



**BOARD MEETING AGENDA  
6.15pm on 17 August 2020  
By VIDEOCONFERENCE**

**AGENDA**

1. Apologies for Absence
2. Declarations of interest
3. Minute of Meeting held on 6 July 2020 and matters arising
4. Re-mobilisation of services and business update
5. Anti-social behavior update (presentation)
6. Homelessness update (presentation)
7. Customer satisfaction survey 2020/21
8. New build performance update
9. 2020 SHR five year financial projections
10. a) 2019/20 financial statements  
b) Annual internal audit report and assurance statement 2019/20
11. Finance report to period end 30 June 2020
12. Governance update
13. AOCB

## Report

**To:** Loretto Housing Association Board

**By:** Laura Henderson, Managing Director

**Approved by:** Olga Clayton, Group Director of Housing and Care

**Subject:** Remobilisation of services and business update

**Date of Meeting:** 17 August 2020

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### 1. Purpose

- 1.1 This report provides the Board with an update on planned staged approach to the remobilisation of business operations over the coming months, including progress updates on milestones achieved to date.

### 2. Authorising context

- 2.1 The Group CEO has responsibility for business operations across the Group. The Covid-19 situation has had a significant effect on these operations and has impacted on the delivery of the Group strategy. The Board is asked to note the principles of our approach for how we might continue to develop our services over the coming months, subject to the rate at which Scotland moves through the phases of Scottish Government's route map

### 3. Risk appetite and assessment

- 3.1 The Group's risk appetite relating to laws and regulations is "averse"; defined as avoidance of risk and uncertainty is a key organisational objective. The Group strategic risk register identifies the particular risk associated with non-compliance with health and safety requirements.
- 3.2. As lockdown across Scotland, our priority will continue to be protecting the health and safety of our customers, our staff and the other people they come into contact with. The paper outlines the progress with our emerging approach.

### 4. Background

- 4.1 Since the previous update to the Board, Scotland moved to Phase 3 of the route map for emerging from lockdown on the 10 July 2020. All remobilisation plans follow the guidance outlined in the Scottish Governments 'Coronavirus (COVID-19) Phase 3: Scotland's Route Map Update (30 July 2020)'. The announcement by the First Minister at the end of July included details on the following which enable our own mobilisation plans to progress.

- 4.2 These updates are:
- With effect from Saturday 1<sup>st</sup> August Shielding was paused.
  - With effect from Monday 3<sup>rd</sup> August, relaxation of certain restrictions on some support groups and services e.g. Non-NHS drug and alcohol support groups can provide essential services following relevant guidance and with physical distancing.
  - With effect from Tuesday 11<sup>th</sup> August Schools - children to be able to return to school full time.
  - It is likely that non-essential offices and call centres can re-open on the 11<sup>th</sup> September, though this indicative date is subject to review and change. Working from home and working flexibly remain the default position for most workplaces.
- 4.3 During Phase 3 it is anticipated that a range of public services will continue to safely re-open and expand. The scaling up of health and social care is also expected during phase 3. All services will continue to remobilise in line with NHS remobilisation plans.
- 4.4 Public transport continues to scale up to full services during Phase 3 with a move to 1 metre physical distancing, subject to appropriate risk mitigations, releasing further capacity for people to safely travel to and from work.

## **5. Discussion**

- 5.1 Our planning assumptions for how lockdown would ease have been closely aligned with the Scottish Government's position and route map. The May and July reports to Board both set out an anticipated service model for the June to September time period, while progress through the Scottish Government route map is determined by the extent to which Covid-19 is contained.
- 5.2 We have developed specific mobilisation plans for core service areas. Each mobilisation plan contains details of:
- Each stage of the remobilisation e.g. June-Sept, Oct-Dec and January onwards
  - The activities within each stage
  - The evaluation date for each stage
  - How we will communicate the details of each stage and transitions with customers
  - Personal Protective Equipment requirements and updated Operating Safety Manuals
- 5.3 These plans will continue to be refined, and will be adapted depending on the actual rate at which progress is made through the phases of the Scottish Government Route Map.

5.4 In this report we adopt the following terminology:

**Service Stage 1** – the period between the service model moving from a lockdown-based model into its next stage and approximately the end of September. The transition dates to Stage 2 for each service will be subject to detailed review and this timeline is therefore indicative at this stage. This broadly corresponds to Scottish Government phases 2 and 3.

**Service Stage 2** – anticipated to be the period from September/October until at least December, covering phase 4.

5.5. We will update this at the next Board meeting on the 21<sup>st</sup> September, taking account of progress nationally and the impacts on our services, including our anticipated proposals to return to full service models in each area.

## **Housing and Environmental**

### Letting and void management

5.6. The vast majority of normal direct letting is currently suspended in line with the current restrictions. Our focus has been on offering our void properties to Glasgow City Council and our wider local authorities including Renfrewshire Council to support the alleviation of homelessness. The updated assumed key stages of the mobilisation plan are:

#### *Service Stage 1:*

- Reintroduction of direct letting and a new protocol for accompanied physical viewings involving social distancing, PPE (gloves/masks) and post-viewing cleaning routines
- Delivering on our commitment to provide 300 homes for use as temporary accommodation as part of the Wheatley Group
- Continue to deliver on our commitments made as part of the Housing First programme
- Work with local authorities to match highest need customers, including management transfers, homeless and Housing First to properties
- First priority will be our existing 'Band A' customers including Management Transfers and Exceptional Housing Needs customers as we know their current accommodation is unsuitable
- We also anticipate being able to 'flat flip' i.e. properties with Glasgow City Council where customers want temporary homes to be made permanent.
- Continue to work on voids where resources and availability of parts allow
- Work on successions, assignments and mutual exchanges

#### *Service Stage 2:*

- Continue a matched letting service for highest need customers
- MyHousing – hosted videos to replace accompanied viewings
- Matched letting service for Housing First customers
- Void works completed on longer-term voids & backlog cleared
- Commence limited adverts for our specialist property types e.g. LivingWell and our adapted properties

- 5.7 Since lockdown 5 homes have been passed to GCC for consideration for temporary lets to for homeless customers and 5 properties have been signed up in partnership with Renfrewshire Council with homeless applicants.

