



Highland Residential (Inverness) Ltd

Strategic Business Plan April 2023 to March 2026 Part of The Albyn Group Year 3 Update



**highland
residential**

SALES • LETTING • FACTORING

Part of



**albyn
group**

building homes...supporting communities

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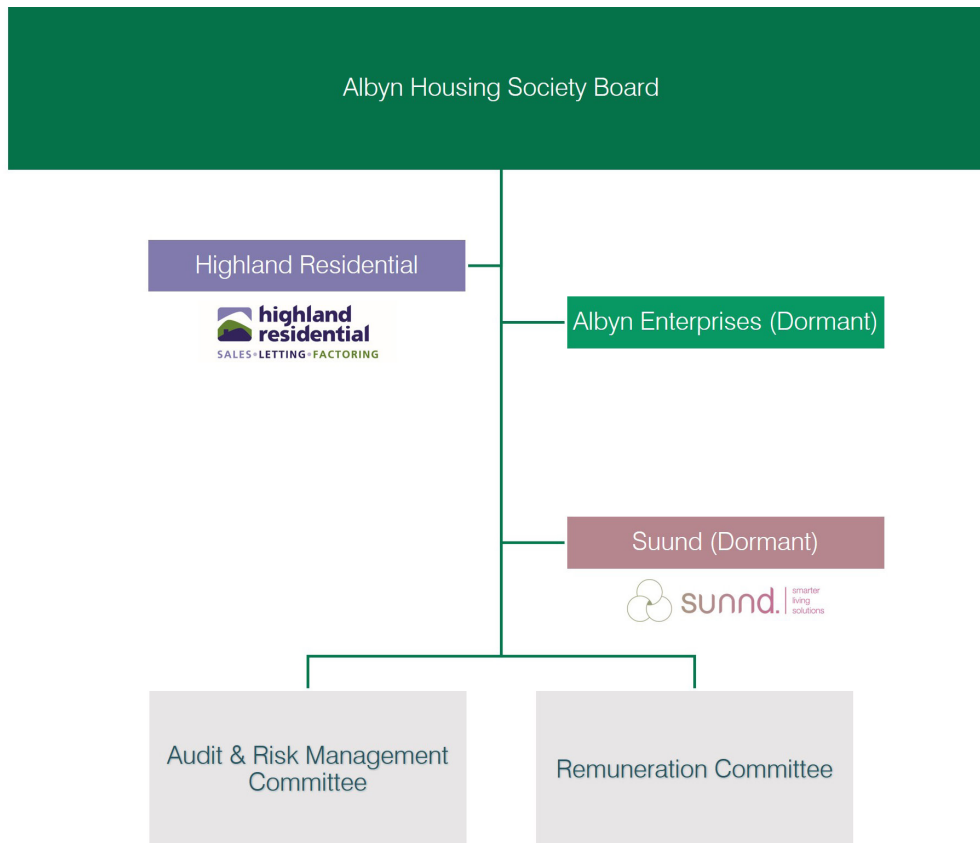
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Executive Summary

Highland Residential (Inverness) Ltd (HRIL) is a wholly owned subsidiary of Albyn Housing Society (AHS) and therefore part of a group structure.



HRIL aligns with the core vision and values of the parent AHS. Unlike other similar commercial businesses, HRIL profits are gift-aided to AHS at the end of each year. AHS is a registered charity which supports the delivery of services to those in most need across its communities.

Since its inception in 2017, HRIL has grown in strength, and it has a team dedicated to delivering property management services for affordable homes across the Highlands.

HRIL predominantly provides services to AHS as its main customer and parent company.

Like many businesses, the external economic environment has proven to be challenging in the last few years, and the following key issues have impacted HRIL in various ways.

- Cost of Living Crisis has become a debt crisis.
- Future housing legislation and regulatory changes due in 2024, with further focus on tenant safety, and energy efficiency.
- Forthcoming legislation is still awaited in relation to rent control and the associated rent cap which affects our Mid-Market Rent (MMR) portfolio.
- Changes in political prioritisation and impact on the affordable housing market.
- Future legislation coming out of the [RoPA Report](#)
- Impact of reduced national grant budgets on MMR and New Supply Shared Equity (NSSE) programmes.

