to Day	% Of rent lost due to voids New let: average turnaround times. Voids as % of the lettable stock Void Relets average days.
Estate Management, Complaints & ASB day to day	General Needs Estates Yearly Independent Living Estates Quarterly % Of new tenancies sustained for more than 1 year % Of ASB Cases responded to in Timescale % Of stage 1 complaints responded to within timescale % Of stage 2 complaints responded to within timescale

We have customer focused services

Continued Focus and Measurement

Focus	KPI
Contact Centre Operations	<p>SLA1 % of calls answered in 60 seconds.</p> <p>SLA 2 % of email processed within 4 hours (within working hours)</p> <p>SLA 3 % of messaging responses within 30 mins (within working hours)</p> <p>Digital as a % of all enquiries</p> <p>Income Payments Processed per Month</p>
Maximize Welfare benefits gains for tenants and access sources of external funding	To draw in £1.2m of additional welfare benefits for tenants

We are efficient and value for money

Continued Focus and Measurement

Focus	KPI
Ongoing procurement efficiencies	<p>Reduced Number of Suppliers:</p> <p>Greater Community Benefit:</p> <p>Innovation / Added Value:</p> <p>Cost Avoidance</p>
Benchmarking & Business Analysis	Benchmarking with our ARC group and peers plus Scottish Housing Network Board & Manager sessions

We have skilled and engaged people

Continued Focus and Measurement

Focus	KPI
Delivery of annual training program	Spend of training budget % of eLearning completed.
Cyclical review of salary bench marking	Salary benchmarking within budget tolerances
Staff Performance Management	100% of staff to have completed performance management reviews

We have sound governance

Continued Focus and Measurement

Focus	KPI
Tenant and resident health and safety compliance.	Gas safety compliance EICR Water Hygiene testing FRA completed.
Governance Compliance	Annual Assurance Statement & ARC Reporting Board Appraisals, Training & Development Programme Board succession planning. SHR Guidance, OSCR, FCA, Data Protection, Equalities and FOI Compliance

IMPROVEMENT PROJECTS

We have high quality homes

Improvement Key Focus and Projects

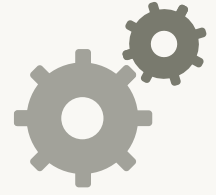
Projects	Key Actions	Timescale	Exec lead
Court Improvement Programme at Adam Grossert Court	Complete phase 1 of Project (Consultation & Re-home) Complete phase 2 of Project (Restructure) Complete phase 3 of Project (Reallocation)	2024 -27	Director of Property Services
Court Improvement Programme at Aitkin Court & Royal Scot	Customer Consultation phase of Aitkin Court & Royal Scot Delivery of Agreed Improvement Programme outcomes	2024-25	Director of Property Services
Net Zero and sustainability Improvements	Cluny Court – shared solar Thurso – shared solar EnerPHit ‘lite’ in Wick Phase 1 EnerPHit ‘lite’ in Wick phase 2 Energy Investment Projects ANCHO tenant consultation	2024 -27	Director of Property Services



We have thriving neighbourhoods

Improvement Key Focus and Projects

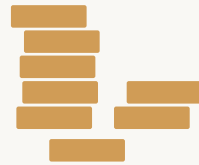
Projects	Key Actions	Timescale	Exec lead
Policy and Procedure, Change and Quality Review	<p>Create Policy and Procedure Change process & Quality and competency framework.</p> <p>Prioritise Policies for review.</p> <p>Consult with tenants where appropriate.</p> <p>Create Policy and Procedure Library.</p> <p>Set up ongoing competency and review framework.</p>	<p>Phase 1 (Homemaster Dependent Polices) To be completed by Summer 2025</p> <p>Phase 2 by 2027</p>	Director of Business Services
Review of areas of operation (Acquisitions Disposals & Concentration)	<p>Develop options appraisal framework for stock acquisition or disposal.</p> <p>Define our strategically important areas to concentrate our stock profile.</p> <p>Complete annual asset performance review</p> <p>Carry out options appraisals on strategically identified stock</p>	<p>2024-25</p> <p>Annually</p> <p>As required</p>	Director of Property Services