### Income

- 5.8. Maximising and protecting our income will remain a key focus as we progress through the Scottish Government route map out of crisis. In the next phases of this we will continue our successful remote working rent and income collection approaches. This will include:

#### *Service Stage 1:*

- Continue successful home/remote working rent and income collection approach
- Review all arrangements/EPP (Expected Payment Plans)- shifting customers to direct debits or alternative payment arrangements if required
- We have now established a Housing Officer Home visiting team. The team are targeting Customers who have yet to apply rent increase or UC uprating – reviewing arrangements and non-engaging customers with increasing balances. Since early July our visit team have visited over 120 Loretto customers who have not been previously engaging.
- Identifying our 44 customers who are furloughed and may be at risk of unemployment, offering support and guidance with assistance from WBOs (Welfare Benefits Officers)
- Continue with referrals to GDRT (Group Debt Recovery Team)
- Utilising CSC (Customer Service Centre) for evening and weekend outbound calls.
- Create a new suite of letters more aligned with 'Talk to us' campaign, with a clear message on the obligation to pay and putting 'rent first'
- Introduce escalated telephone/video appointments with WBO or Loretto's Head of Housing
- Working with our Communications team to prepare our winter rent campaign.

#### *Service Stage 2:*

Following the Scottish Government agreeing in principal Homelessness and Rough Sleeping Action Group ("HARSAG") recommendations, including the proposal to extend existing legislation to prevent evictions until March 2020 we have had to revise our assumptions. These include:

- The six-month-notice period for NOP and Eviction will end March 21
- Customers will know that their cases cannot be escalated to court prior to March 21
- Our new home visit team has been set up. Processes that were developed during phase 1 have been reviewed and we can now upscale our visit capacity.
- Courts will be back up and running (limited capacity)
- A proportion of our current of non-engagers will now have an arrangement in place, cleared their account or be receiving some kind of support to manage their tenancy and rent account which means escalation is not appropriate

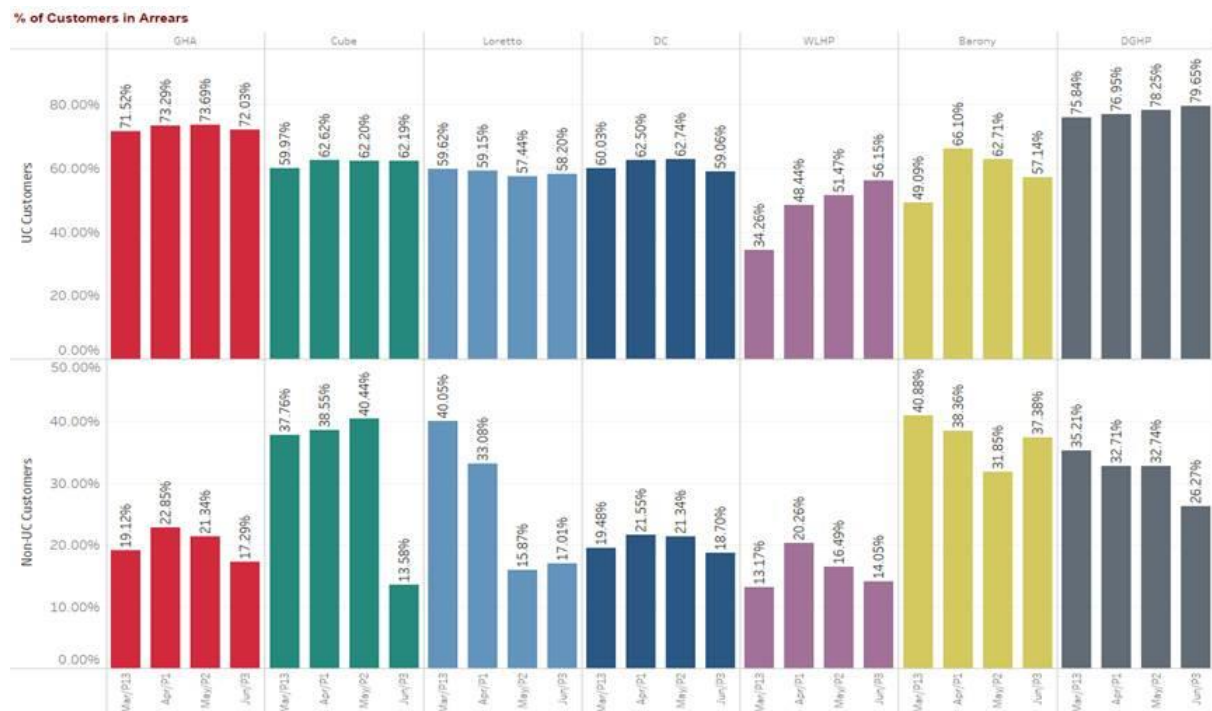
- Secure messaging via MyLoretto on-line accounts – including arrears letters/messaging

5.10 Gross rent arrears at the end of June achieved 4.19% against a 4.8% target. This compares to 4.08% at the end of May, 4.76% at the end of April and 5.11% at the end of March. Housing Officers continue to escalate rent arrears cases, support customers with their transition on to Universal Credit and using all wrap around services available to support our customers through the impacts of Covid-19.

5.11 Loretto Housing’s % of non UC tenants in arrears has reduced since February 2020 from 40.05% to 17.01% in June 2020. As well as the successful rental discussions Housing Officers are having with our customers this also shows the impact of the 4 weekly schedules from local authorities. Loretto received double payments in April from Renfrewshire Council and Falkirk Council. Loretto also received their double payment from Glasgow in May.