- Economic Conditions & Inflation – Rising costs for materials, labour, and maintenance may impact service costs and affordability for buyers if interest rate rises, it may reduce buyer demand affecting sales
- Availability of affordable and local building contractors
- Shortage of housing stock (Highland Housing Challenge) for key workers particularly in the provision of care services.

HRIL will continue to focus on the delivery of high-quality customer services to our MMR tenants, factoring and property customers, as well as delivering on the Scottish Government's Low-Cost Home Ownership programmes.

In August 2024, HRIL was more closely integrated into the AHS Group through its incorporation into the Customer and Property Services remit with shared staff services. This strategic move was designed to ensure greater alignment with group-wide policies and procedures, and to deliver a consistent and high-quality customer experience for all tenants, whether in mid-market rent or social rented housing.

This Business Plan for 2025/26 sets out our strategic priorities and actions aligned with the Board's ambition and to be seen as a trusted and forward thinking partner. The ambitions are set out below:

- Continuous improvement and alignment to AHS Group policies and procedures
- Develop and foster service level agreements within the AHS Group for all areas of service delivery
- Increase customer satisfaction
- Ensure consistency of service delivery
- Continue to grow the portfolio of mid market rent properties and broaden geographical spread
- Increase opportunities to be a partner of choice and develop relationships through SSEN and network infrastructure companies

Purpose, values and vision

Our Purpose

To contribute to the access of social and affordable housing along with quality property management services within the Highlands by:

- Supporting the core vision of our parent AHS.
- Gifting our profits to our parent AHS to reinvest in offering opportunities for individuals and communities to flourish.

Our Vision

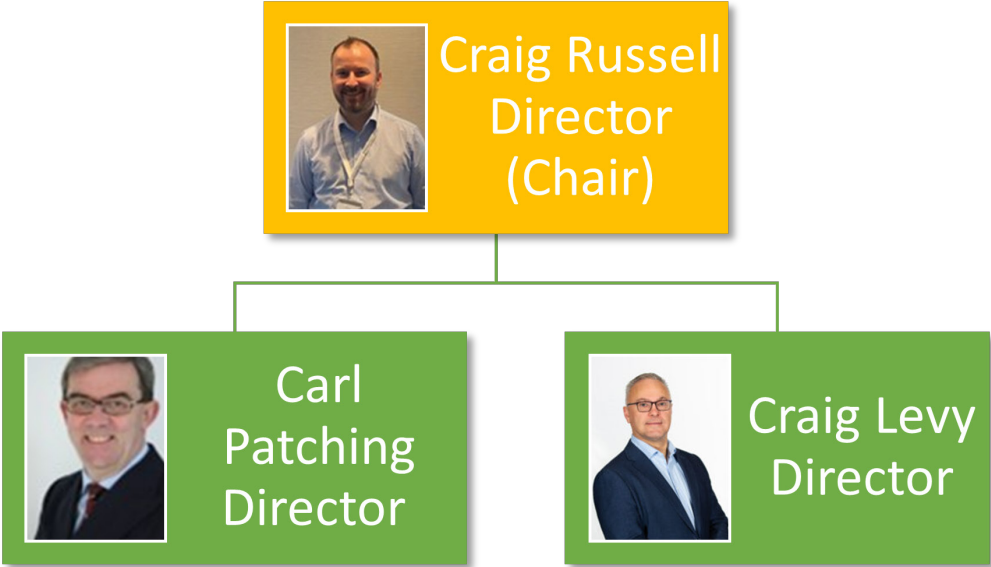
To deliver quality services that enhance the opportunities for people to access affordable housing.