We have customer focused services

Improvement Key Focus and Projects

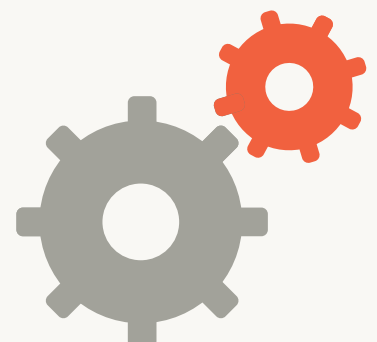
Projects	Key Actions	Timescale	Exec lead
Expansion of digital offering	Digital Offering Stage 1 – Digital Service, workflows, customer portal and payments	2024-25	Director Of Business Services
	Digital Offering Stage 2 – Skills and knowledge and Omni Channel	2025-26	
	Digital Offering Stage 3 – Efficiency	2026-27	
Review of Independent Living Offering & Charges	Review of current services, facilities and offering at each location.	2024-25	Director of Customer Services
	Consultation with tenants and stakeholders, market and demographic assessment and financial performance analysis.	2025	
	Development of pricing strategy.	2025	
Develop and implement our communication, engagement and tenant participation offering	<p>Develop tenant participation strategy and assess current and future capabilities to deliver improved engagement,</p> <p>Define tenant representative structure, powers and engagement methods.</p> <p>Ensure equality and diversity is taken into account when developing our approach</p>	2024-25	Director of Customer Services



We are efficient and value for money

Improvement Key Focus and Projects

Projects	Key Actions	Timescale	Exec lead
Review of all SLA's at Courts & Leased Properties	Revisit all service level agreements and leases to ensure fit for future service needs and customer expectations. Tenant consultation on any changes identified	2024-25 2025-26	Director of Customer Services
Update Rent & Reassess Service Charge Structure	Update rent structure and reassess the future structure of our service charges to align with services provided. Implement new structure (likely beyond the life of this plan)	2024-26 2027	Director of Finance and People Services
Review of office provision and ways of working	Consult and carry out options appraisal on the location and set up of our office structure. Reassessment of working arrangements. Implement agreed structure	2025-27	Director of Finance and People Services
Maintenance service delivery analysis	Carry out demand analysis of current reactive and planned maintenance delivery. Carry out options appraisal on future reactive and planned maintenance delivery	2026-27	Director of Property Services



We have skilled and engaged people

Improvement Key Focus and Projects

Projects	Key Actions	Timescales	Exec lead
Investing in our people and training	<p>Further development of career opportunities & continuous learning opportunities, mentoring and coaching.</p> <p>Continue to explore staff benefit options and opportunities.</p> <p>Develop clear work force planning mechanisms.</p> <p>Develop further training KPI's</p>	2024 -27	Director of Finance and People Services
Reinvigoration of our vision and value	<p>Develop and integrate performance and evaluation framework based on our values.</p> <p>Embed our vision and values in all operating policies and procedures.</p> <p>Recognition, Rewards and Celebration of Values e.g. staff awards</p>	2024-27	Chief Executive

We have sound governance

Improvement Key Focus and Projects

Projects	Key Actions	Timescales	Exec lead
Completion of Ancho ToE	<p>Restart Project from stage 2</p> <p>Carry out Tenant Vote</p> <p>Execute Transition and Integrations (subject to tenant vote)</p>	Completed by April 2025	Chief Executive
Further Development of PCE	<p>Optimization of current operations, products and services offering for Garages, Mid and Full market rent and factoring</p> <p>Exploration of service diversification, future financial planning and resource allocation as per PCE business plan.</p>	See detail in PCE Business Plan.	Director of Finance and People Services
Embedding of reporting on outcomes from ESG framework	<p>Integration of the data collection and analysis requirements for reporting, benchmarking, and comparison</p> <p>Adjustments to accountability and governance based on framework.</p> <p>Identify and implement areas for continuous assessment and improvement</p>	2025-26	Director of Business Services

HOW THE PLAN WILL BE MONITORED AND REPORTED

Performance will be monitored throughout operational performance framework monthly by Executive Team. Audit and Performance Committee will continue to receive quarterly KPI reports for scrutiny as will the Board. Monthly KPI packs are also made available to board members.

Our Improvement projects will be monitored quarterly by the Executive Team and six-monthly by the Board.