5.12 Loretto Housing continues to see an increase in the number of our tenants transitioning to Universal Credit (“UC”) in June with a further 14 new customers claiming UC, taking us up to 256 customers now on Universal Credit and a 7.4% increase in new cases in June. With these new customers moving on to Universal Credit, Loretto at the end of June has £59,040 Universal Credit Arrears. This is an increase from £52,087 in May this is predominantly due to the timescale for these new claims to be processed and us awaiting the first payments

5.13 The below table shows the progress made within Loretto Housing’s UC and Non UC Customers arrears position compared across the Wheatley Group:



### Fire safety

5.14. As lockdown begins to ease we anticipate moving through the following stages:

#### *Service Stage 1:*

- Fire Safety Officers(FSO) returned to CIP Fire Safety Team
- Loretto Housing Officers to identify customers who fit SFRS 'Very High Risk' criteria. This has involved visits to twenty-four vulnerable households to provide fire safety products and advice
- FSOs will conduct telephone consultations with Very High Risk customers including new Housing First customers and deliver bespoke fire safety/prevent products

#### *Service Stage 2:*

- FSOs will carry out vulnerable household visits (PPE/Social distancing if required)

### Anti-social behaviour ("ASB")

5.15. An update on ASB is included in the agenda and will be presented at the meeting.

### Environmental maintenance services

5.16 We are now able to carry out non-essential outdoor workplaces with physical distancing with relevant guidance and PPE in place for our environmental staff. Our contact with the Scottish Government has confirmed that can and has included a return to aspects of our environmental work such as grass cutting. Our environmental services are now carrying out stage 1:

#### *Service Stage 1:*

- Commence grass cutting & gardening services as well as arborist work
- Void Team would be in place
- Environmental staff continue to support EatWell & Emergency Fund requests
- Close cleaning progressively reintroduced
- Bulk uplifts to continue (these have been ongoing during lockdown stage)

#### *Service Stage 2:*

- Close Cleaning fully resumed

- 5.17 Since we have restarted our Grass Cutting & Arborist Service on the 17<sup>th</sup> June the following has been achieved by the Environmental Service for our Loretto Customers:
- 100% of areas have had at least one grass cut
  - 75% of second cuts have now taken place
  - Removal of bulk has been carried out at all Loretto sites
  - We have carried out hedge cut backs in Springburn and Grangemouth based on our customer's feedback
  - A programme of Weed Spraying has also now commenced

### EatWell

- 5.18. Unlike the other services discussed here, our focus for EatWell will be on striking an appropriate balance between making sure we support our customers when they are most vulnerable, and transitioning the EatWell service to its primary focus on our most vulnerable customers.

#### *Service Stage 1:*

- We have continued to make referrals and deliver food parcels for those in need across our main local authority in Glasgow
- We have also introduced a supermarket voucher option for new referrals (approximately £30 for single person)

#### *Service Stage 2:*

- Revise/update criteria for ensuring we continue to target those in greatest need
- Review the impact of the changes above including the impact on staff resources on food voucher option
- Reduce staff levels (following re-instatement of grass cutting/void work) and as staff move back to normal duties
- Continue to support referrals (at a reduced level)

- 5.19 Since lockdown our Eatwell Service have distributed 497 food parcels to Loretto customers and 140 supermarket vouchers to our most vulnerable customers through joint working with our Housing Officers.

## **Repairs, investment and compliance**

### Repairs

- 5.20. In line with the slight easing of lockdown in phase 1 of the Scottish Government route map we have reassessed our repairs service which was operating on a 'Life and Limb' service. The restrictions intended as part of phases 2 and 3 of the route map for easing lockdown mean that a full service still cannot be resumed.
- 5.21. However, there was scope to extend the service beyond its previous restrictions to what we have termed 'Safety First Repairs'. This will include all emergency works and works that while not necessarily deemed essential are considered



necessary to avoid significant inconvenience to the customer. In June we have delivered a further 207 repairs to our customers. We introduced the Safety First Repairs service at the start of July.

- 5.22 In stage 2 we will resume a full repairs service. A key element of the remobilisation plan is planning to mitigate the risk of a significant spike in demand from the resumption of a full service. This will be addressed in part by completing a large number of the more urgent backlog repairs during the Stage 1 period.

#### Investment and compliance work in existing homes

##### *Service Stage 1:*

- 5.23. Essential compliance activities such as gas servicing has continued through lockdown. Our focus during this phase of the Scottish Government's route map will be on clearing the back-log of expired CP12 gas safety certificates through high intensity contact from the call centre, refreshed customer communications, and where the customer is not engaging, reinstating our forced entry procedure.

Going forward we will look to embed the high intensity outbound calling as part of our business as usual gas process, given its success to date in reducing no-accesses.

##### *Service Stage 2:*

- 5.24. We intend restarting external investment works and cyclical maintenance from late September, assuming progress continues through the phases of easing lockdown. In advance of this, we are exploring the possibility of restarting some projects across our Loretto operating footprint that were put on hold at lockdown, to build experience in ensuring necessary safe-working practices and to provide customers with confidence on our approach and continued commitment in this area. At this stage, non-essential internal capital investment works (e.g. new kitchens where these are being replaced on a life-cycle programme basis) are not anticipated to take place until the new calendar year.
- 5.25. We plan to survey customers who are due to have any internal works done prior to the end of the financial year, to assess their views on having tradespeople in their homes and identify any concerns arising. In doing so, we will explain the measures we will take to mitigate health and safety risks, such as how we will operate social distancing principles and the PPE that will be used. We anticipate repeating this survey exercise around December/January in respect of customers scheduled to have internal investment/compliance work done in 2021/22.
- 5.26 At present we now only have 4 homes in Loretto Housing with an expired CP12. This is a reduction from 34 expired CP12's at the end of June. A huge amount of work is underway to ensure that we are achieve 100% compliance.

## **Support services and governance**

- 5.27. Our back-office support service will continue to be delivered through home working as present. Similarly, our governance approach will remain unchanged through Service Stage 1 to the end of September with virtual board meetings, reduced agendas and reduced board member numbers dialling in to allow easier management of conference calls/video calls. We will consider the potential for the November Loretto Board meeting to be face-to-face, subject to this being permitted by Scottish Government guidance.
- 5.28. Our absence levels at Loretto Housing are now very low at just 0.18% in June 2020. This is the lowest absence level we have ever recorded.
- 5.29. We continue to have 1 staff member furloughed as at the end of May. The UK Government Scheme for entering new employees into the furlough scheme closed on 10 June.
- 5.30. We are closely monitoring the furloughing of staff and how this will require to be flexed to reflect the recommencement of services. We now have the option to return staff on a part time basis under the job retention scheme.