Our Values

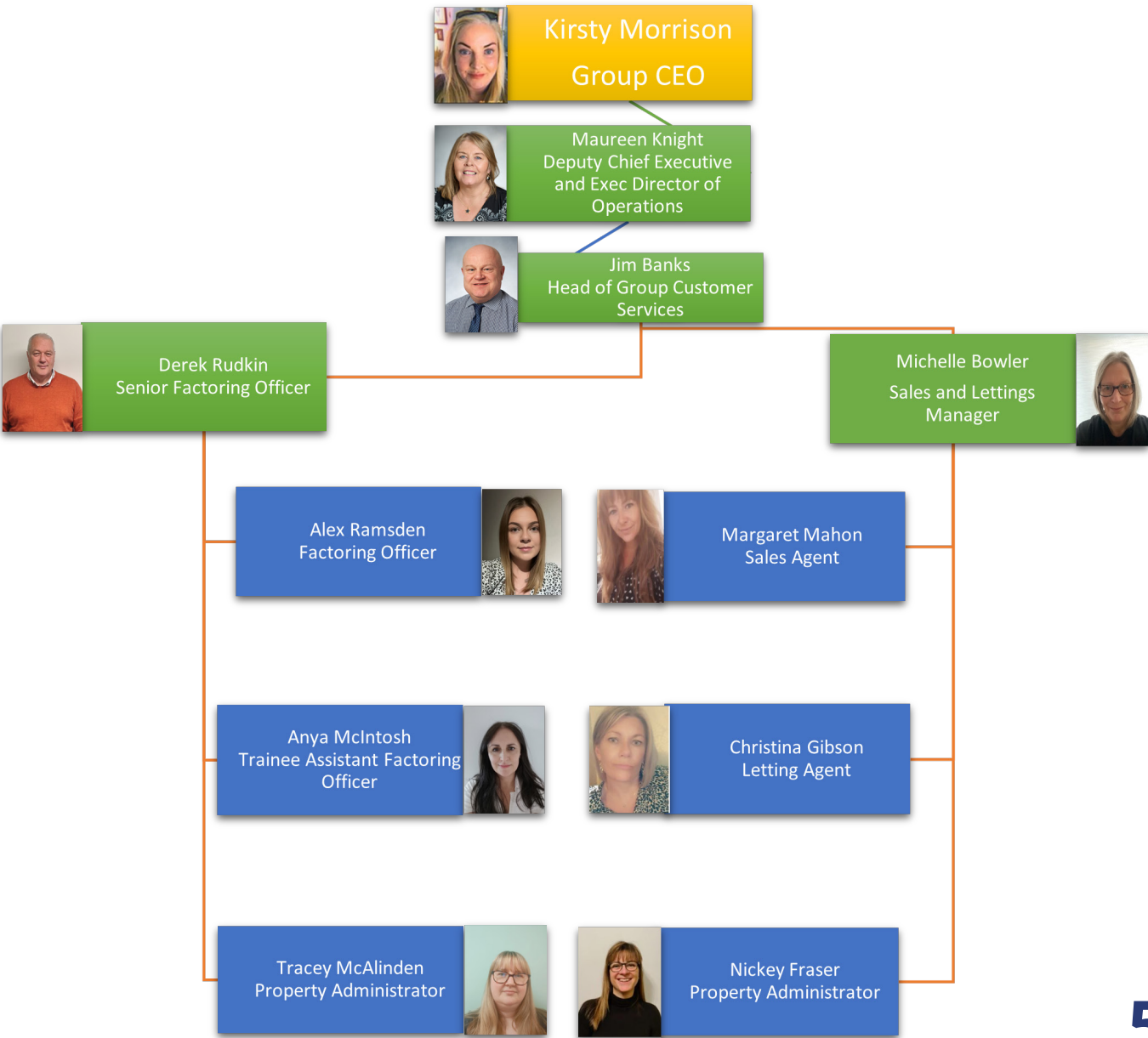
Being Caring
Being Adaptable
Being Professional

Board and Staff Team

Board of Directors



Highland Residential Team



Our Strategic Objectives 2023 - 26

As a subsidiary, HRIL has developed strategic objectives that take account of and support the delivery of the strategic objectives of its parent, AHS. Our strategic objectives remain the same as we focus on the key areas of our core business

This Business Plan for 2025/26 sets out our strategic priorities and actions aligned with the Board's ambition to drive continuous improvement, enhance customer satisfaction, and position the organisation as a trusted and forward-thinking partner within the AH Group and beyond.

