



## **The Langstane Group**

### **Strategic Financial Planning Policy**

Date approved by Leadership Team	December 2022
Board of Management / Committee name	Board of Management
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Version	V2

<b>Version</b>	<b>Date approved</b>	<b>Changes</b>
Version 1	18 November 2019	First issue
Version 2	14 December 2022	Amendment to date of last bullet point in section 3.

## 1. Introduction

Langstane Housing Association is a Co-operative and Community Benefit Society, and a registered social landlord with charitable status.

The Langstane Group (Langstane / the Group) consists of Langstane Housing Association Limited and its wholly owned subsidiaries.

This policy applies to all entities of the Langstane Group.

The Langstane Group's Strategic Financial Planning Policy incorporates the development, implementation and evaluation of a budget plan for the provision of all services delivered by the group in keeping with the priorities agreed through the Business Plan.

The Group's financial plans set out the estimated income and expenditure over the immediate to longer term (normally 5 and 30-year projections are used) to deliver the Langstane Group's strategic aims and details the resources necessary to achieve these. In addition, the financial plan will set out where funding for the planned expenditure will come from – either internally or externally generated and the main risks associated with the Group's activities.

The Group's financial plan is a core component of an integrated business strategy and the timeframe used for financial planning is grouped as:

- Immediate – the existing and next financial year;
- Medium term – the next five financial years;
- Long term – the next 30 years.

## 2. Aim of the policy

The aim of financial planning is to ensure the Group is best placed to achieve its long-term objectives through effective and sustainable operating of revenue and capital budgets by:

- 2.1 Applying a consistent and structured methodology when reviewing / developing financial plans;
- 2.2 Early identification of capital investment requirements and any associated funding requirements and subsequent revenue implications;
- 2.3 Clear identification of potential revenue enhancement areas, coupled with cost saving strategies to improve the financial position and keep rents at an affordable level; and
- 2.4 Identification of new revenue streams to aid business viability / sustainability.

## 3. Financial Planning Principles

The Group's financial planning is based on the following principles:

- Financial stability;
- Annual growth in revenue and increased reserves;
- Optimum use of grant funding;
- Continuous improvement in service delivery standards;
- Value for money for all tenants and other customers, whilst quality standards are maintained or improved;

- An aim to reduce the level of debt held year on year and to maintain this level at under £15,000 per unit; and
- A maximum of 65% of stock to be used as security by April 2023.

#### 4. Links to other strategic documents and policies

The Group's Strategic Financial Plan is linked to a number of strategic / corporate documents and policies in particular but not solely:

- Business Plan;
- Asset Management Strategy;
- Treasury Management Policy;
- Annual Treasury Plan (Funding Strategy);
- Annual Treasury Report;
- Financial Regulations;
- Standing Orders;
- Scheme of Delegation.

#### 5. Policy

The Langstane Group will approve the Financial Plan on an annual basis as part of the budget setting process. However, given there is a 'policy' of active budget management, continual updates will be made to the plan and, if required, approved at Board level.

The stages of development of the Financial Plan are:

Stage 1	Access the existing financial status and key assumptions and ratio outputs (detailed within the 5-year financial projections) Consider any changes to existing covenant calculations
Stage 2	Conduct sensitivity analysis, including multi-variant analysis, based on any challenges or risks identified, and complete scenarios for consideration
Stage 3	Analyse outcomes and ratios
Stage 4	Prepare a longer-term financial plan

##### a) Stage 1

Perform an assessment based on the following:

- The Group's current financial status;
- Current income streams both internal and external;
- Cost drivers impacting on operating costs;
- Investment in capital required;
- Ability to raise finance;
- Service delivery standards for tenants; and
- Anticipated inflation during the plan period.

The objective of this assessment is to assess the current financial position and identify the key challenges faced by the Langstane Group. This will highlight

issues which may impact on the overall financial stability of the Group and includes historical analysis and review of financial results (based on the financial statements).

#### **b) Stage 2**

When Stage 1 is complete, a full understanding of the current financial position will be known. Thereafter Stage 2 is used to determine the financing needs over the longer term. Sensitivity analysis will be carried out to ensure the financial viability and measure key outputs against sector wide and regulatory targets.

This includes consideration of:

- Liquidity (cash balances) – to be in excess of the agreed limits within the Treasury Management Policy;
- Covenant compliance for all lenders;
- Interest cover;
- Indebtedness to net worth;
- Rental income cover;
- Rent and service charge increases;
- Overhead percentage rate;
- Debt service liability; and
- Movement in net asset position.

#### **c) Stage 3**

Analysis of outcomes and ratios following evaluation of the sensitivity analysis is complete. Thereafter, the Group will:

- Develop a financial forecast model to identify immediate opportunities and any known risks;
- Perform further sensitivity analysis to identify optimum balance of revenue and operating costs;
- Consider further revenue enhancements and cost saving measures; and
- Review the impact of any legislative changes, grant funding reductions and service delivery barriers.

#### **d) Stage 4**

Thereafter, the long-term financial plan will be developed.

Following agreement of the financial plan assumptions, a final draft plan will be updated and the resulting impact detailed in a comprehensive report to the Board.

Although the Plan provides an initial forecast of potential outcomes, it will be emphasised that with all successful financial plans, this will remain in constant revision.

The Financial Plan will be flexible and fluid. It will be subject to honest and realistic review and re-assessment on a regular basis.

## 6. Roles and responsibilities

### Board of Management and Chief Executive

Overall responsibility for strategic planning rests with the Board of Management with day-to-day operational responsibility delegated to the Chief Executive.

### Director of Finance & Corporate Services

The Director of Finance & Corporate Services will hold overall responsibility for directing the successful implementation of the Strategic Financial Plan. This includes setting a realistic timetable for actions to be carried out.

### Departmental Directors

Departmental Directors have responsibility for identifying, recording and reviewing levels of anticipated income and expenditure relating to their service delivery area(s). They are also responsible for the successful delivery of the Strategic Financial Plan.

### Managers

All managers have a responsibility to ensure strict adherence to 'policy' in all aspects of financial planning. This includes adherence to budget spend and undertaking any required training.

## 7. Monitoring and review

The Plan will be reviewed on a continual basis as part of the budget process and any relating reports will contain the following information:

- Any direct change in financial status or internal factors that may influence the financial status and viability of the Langstane Group;
- Any changes in the economic environment which may influence the financial status;
- Any material changes in revenue;
- Any material changes that may impact on the ability of the Group to implement the agreed Plan.

In addition to continual reviews, the annually approved Plan will be used for reporting purposes. This includes reports to the following:

- The Scottish Housing Regulator;
- Lenders; and
- Any other relevant stakeholders.

The approved Plan will be used to monitor the budget management process starting in April of each financial year.

## 8. Bribery Act 2010

The Langstane Group is committed to the highest possible standards of ethical conduct and integrity in all its activities. In order to ensure compliance with the Bribery Act 2010, an Anti-Fraud Policy has been approved. This policy is applicable to all those associated with the Group including governing body members, members

of staff and any other associated persons. There are Codes of Conduct in place for both governing body members and members of staff. A zero policy is taken for anyone breaching this policy or any policy in place to protect the interests of the Langstane Group.

## **9. Equality and diversity**

The Langstane Group is committed to promoting equality and diversity across all areas of work. Discrimination or harassment of any kind is not tolerated.