## **Personal Protective Equipment (“PPE”)**

- 5.31. The service transitions in this paper and the introduction of our visit team will require an increasing use of PPE. At present, we have sufficient supplies in Loretto and across the Group for the next 12-week period and we have robust supply lines. The confirmed availability is also a key element of the evaluation criteria for any service remobilisation progressing to Service Stage 2.
- 5.32. We have also made progress recently through the Scottish Government and we can now access additional supplies through an arrangement it has put in place with Lyreco. We have tested this arrangement and it worked well with next day delivery. In addition, as a contingency, we have placed orders so as we will have a further 25% stock beyond what we expect to need.

## **6. Key issues and conclusions**

- 6.1. Significant progress has been made so far and the plans set out in this report will be kept under review and adapted as necessary depending on progress through the phases in the Scottish Government Route-map. They will also be informed by the experience we gain from operating our interim service models. Prior to progressing to the next Stage, a detailed assessment and evaluation will take place and the Board will be updated on progress at its next meeting in September.

## **7. Value for money implications**

- 7.1 The approach set out in this paper is designed to ensure we continue to deliver priority services for customers within government restrictions, focusing on keeping them and our staff safe. Customer feedback will form an important part of our assessments before moving to the next Stage service models.

## **8. Impact on financial projections**

- 8.1 Our revised business plan is being presented to the Board for consideration at this meeting.

## **9. Legal, regulatory and charitable implications**

- 9.1 The approach set out in this paper is based on latest the Scottish Government Framework and in particular '*Scotland's route map through and out of crisis*'. We will continue to refine our proposals as the detail of government advice develops including in light of progress through the identified phases. We continue to notify the Scottish Housing Regulator, as necessary, of changes to our operating model and services through their "notifiable events" web portal.

## **10. Implementation and deployment**

- 10.1. The Executive Team will direct the deployment of the proposals set out in this paper.

## **11. Partnership implications**

- 11.1 Our mobilisation plans are heavily predicated on the mobilisation efforts of new Glasgow City Council, our partners in the wider local authorities and City Building in relation to core services such as lettings, allocations, void works, compliance works and Safety First Repairs.

## **12. Equalities impact**

- 12.1. We will continue to take special account of those who have underlying health conditions or are shielding. The latter category of staff will not be required to leave their homes and it is recognised their ability to work may be restricted by the shielding provisions in force.
- 12.2. Given the increased risk to BAME staff we will also undertake tailored risk assessments to ensure these staff are appropriately protected as part of the re-mobilisation.

## **13. Recommendations**

- 13.1 The Board is asked to:
- Note the contents of the report and that that a further update on our service models will be provided to the next meeting in September.

## Report

**To:** Loretto Housing Association Board

**By:** Steven Henderson, Group Director of Finance

**Approved by:** Martin Armstrong, Group Chief Executive

**Subject:** Customer satisfaction surveys 2020/21

**Date of Meeting:** 17 August 2020

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### 1. Purpose

- 1.1. To seek the Board's agreement to the proposed approach to assessing customer satisfaction this year, in light of the impact of Covid-19.

### 2. Authorising context

- 2.1. The Scottish Housing Regulator requires that a survey of RSL tenants is carried out at least every three years. This is to assess tenants' views in relation to Scottish Social Housing Charter outcomes, for example on satisfaction with various aspects of a landlord's service. We typically carry out such surveys annually, in order to provide more regular insight into customer views, with the results being included in our Annual Return on the Charter ("ARC"). The ARC returns are subject to Board approval prior to submission.

### 3. Risk appetite and assessment

- 3.1. A full ARC-specification customer satisfaction survey is designed to gauge customer views in the context of normal operating conditions. There is a risk it may not therefore be appropriate in the context of Covid-19 and the significant disruption to our ability to deliver normal services. However, it is important we do seek customer feedback on how we have responded to the pandemic and how we have communicated, engaged and supported the people we work for across all of our activities. Otherwise, there is a risk that we may miss important lessons about how we respond in crisis situations.

### 4. Background

- 4.1. In a "normal" year, we would begin preparations for the RSL customer satisfaction survey process in August. A different approach is proposed this year, reflecting the unique circumstances of Covid-19, as set out below.

### 5. Discussion

- 5.1. It is proposed to carry out a specific survey of customers in order to assess how well we have responded to the pandemic in their eyes. This would be a much shorter and more focused survey than the ARC-specification model.

- 5.2. It will be designed to elicit more in-depth feedback that we can act on as necessary as we consider our approach to remobilisation in the coming months and delivering services in the context of continuing Covid restrictions.
- 5.3. We will commission an independent firm to carry out the survey Group-wide, and seek their input on a core set of questions that we develop, tailored for each part of the Group, including us. These will address issues such as:
- How well we have kept customers informed about our services and how Covid-19 has impacted these services
  - How customer experiences have changed as we have moved through different phases of the crisis
  - Which of our services were most important to customers and how did these change at different points?
  - How safe customers they felt when our staff were engaging face to face with them (use of PPE, distancing precautions, etc)
  - How did customers' digital skills change during the crisis
- 5.4. We would aim to carry out the survey across all parts of the Group around September/October, with an expectation that interviews will mainly be by telephone. The results will be reported back to the Board along with a summary of actions required.
- 5.5. The proposed approach will mean that the 2020/21 ARC return will contain the same customer satisfaction survey measures as those recently noted by the Board for the 2019/20 ARC return.

## **6. Key issues and conclusions**

- 6.1. Understanding the views of our customers is central to how we design services. It will also help inform our thinking as we look to evolve our service models through the next phases of the pandemic.

## **7. Value for money implications**

- 7.1. The results from the proposed survey this year will help inform our activities to ensure we continue to deliver value to customers while keeping them and our staff safe.