Strategic Objectives	How We Will Achieve This
Our Homes	We will contribute to affordable housing options in the Highlands. We will ensure our property lettings, affordable house sales, and factoring services reflect our core purpose. We will continually move towards sector wide best practice.
Our Customers	We will provide excellent customer service that goes beyond legislative commitments to ensure customer experience is positive throughout their journey with us.
Our Finances	We will ensure profitability, offering value for money and being efficient to create gift aid to support our charitable parent company.
Our People	We will support our Board of Directors and staff to reach their full potential and ensure that they have the required qualifications, knowledge, and skills to provide excellent services.
Our Partnerships	We will use our expertise to influence the affordable housing and property management sectors. We will work with key partners in Scottish Government, The Highland Council, and other relevant partners that add value to our communities and contribute to affordable housing need in the Highlands.



Services

HRIL provide the following services:

- Letting agent for MMR and private properties
- Factoring services to private owners, and common property services inclusive of landscape and stairwell cleaning for AHS.
- Agency for Low Cost Initiative for First Time Buyers (LIFT), NSSE, and LIFT re-sales.

Factoring - Property Factor Registration: PF000712

HRIL currently provide a full property management service to over 1,000 fully owner occupier properties across the Highlands. It also manages and maintains the common landscaping and stairwell cleaning on behalf of AHS to over 150 developments.