All or this information will be made available on our website for tenants and will be summarised in our annual report.



RISK MANAGEMENT & MITIGATION

Cairn and Ancho operate a strategic risk register of the following 14 risks that are monitored monthly by the Executive Team and quarterly by the Audit and Performance Committee. They are also annually assessed by the Board to ensure that they remain fit for purpose.

Strategic Risks	
1	There is a risk that wider political, economic or constitutional changes and shocks impact on our financial business plan
2	There is a risk that the business and business plan are ineffective
3	There is a risk that we fail to maintain rental income flows
4	There is a risk that we fail to achieve value for money
5	There is a risk that the organisation fails to deliver its asset management strategy and maintain the quality of its stock
6	There is a risk that the organisation fails to deliver its new build and growth program within financial limits
7	There is a risk that we fail to comply with legislation and Regulatory Standards
8	There is a risk that the group structure is ineffective
9	There is a risk that we fail to comply with GDPR and FOI legislation
10	There is a risk that we fail to have adequate IT systems to allow us to operate effectively as a business.
11	There is a risk that we do not have staff with the appropriate skills or motivation to deliver business objectives.
12	There is a risk of fraud or criminal activity.
13	There is a risk that we fail to engage our customers or consult them effectively.
14	There is a risk that we do not have Board Members with the appropriate skills or motivation to deliver business objectives.

We use a heatmap scoring system and track mitigation through our strategic risk register reporting to the Audit and Performance Committee.

ASSET MANAGEMENT

Cairn & Ancho's Asset Management Strategy has been developed in support of the strategic outcomes identified as part of this plan, the objectives of the strategy are set out below: In addition to the outcomes identified we have commissioned a stock condition survey to commence in 2024/25.

Objective 1: Investment & Component Replacement

- We will deliver £25.5m investment in our housing stock during 2024-2027 (£22.5m at Cairn and £2.6m at Ancho) and manage the investment programme to support a sustainable business plan and balanced stock portfolio.
- We will deliver investment promises to former Pentland tenants.
- We will deliver investment promises to Ancho under the transfer of engagements.

Objective 2: Governance

- We will ensure that there is effective governance of the delivery of the asset management activities in line with the Group's priorities.
- We will make use of the Asset Performance Review process to provide a comparative performance analysis for our properties and support decision-making.

Objective 3: Energy Improvements

- We will deliver investments that support our energy efficiency targets, national ambitions and help to reduce fuel poverty for our tenants.

Objective 4: Modernising our Independent Living Properties

- We will deliver investments that support the modernisation of our Independent Living housing stock to keep it relevant for future housing provision.

Objective 4: Tenant Health & Safety

- We will ensure effective compliance with statutory requirements across all our stock, focusing on tenant safety and improved processes.

Objective 5: Repairs & Maintenance

- We will ensure effective reactive repairs are carried out in a timely manner so that properties remain in good working order, wind and watertight.

FINANCIAL PLANNING & TREASURY MANAGEMENT

Our financial strategy is designed to complement and support the strategic objectives of the Group. The overarching strategic financial priority is to maintain a viable long term financial model incorporating all of the Group's ambitions. This includes reference to the following:

- Long-term affordability of rents
- Making adequate provision for planned, cyclical and responsive maintenance expenditure, including that required to meet energy efficiency standards
- Taking advantage of development opportunities which meet our viability criteria
- Securing appropriate finance and complying with all lending covenants
- Enabling our commercial subsidiary company, Pentland Community Enterprises, to provide services and projects which complement the objectives of the Group
- Identifying and managing financial risks through appropriate policies and controls
- Managing the liquidity requirements for each Group company with robust forecasting models
- Meeting all financial compliance requirements of stakeholders including the Scottish Housing Regulator, lenders, HMRC, the FCA and OSCR

This year sees the proposed transfer of engagements of Ancho. In May the Joint Boards will be presented with 30-year financial projections showing each company separately along with a consolidated model to demonstrate the financial benefits of proceeding.