## **8. Impact on financial projections**

- 8.1. No impacts.

## **9. Legal, regulatory and charitable implications**

- 9.1. The impact on the ARC returns for 2020/21 for our RSLs is noted above.

## **10. Implementation and deployment**

- 10.1. As noted above.

## **11. Partnership implications**

- 11.1 The survey process will include all partner organisations within the Group and allow comparisons to be made.

## **12. Equalities impact**

- 12.1. The survey will be designed in collaboration with the appointed independent survey firm, to capture input from a representative cross-section of customers.

## **13. Other resource implications**

- 13.1. No further implications.

## **14. Recommendations**

- 14.1 The Board is asked to:

- 1) Agree the proposed approach to gathering customer feedback for 2020/21
- 2) Agree that the 2019/20 formal ARC survey results will be reported in the 2020/21 returns to the Scottish Housing Regulator, as is permitted within the regulatory guidance

## Report

**To:-** Loretto Housing Association Board

**By:-** Stuart Johnstone, Development Manager

**Approved by:-** Tom Barclay, Group Director of Property & Development

**Subject:-** New build performance update

**Date of Meeting:-** 17 August 2020

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### 1. Purpose

1.1 To provide the Board with an overview of the new build programme performance to the end of June 2020, including any programme highlights and/or exceptions.

### 2. Authorising Context and Risk Appetite

2.1 The Loretto Housing Association Board is responsible for scrutinising and approving its development programme on a 5 year rolling basis. The Loretto Housing Association Board considers its development programme each February with updates provided throughout the year. Once the programme is approved, the Group Development Committee is responsible for scrutinising and approving each individual contract award.

2.2 This report enables the Board to consider and monitor progress within the Loretto Housing Association new build development programme.

### 3. Risk Appetite and assessment

3.1 The risk appetite for Loretto Housing Association development has been agreed as 'Open'. This level of risk tolerance is defined as "willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.)."

3.2 The information provided in this report supports the reduction of risk in respect of development by providing a robust performance management framework for the Board.

3.3 Risks on individual projects have been assessed and reported separately at approval stage. They are continuously assessed and mitigated as each project progresses.

#### 4. Background

- 4.1 Our ambition, both for Loretto and across the Group, is to continue as a key partner of the Scottish Government in the delivery of an ambitious growth programme supporting the Scottish Government's 'More Homes Scotland' programme.

#### 5. Discussion

- 5.1 Commentary on the new build development activity is provided in **Table 1** below:

**Table 1:**

Indicators	Highlights & Exceptions
Unit completions	56 units completed in 2019/20 comprised: <ul style="list-style-type: none"><li>▪ 28 units at Muirhall Street, Coatbridge</li><li>▪ 28 units at Buckley Street, Glasgow</li></ul>
On site	We currently have no projects on site.
Due on site	There are two projects 'due on site' at: <ul style="list-style-type: none"><li>▪ 32 units of social rent at Hallrule Drive, Glasgow</li><li>▪ 58 units of social rent at Dargavel, Renfrewshire</li></ul> There is one further project 'due on site', subject to Group Development Committee approval on 6 August 2020. This project is: <ul style="list-style-type: none"><li>▪ 21 units of social rent at Cobblebrae Farm, Falkirk</li></ul>
Programme	As of 30 June 2020, projects 'in development' and due on site total 251 units.
Budget versus Spend	Spend is £0.233m against budget of £1.671m to 30 June 2020. The spend variance is driven by cessation of construction activity during the Covid-19 lockdown resulting in delays bringing projects to site.
Engagement Status	We have two 'High Engagement projects'; at Dargavel and Cobblebrae Farm due to this being the first projects to be delivered by these developers and also, in the case of Dargavel, the scale of the project.



5.2 In line with national guidance the construction sector in Scotland closed down from 23 March 2020. A construction industry restart programme was prepared by Construction Scotland for the Construction Leadership Forum (Chaired by the Minister for Local Government, Housing & Planning) and was agreed with the Scottish Government. Since the lockdown has steadily eased, the construction industry recommenced site operations from 11 June 2020 and has progressed through the agreed restart programme. By 15 July 2020 the industry had entered phase 4 (steady state operations with PPE) of the restart plan. Work on construction sites remains at a reduced capacity.

### 5.3 Further Project Updates

#### Hallrule Drive, Glasgow

5.3.1 The Board will recall the inclusion of the Hallrule Drive, Cardonald project in the five year development programme approved by the Board in May 2019 and as part of the Loretto five year development programme approved by Board in February 2020. We have been working with McTaggart Construction Limited over the last few months on the commercial details of the project and have now secured the required grant from Glasgow City Council for this project.

5.3.2 The Group Development Committee on 14 May 2020 approved that Loretto Housing enter into a contract with McTaggart Construction Limited for the construction of 32 units of new build Livingwell (over 55's) homes for social rent at Hallrule Drive at a construction cost of **£4,643,271** and a total development cost of **£5,207,668**. We have received a grant offer of **£3,253,358** from GCC. The development cost meets the Group financial appraisal requirements for new build projects.

5.3.3 The housing mix for the development is 12 one bed flats, 10 two bed flats and 8 two bed cottage flats. The Hallrule site is located just south of the M8 motorway. A plan showing site information including its location and its context to the wider area is attached at **Appendix 1**.

#### Dargavel, Renfrewshire

5.3.4 The Board will recall the inclusion of the Dargavel, Renfrewshire project in the five year development programme approved by the Board in May 2019 and again in February 2020. The Group Development Committee approved on 29 October 2019 that Loretto Housing enter into a Development Agreement with Robertson Partnership Homes and in December 2019 ownership of the site transferred to Loretto Housing Association.

5.3.5 The required Grant funding for this project has now been confirmed, with £1M from Scottish Government and £3.606M from Allia Social Investments. The Allia funding was recommended by the Scottish Government and is on the same standard Grant terms as Scottish Government grant, with the exception that the grant funding is all received up front. We are in discussions with Robertson Partnership Homes Limited to conclude the contract terms. The Developer is still awaiting two statutory consents and to comply with our grant conditions we cannot conclude any contract until these are in place. The

developer is forecasting that the project will start on site in late September 2020, subject to consents being secured.