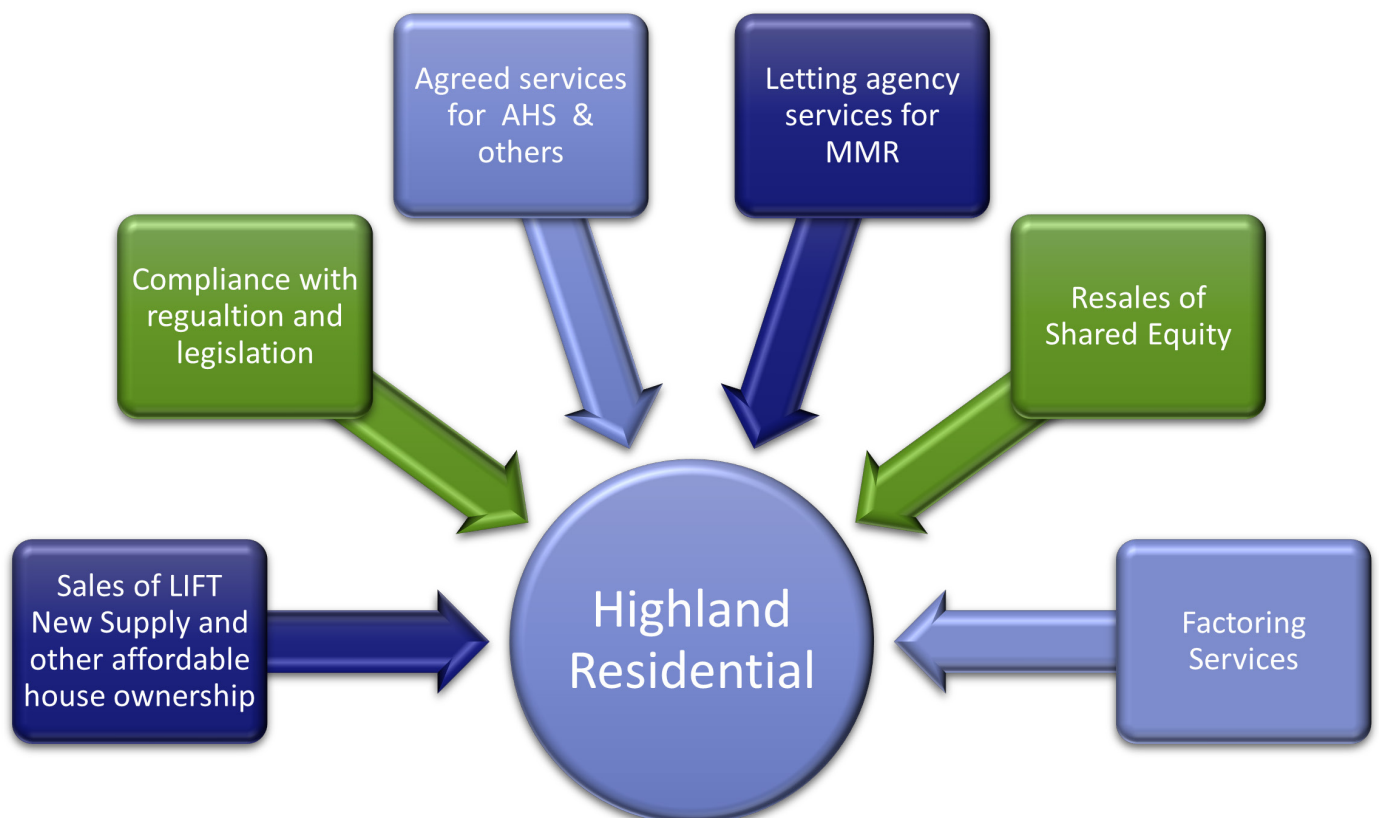
Lettings – Registration LARN1808008

The MMR activities of HRIL relate to the Development Programme of AHS. HRIL will assist with the delivery of MMR properties.

HRIL will continue to offer services through Shared Equity sales (LIFT) and after sales services for other Highland shared equity providers.

Sales – Full Member of The Property Ombudsman

HRIL provides sales services for LIFT properties, predominately on behalf of AHS; and are the agents for resales of shared equity, in the Highlands on behalf of the Scottish Government.



Governance

The Scottish Housing Regulator (SHR) regulates registered social landlords and statutory guidelines are in place that landlords with group structures must comply with. It is also a legal requirement for the parent company and its subsidiary to have an intragroup agreement in place, which helps simplify the exchange of funds, commodities, or services between the two.

AHS is the parent company of HRIL, and it has responsibility for overseeing the strategic plans, risk management, and financial viability of HRIL. The following reporting schedule to the AHS Board is in place to facilitate this oversight:

- Annual Report of HRIL activity
- Annual HRIL Business Plan (including Delivery Plan)
- Biannual HRIL Performance & Risk Report
- Quarterly HRIL Board minutes

Budget and Financial Context

The budgeted operating surplus for the current financial year is £51,323. This is lower than the 2024/25 budget due to an increase in staffing and business support costs, higher IT-related expenses, and the introduction of a Tenant Support Fund. The tables below provide further details for each service function.

This budget reinforces the business's strategy of delivering sustained surpluses while expanding core services in sales, lettings, and factoring. HRIL remains well-positioned to capitalise on emerging business opportunities, as demonstrated by the introduction of renewable energy activities, which diversify revenue streams and enhance long-term sustainability.

To outline future financial performance, the budget includes volume variances in key programmes and inflationary assumptions

Cost assumptions include an MMR rent increase of 4% from August 2025, higher than the previous 3% assumption. This ensures financial sustainability and aligns with market conditions while maintaining affordability.

The budget assumes a 2.7% salary increase for 2025/26, in line with AHS's budgeted wage settlement, with a corresponding increase also assumed for 2026/27.

Financial Forecast: 2026/27

For 2026/27, total income is expected to increase to £2.783m, generating a surplus of £111,016. This forecast reflects additional LIFT units in development, continued MMR portfolio growth, and inflationary adjustments.

Sales and Lettings

The Sales & Lettings business remains driven by the MMR programme. For 2025/26, 8 additional MMR units from AHS will increase total units to 249. MMR income is forecast at £1.586 million, with a gross contribution of £235,500.

Rental charges for AHS-owned MMR properties are budgeted at 81% of rental income, with void losses projected at £29,400. The void repairs and upgrades budget of £23,900 has been increased to cover the additional value associated with improving tenancy turnover procedures.

Low-Cost Home Ownership (LCHO) activity will remain stable, with 5 LIFT resale properties expected. The LIFT buy-back charge remains at £475 per transaction, with an average customer charge of £1,514, reflecting rising house prices.

The Board's decision to cease private estate agency activities is reflected in the budget.

Arrears have been budgeted at 5.51% of total MMR income for the year, based on a linear projection of historic arrears trends. Bad debt provision has been calculated at 11.37% of the projected arrears, in line with the adopted methodology of providing for 5% of current tenant arrears and 95% of former tenant arrears. This reflects an increased weighting applied to the likelihood of current arrears transitioning to former tenant arrears.