Golden rules

We operate within the following financial parameters within which we operate, referred to as **"golden rules"**:

1. Covenant Compliance exceeded by 15% at all times. For interest cover this means at least 172.5% until 31 March 2027, and cover of at least 126.5% thereafter (at which point lenders have stipulated major repairs are to be deducted from the surplus). For the gearing covenant this means no more than a ratio of 55.25%.
2. No less than £3 million cash in the bank (increasing with inflation) with at least £2 million of available funds to draw down.
3. Major Component Replacement expenditure requirements aligned with stock condition information held within our life cycle costing system PIMMS.

These Golden Rules are to be adhered to within the financial forecasts.

Financial Projections

Our financial projections are updated periodically to reflect current forecasts and planned activity over a 30-year timeframe. The overarching objective is to ensure that Cairn remains a financially viable organisation which will deliver on long-term commitments to its customers and stakeholders.

Quarterly management accounts are produced for each group company and presented to respective Boards. Covenant compliance and financial performance are reported to lenders on a quarterly basis. The model is based on forward projected assumptions driven by the income and cost base from the most recent budget.

We will report to Board on:

- 30-year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow
- assumptions and explanations on what they have been based on;
- a comparison of projected financial loan covenants against current covenant requirements.
- financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements.
- our approach to financial risk management and mitigation.
- demonstrate how our future rent increase assumptions are compatible with affordability for our tenants.

The charts on the following page are a summary from the most recent financial projections, and assume the proposed transfer of Ancho to Cairn proceeds as planned.

- The overall financial position of Cairn will benefit from the Ancho transfer.
- Covenant headroom is currently low in years two and three (2025/26 and 2026/27) - these represent the first years of the calculation change which deducts capitalised major repair expenditure from 01/04/25.
- The investment programme is being reviewed - planned maintenance expenditure is currently deferred for those years in the model, but this has to be considered in line with investment needs and other strategies for reducing the cost base in those years will be reviewed.
- The model is predicated on rent increases of CPI+1% as in previous years; going forward we will need to assess how realistic this is based on affordability.
- Sensitivity analysis has been carried out (chart 1.3 below) - of the factors reviewed we are most vulnerable to adverse changes in planned maintenance costs - directly impacting not only cash but future interest cover covenants.

Treasury Management & Loan Portfolio

We have an existing loan portfolio supported by two lenders. Future borrowing will be determined with reference to viability assessments on prospective developments along with the needs of our investment programme. There is currently an unused secured revolving credit facility in place of £10m which we will draw on as required.

Our approach to surplus cash will continue to be to invest with approved institutions for periods determined by short-term cash flow needs and available interest.

VALUE FOR MONEY AND RENT AFFORDABILITY

Cairn and Ancho are committed to delivering value for money for our tenants by optimising resources and services. We prioritise quality cost-effective solutions, such as efficient maintenance practices and sustainable energy initiatives, to ensure affordability and quality living standards. Through continuous monitoring and evaluation, we develop key performance indicators to track efficiency improvements and measure tenant satisfaction, fostering transparency and accountability in our operations.

The Scottish Housing Regulator has defined VFM as one of its key priority areas therefore we will continue to focus on these indicators outlined in the Scottish Social Housing Charter to enable us to show our commitment to achieving VFM across all aspects of our operations.

To evidence our commitment to value for money, through the Scottish Housing Network we will introduce further value for money indicators to assess our services against others.

As part of our improvement projects over the life of this plan we will be looking at restructuring our rents and service charges, to enhance understanding and consistency across the organisation. In consultation with our tenants, considering local affordability factors as well as the individual services our tenants and customers receive, this project will ensure we are delivering rents and services charges in a fair, transparent and affordable system of charges.