- 5.3.6 For ease of reference, the project is for the construction of 58 social rent properties at Dargavel (Bishopton). The housing mix for the development is 12 one bed cottage flats, 14 two bed houses and 32 three bed houses.

### **Cobblebrae Farm, Falkirk**

- 5.3.7 The project at Cobblebrae Farm, Falkirk was included in the five year development programme approved by Board in May 2019 and again in February 2020. This is an opportunity site brought to Loretto Housing Association by Sim Building Group and comprises 21 units for social rent. The Development Team have been working with Sim Building Group on the project since early 2019.

- 5.3.8 This development is the subject of a report to be considered by the Group Development Committee at its meeting on 6 August 2020. The project involves the purchase of land from and enter into a building contract with, Sim Building Group Limited for the construction of 21 properties at a cost of **£3,127,355** and a total development cost of **£3,229,387**. We have received an acceptable offer of grant of **£1,796,000** from the Scottish Government. The development cost meets the Group financial appraisal requirements for new build projects.

- 5.3.9 The housing mix for the development is 9 two bed flats, 9 two bed houses and 3 three bed houses. Location plans, site layout and visuals for this project are attached at **Appendix 2**.

### **5.4 Covid-19**

- 5.4.1 The handover dates for the projects at Hallrule Drive and Dargavel will be affected as a result of this period of lockdown. The impact on programmes from the implementation of Covid-19 working practices is also being monitored. Revised handover dates will be confirmed once a clearer understanding on the impact on productivity of the social distancing and additional health and safety measures are known. We have reflected the impact of Covid-19 in the reforecast of our programme and the revised Business Plan.

### **5.5 Future Programme**

- 5.5.1 [redacted]

- 5.5.2 All of the above sites are included in the five year development programme agreed in February 2020. In addition, there is a number of additional sites in the Falkirk area under active consideration.

## **6. Key Issues and Conclusions**

- 6.1 At period 3 (30 June 2020), we have 90 units due on site, potentially rising to 111 units if Cobblebrae Farm is approved by the Group Development Committee. We continue to review opportunities for further projects.

6.2 Covid-19 has had, and will continue to have, an impact on the programme. The impact from new working practices is being monitored.

## 7. Value for money implications

7.1 Our ability to successfully deliver new build housing helps strengthen the income streams in our business plan and supports our charitable objectives to address housing need by providing much needed homes for potential customers on our waiting lists.

7.2 Delivering value for money to our funders and stakeholders such as the Scottish Government and the local authorities we work with is also important, in maintaining our position as a key delivery partner.

## 8. Impact on financial projections

8.1 The business plan approved by the Board in February 2020 reflects a new build programme of 176 new units to be completed over the next five years. None of these projects are scheduled for completion in 2020/21. A reforecast of the programme, taking into account the effects of Covid-19, still sees 176 units being completed over that period although some completion dates will be delayed.

8.2 The table below summarises target and actual spend performance for period 3, to 30 June 2020:

<b>Loretto Housing Capital Expenditure</b>			
<b>New Build Programme 2020/21: Period to End June 2020</b>			
<b>Spend</b>	<b>Budget</b>	<b>Variance</b>	<b>Budget for full year</b>
£0.233m	£1.671m	£1.438m	£10.810m

8.3 New build expenditure of £0.233m has been incurred to 30 June 2020, which is £1.438m lower than budget. This is a result of the Scottish Government instruction to close all construction sites on 23 March. Housing construction work has resumed with sites re-opening meaning that steps can be taken to progress those sites designated as 'due on site' to a site start.

8.4 Grant income to June 2020 was £3.606m against a budget of £1.592m, reflecting grant received in advance from Allia for the Dargavel project. Scottish Government enabled this grant through Allia to ensure funding was available for the project.

8.5 We will continue to monitor actual delivery against assumptions within the business plan and report on any changes and related impact on surplus as required.

## **9. Legal, regulatory and charitable implications**

- 9.1 The Wheatley Solutions Property legal team continues to provide support to the programme through provision of advice supporting procurement, contracts and site acquisition.

## **10. Partnership implications**

- 10.1 The programme is considered and agreed with our grant funders at an early stage in the development process.
- 10.2 We seek funding agreements with the Scottish Government and Glasgow City Council and also the support of all our local authority partners through inclusion of our projects within their Strategic Housing Investment Plans.
- 10.3 Consultation on individual projects takes place with local communities, asset management, housing management and Lowther Homes colleagues (where appropriate).

## **11. Implementation and deployment**

- 11.1 The delivery and performance management of the new build programme is led by the Wheatley Solutions Development Team under the Group Director of Property and Development.

## **12. Equalities Impact**

- 12.1 All of our new build developments are built to Housing for Varying Needs standard and continue to include housing to wheelchair standard, as a contribution towards local authority and Scottish Government targets.