Additional budget adjustments include:

- £5,000 Tenant Support Fund to assist renters facing financial challenges.
- £3,500 increase in staff training budget to enhance service delivery.
- £2,000 increase in marketing costs due to reintroducing Zoopla advertising.
- £8,300 reduction in IT costs as part of the transition to CX software.
- £10,000 capital expenditure on software, split across Factoring and Sales & Lettings, leading to £1,000 annual depreciation costs.

The total Sales & Lettings contribution for 2025/26 is budgeted at £102,308.

Table 1. – Sales and Lettings Current and Forecast Budget

	Sales and Lettings		
	Forecast to 31st March	Forecast as per Strategic Business Plan	
	2025	2026	2027
Gross Income overall	1,617,400	1,674,480	1,932,020
Rents and Voids Costs Pay	(1,297,600)	(1,359,832)	(1,558,000)
Mgt Fees and Overheads	(145,510)	(212,340)	(224,325)
Contribution	174,290	102,308	149,695

Factoring

Factoring volumes will remain consistent, with 45 additional AHS units, amounting to a total of 2850 AHS properties receiving grounds and cleaning services from HRIL. AHS property factoring fees remain at £58 per unit, generating £165,300 in management fees and £567,100 in total revenue.

The private owners programme includes 1,103 properties, with a 10% increase in management fees from £60.00 to £66.00 (+VAT) and admin fees rising from £8.08 to £8.89 (+VAT) from August 2025. Total income from private owners is projected at £230,000, including £80,100 of management fees.

Staffing costs for factoring are budgeted at £165,479, reflecting the current team. Budgeted bad debt charges have reduced by £6,200 due to improved debt recovery. The charge for 2025/26 is £4,200, representing 1.83% of total private factoring income.

IT costs will increase by £7,500 to enhance reporting quality, with depreciation rising by £2,300 due to system upgrades.

The total Factoring contribution is budgeted at £33,146.

Table 2. – Factoring Current and Forecast Budget

	Factoring		
	Forecast to 31st March	Forecast as per Strategic Business Plan	
	2025	2026	2027
Gross Income overall	791,000	797,100	832,900
Contractors Payable	(538,200)	(551,700)	(564,100)
Mgt Fees and Overheads	(108,782)	(212,254)	(219,816)
Contribution	144,018	33,146	48,984

Renewable Energy Activities

The transfer of Photovoltaic Panels from Albyn Enterprises Limited (AEL) to HRIL establishes a new business activity.

Projected income from feed-in-tariffs is £18,000, with costs including a £3,485 management fee, £5,114 depreciation, and £3,475 interest payments on an AHS loan. The net contribution is £5,926.

	Renewable Energy		
	Forecast to 31st March	Forecast as per Strategic Business Plan	
	2025	2026	2027
Gross Income overall	0	18,000	18,000
Mgt Fees and Overhea	0	-12,074	-12,074
Contribution	0	5,926	5,926

Central Overheads

Total corporate staffing costs for 2025/26 are £64,678, reflecting a £25,000 reduction from the previous year. This reduction follows a July 2024 restructuring, allowing HRIL to integrate more closely with AHS's support structure, leveraging their expertise, operational best practices, and alignment with established policies and procedures.

Training costs have increased by £2,000, whilst all other overhead budgets reflect current expenditure levels.

The total corporate overhead budget for 2025/26 is £90,058.

Budgeted Result for 2025/26

The budgeted operating surplus for 2025/26 is £51,323, supporting financial sustainability and growth.



Section 3

Strategic Plan 2023 to 2026

The current Business Plan was approved by the HRIL and AHS Boards in April 2023, and set the direction of the business for the period of 2023 to 2026. This document is a year 3 update to the original HRIL Business Plan.

It focuses upon the core purpose of HRIL in delivering the right services in the right locations, and that HRIL will undertake a programme of continual improvement across the business.

The HRIL Delivery Plan sets out actions that will enable HRIL to deliver upon the objectives of the Business Plan.

The key objectives of HRIL agreed in the Business Plan 2023 to 2026 were as follows:

Explore

- Growing mid-market tenure to meet the needs of people across the Highlands.
- Undertake subsidiary self-assessment to ensure regulation, compliance and best practice is a focus.
- Improved procurement efficiencies and economies of scale for key services
- A review of our marketing, communications, and customer care standards

Cease

- Private sales on open market.
- New private lettings if not aligned to our business model.