CHART 1.1

INTEREST COVER COVENANT

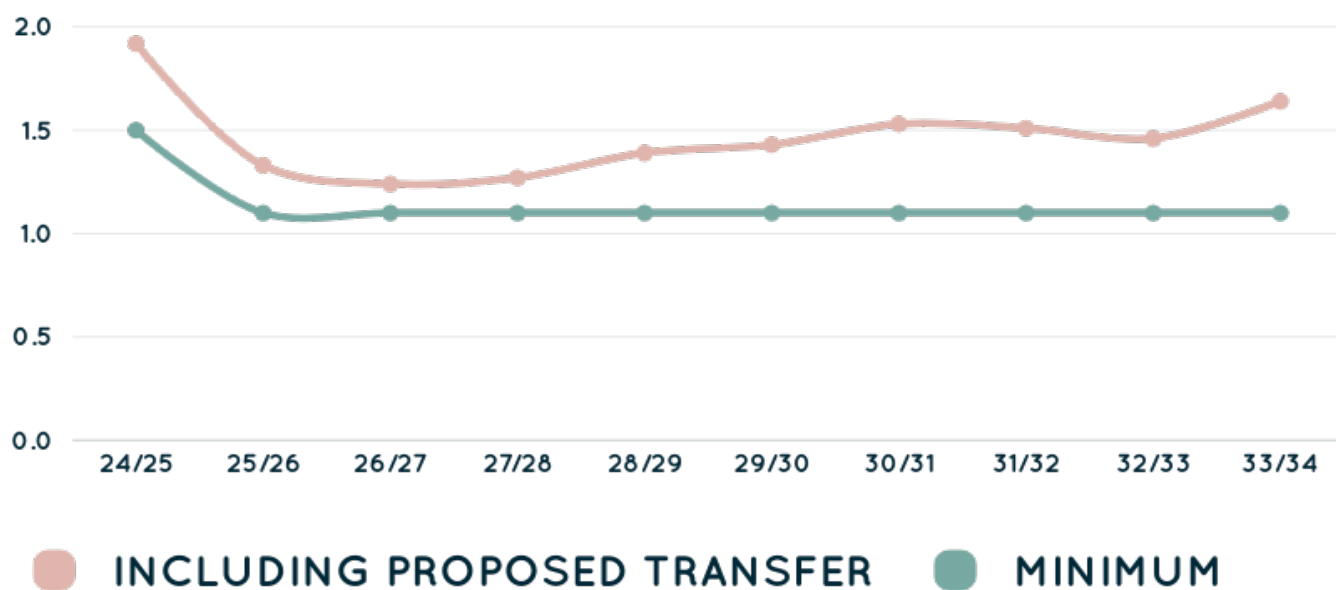
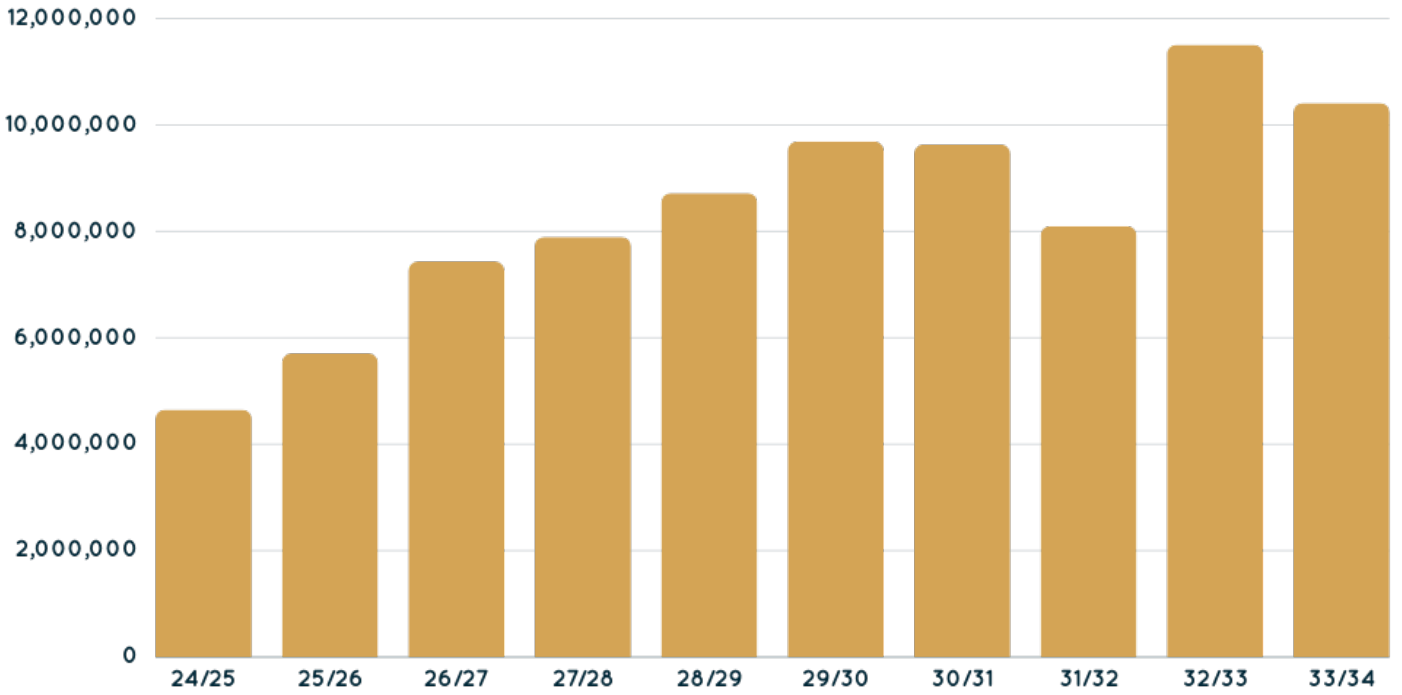