## **13. Recommendations**

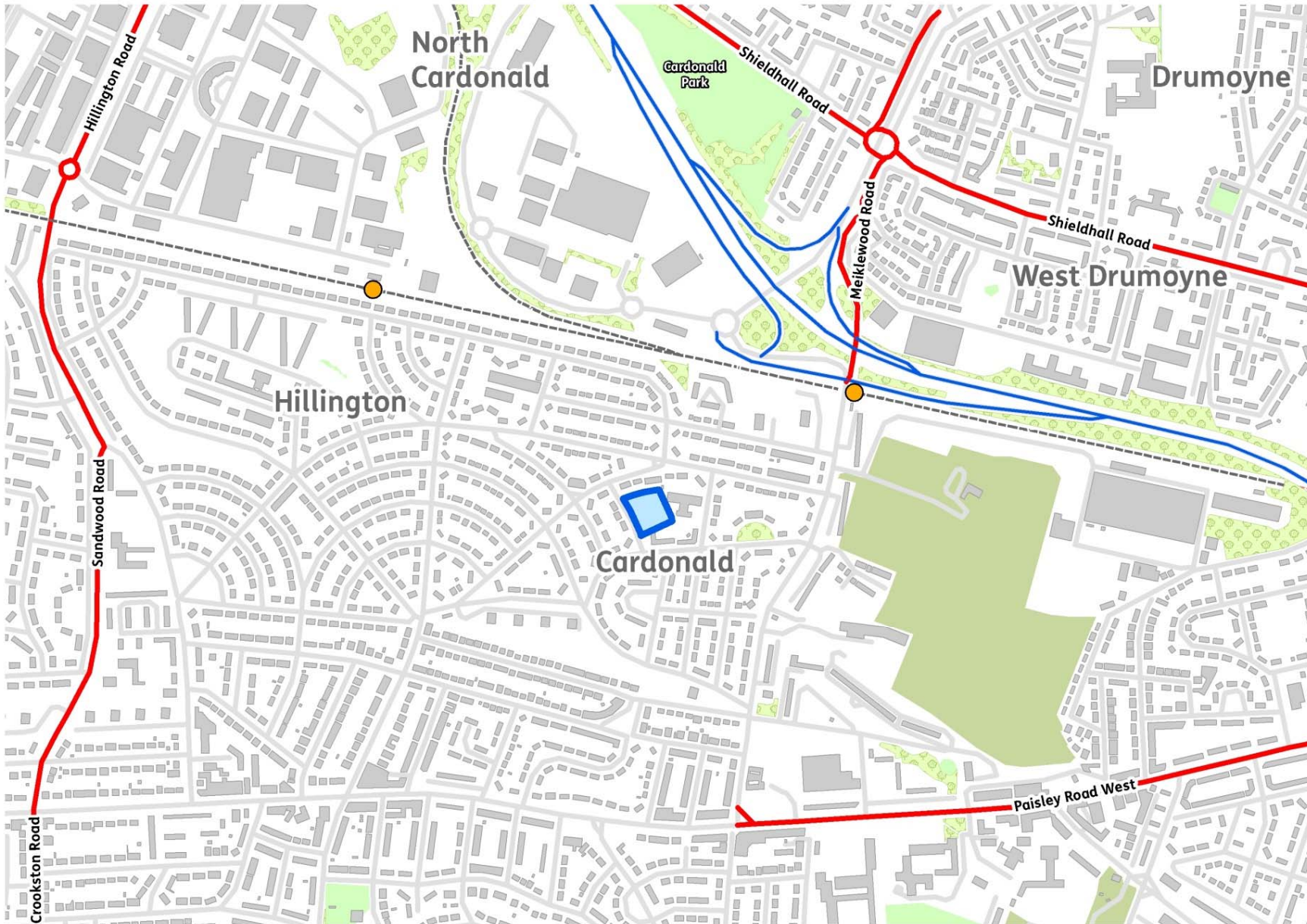
- 13.1 The Board is requested to note the contents of the report.