Continue

- To continue our review of our staffing structure and embed its findings.
- To develop neighbourhood profiles for each development
- To develop ways to grow our gift aid contribution to our parent AHS.
- To gain feedback through customer service surveys to work towards continual improvement.

Maintain

- Annual house visits in line with legislation and the SLA between AHS and HRIL
- Our relationships with AHS, Scottish Government, and others regarding development of affordable sales and lettings across the Highlands and other areas.
- Continue to be the main agent for the Highlands for resale of shared equity properties.
- An appropriate level of factoring property inspections.



Year 3 Priorities

Strategic Objective	
Our Homes	<ul style="list-style-type: none"> • Carry out an annual property inspection visit to each of our MMR properties • Increase HRIL visibility with additional estate management inspections to ensure that the external environment is well managed and meets all compliance for health and safety • For 2025/26, 8 additional MMR units from AHS will increase total units to 249 • The transfer of Photovoltaic Panels from Albyn Enterprises Limited (AEL) to HRIL establishes a new business activity • Take opportunities to grow portfolio of MMR homes and stock acquisition in line with board ambitions and partnership opportunities
Our Customers	<ul style="list-style-type: none"> • Carry out an externally led customer satisfaction survey • Introduce a £5,000 Tenant Support Fund to assist customers facing financial challenges that impact their ability to sustain their tenancy • Develop opportunities for quarterly community pop up surgeries focused on factoring and estate issues • Offer other payment methods for transactional online rent payments
Our People	<ul style="list-style-type: none"> • Ensure all HRIL team will visit at least one customer at home annually and be present at all pop up and community visits • Embed the Equalities and Diversity strategy and policies for customers and staff across the group, ensuring compliance with regulation and legislation
Our Finances and Digital Services	<ul style="list-style-type: none"> • Target income maximisation by improved debt recovery procedures aligned to AHS Group • Review service charges following newly procured contracts for close cleaning and common area maintenance
System Improvements - Factoring	<ul style="list-style-type: none"> • CPL will be upgraded to the latest version which will include multiple new modules for greater efficiencies and enabling self service transactions.
System Improvements - Sales and Lettings	<ul style="list-style-type: none"> • All MMR properties being moved into Cx to allow for consistency of approach across arrears, ASB, complaints etc.
Our Partnerships	<ul style="list-style-type: none"> • Align with AHS Group on their delivery of a partnership engagement strategy including improved partnerships with public sector partners • Continue to work in partnership with Scottish Government on increasing stock in other geographical locations • Look to develop opportunities with SSEN, Cromarty Forth Greenport and Highland Council in the use of homes to meet the needs of workforce delivering new infrastructures

Section 4

Key Performance Indicators

The KPIs of HRIL are detailed below. The KPIs are approved by the HRIL Board, with progress against targets reported on a quarterly to the HRIL Board, and on a biannual basis to the AHS Board. Where possible, HRIL is benchmarked against similar businesses to assess performance and now aligned to AHS Group.

Corporate	Target
The percentage of days lost through staff sickness absence in the reporting year	3.6%
Percentage of stage 1 complaints resolved within timescales	100%
Percentage of stage 2 complaints resolved within timescale	100%
Factoring	Target
Average annual management fee per factored property	£100
Percentage of factored owners satisfied with the factoring service they receive	55%
Total factoring arrears as % of annual fee Income	90%
Property Lettings	Target
Rent lost during void period void losses % of income	1.5%
Average length of time taken to re-let properties	30 days
Rent arrears as % of annual rental income	3.25%
Percentage of tenants satisfied with the service they receive	55%
Affordable Property Sales	Target
Average time to sell from new build handover to sale	20 days
Average time to for resale from listing to completion of sale.	100 days
Number of sales of NSSE (dependant on new build supply)	6
Number of resale NSSE	40
Percentage of customers satisfied with the service they receive	90%

Risk Management

HRIL Board and staff understand the importance of risk management and where good governance is essential. A Group Risk Management Strategy is in place which is applied to HRIL.