CHART 1.2

INCOME AND EXPENDITURE SURPLUS



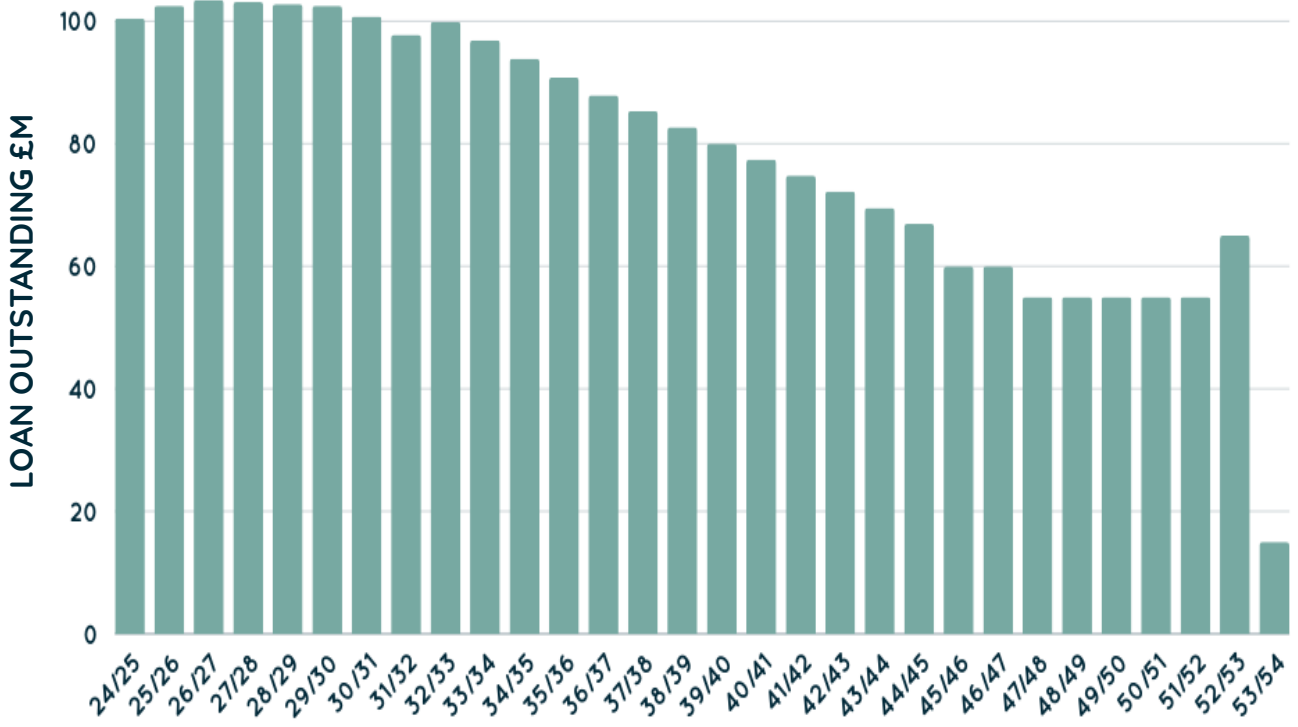
CLOSING CASH



INCLUDING PROPOSED TRANSFER



CLOSING LOAN BALANCES



INCLUDING PROPOSED TRANSFER



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