The Board considers it essential to identify and manage the key risks faced by Albyn Group. In managing these key risks, the Board seeks to ensure that all actions taken contribute toward the achievement of our strategic objectives and that no actions are taken that might unduly expose HRIL or our parent body to unnecessary risk.

The Board delegate certain tasks and processes covered by the Risk Management Strategy to the Audit and Risk Committee, of which a HRIL Board Member is part of.

HRIL is also part of the Internal Auditors Annual Planning and the Chief Executive and the Executive Directors, act in an appropriate capacity to ensure that the Board discharges its primary responsibilities.

Risk Scoring Matrix

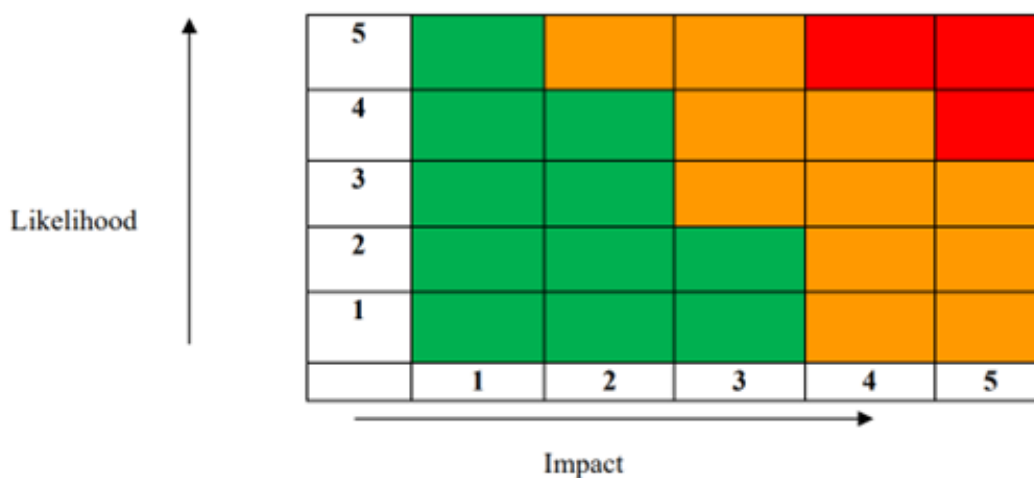
For each risk identified it should be assessed and scored by considering the:

L = the likelihood of the risk occurring

I = the impact if the risk occurs

Each risk will be marked out of five for both the likelihood on probability and the impact. (5 = highest). The marks will be noted as part of the Risk Framework. It will aid the allocation of resources to the prevention of the risk.

The risk should then be plotted as follows



Likelihood: 5 = very high, 4 = significant 3 = Low, 2 = Very Low, 1 = Almost impossible

Impact: 5 = Catastrophe, 4 = Critical, 3 = Reasonable, 2 = Marginal, 1 = Negligible

HRIL operates the following strategies to manage risk by deciding to:

- ◇ Eliminate the risk
- ◇ Reduce the risk
- ◇ Insure the risk
- ◇ Control the risk
- ◇ Accept the risk

As part of its Business Planning the board undertake a full risk assessment along with budgetary and financial planning. Ensuring there are clear process and structures in place to ensure risk management is conducted and reported in line with Governance guidance. The analysis of key risks also helps to determine staff priorities.

Monitoring and Review

While this Business Plan sets a clear direction, it is developed in the context of ongoing and evolving external pressures. Legislative changes—particularly those related to rent control—remain in development, and may present future challenges.

Legal and compliance risks are an ongoing consideration, and potential shifts in government policy (including the upcoming Scottish Government elections), changes to shared equity schemes, or adjustments in mortgage lending criteria could all impact the New Supply Shared Equity (NSSE) model accessed by customers.

HRIL customers continue to face significant pressures due to the cost-of-living crisis, rising levels of personal debt, and persistent fuel poverty. In addition, supply chain disruptions and contractor availability issues further complicate forward planning.

In a rapidly changing world, HRIL through AHS remains committed to using its expertise and proactive horizon scanning to anticipate and respond to emerging trends. However, the organisation recognises that flexibility will be essential. As such, this Business Plan will be subject to regular review and may be adapted to ensure HRI continues to meet its obligations and deliver on its strategic objectives.