## **List of Appendices**

- Appendix 1 – Hallrule Drive, Glasgow  
Appendix 2 – Cobblebrae Farm, Falkirk

## **Appendix 1**

- **Context map**
- **Site Plan**
- **Bird's Eye View**
- **Visual**














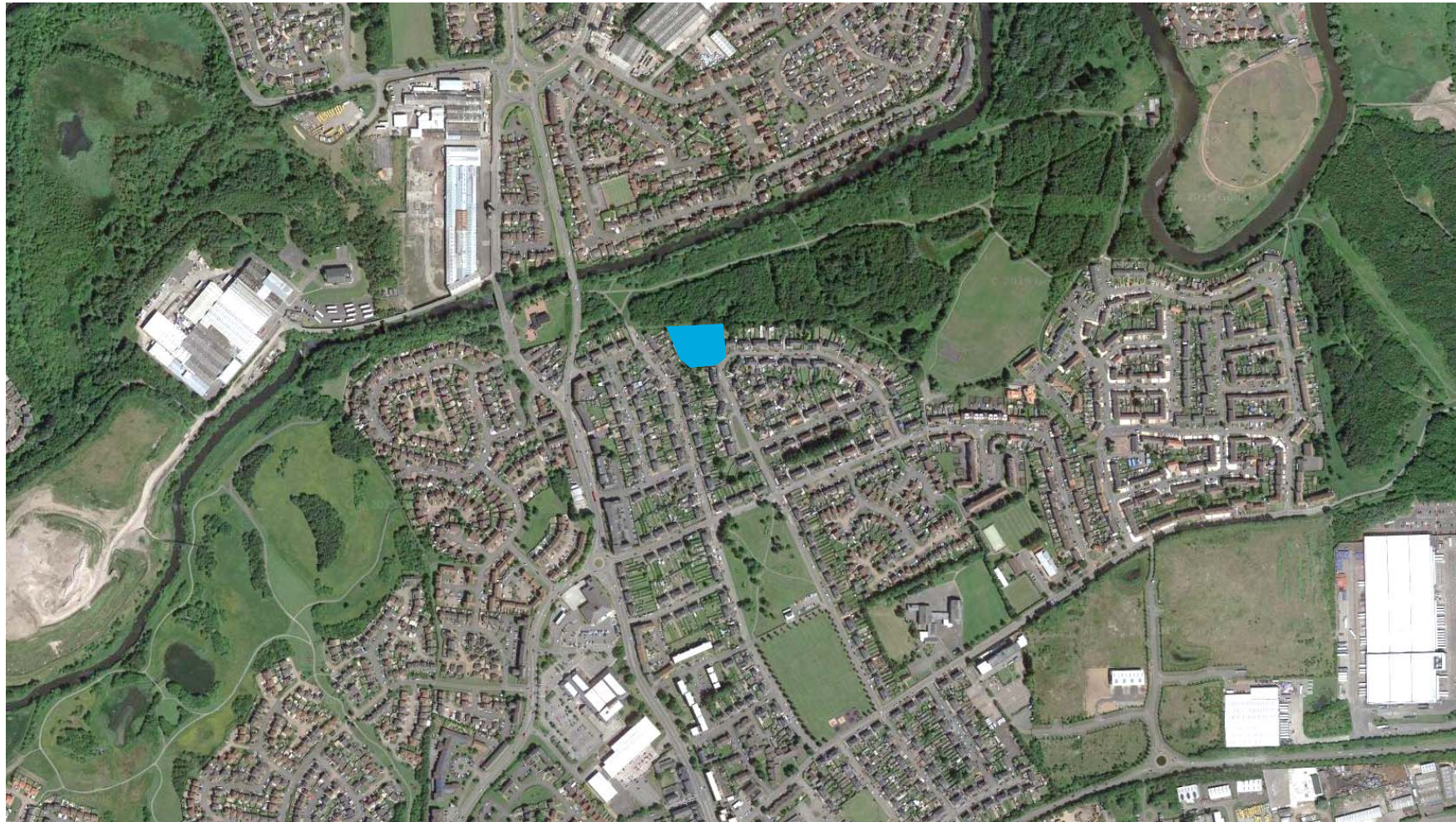
Appendix 1

Loretto  
Housing

## Cobblebrae Farm, Falkirk

# Cobblebrae Farm – Site Location

Loretto Housing



# Cobblebrae Farm Site Layout



# Cobblebrae Farm - Visual 1

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# Cobblebrae Farm – Visual 2

Loretto  
Housing



## Report

**To:** Loretto Housing Association Board

**By:** Margaret Ross, Financial Controller

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** 2020 SHR Five Year Financial Projections

**Date of Meeting:** 17 August 2020

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### **1. Purpose**

- 1.1 To provide an update on our financial projections and seek approval of the Five Year Financial Projections (“FYFP”) return which is required to be submitted to the Scottish Housing Regulator (“SHR”) by the end of September.

### **2. Authorising context**

- 2.1 Under the terms of the Intra-Group Agreement between Loretto and Wheatley Housing Group, as well as the Group Authorise, Manage, Monitor Matrix, the Board is responsible for the on-going monitoring of performance against agreed targets, including the on-going performance of its finances.
- 2.2 While the Group Board is responsible for the overall approval of the Group business plan and parameters, the Board must also agree its individual business plan within these parameters.
- 2.3 The SHR requires the annual return on the FYFPs for each RSL to be approved by its Board before they are formally submitted.

### **3. Risk Appetite and assessment**

- 3.1 Our agreed risk appetite for business planning and budgeting assumptions is “open”. This level of risk tolerance is defined as “Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level”.
- 3.2 The information submitted to the SHR in the Five Year Financial Projection return is used as part of its annual review of our financial viability. As such it is important that the information provided is as robust as possible.

### **4. Background**

- 4.1 In February 2020 the Board approved the 2020/21 Business Plan Financial Projections and related key financial ratios. The first year of these projections formed the basis of our current year budget. As a result of the emergence of COVID-19 and the resulting lockdown, there has been substantial disruption to our business which is expected to continue for some time. This has had a significant impact on our financial performance in the current year and our Business Plan projections and related key financial ratios.

- 4.2 Revised financial projections were presented to the Board in July 2020 setting out an initial estimate of the impact of Covid-19. These projections reflected the anticipated changes to our new build, investment and repairs programmes due to restrictions in place and made provision for the challenges in rent collection as a result of the rise in unemployment and increase in tenants moving onto Universal Credit. They also included projected furlough claims and an increase in assumed savings in employee costs.
- 4.3 The revised projections reflected a significant change to our rent increase assumptions. In recognition of the need to ensure rental income remained affordable we reduced the assumed rent increases on social housing stock from 3.5% each year to 1.9% in April 2021, 2.4% in April 2022 and 2.9% from April 2023 on. This reduction in long term rent increases from 3.5% to 2.9% achieves the key outcome set out in our 2020-25 strategy to deliver below 3% increases by 2025. This earlier implementation of our strategy was made possible by efficiencies achieved to date, together with an increase in planned savings and reduced funding costs at the group level.
- 4.4 The forecast financial statements and key ratios presented to the July Board showed that we remained financially strong and that the RSL borrower group, of which we are part, was able to meet loan covenants imposed by lenders. It was agreed however that these financial projections would be kept under review and updated for any new information, with revised forecasts to be provided to the August Board and used as the basis for the Regulator's Five Year Financial Projection return.
- 4.5 The FYFPs is a web-based return designed by the SHR to collect the financial projections and related information of all RSLs in Scotland in a standard format. The information provided is used to calculate a number of financial ratios and is used by the SHR as part of its annual review of the financial viability of RSLs and in making decisions on the level of engagement. It is also used to allow developing trends, patterns and emerging issues to be identified and considered across the sector. The return provides the actual results for 2019/20 and the financial projections for the next five years and is usually required to be submitted by the end of June each year. However, in light of Covid-19 the SHR extended the deadline for submission to the end of September.

## **5. Discussion**

- 5.1 The revised forecast financial statements presented to the Board in July 2020 have been updated to reflect the actual audited results for 2019/20 as reported in the statutory accounts. The projections have also been reviewed against the outturn figures for the first quarter of the current year and forecast for the remainder of the year and revised for any material changes.
- 5.2 The resulting projected financial statements together with the 2019/20 Statutory Accounts have been used as the basis for the SHR's Five Year Financial Projection return. The return includes financial statements and additional information for 2019/20 together with the first five years of our forecast. Information is collected in a standard format for all RSLs in Scotland with this broadly in line with the statutory accounts format. Our business planning / budgeting structure and accounting policies mean that the figures for us do not fit neatly into this template and therefore some presentational changes have been made for the purposes of the return. For example, employee costs is an important line included in our budget, but there is no line for this in the Regulator's return, with these being split between more thematic headings such as management and administration, repairs, wider action, etc.



- 5.3 The FYFP return to be submitted including the resulting financial ratios used by the regulator to assess and compare performance between RSLs is attached at Appendix 1. It should be noted that the calculation method used by the Regulator for these ratios differs from the methods used by our lenders for funding covenants.
- 5.4 To enable comparison to the figures presented to the Board in July, the summary forecast statement of comprehensive income for the five year period to 2024/25 is shown in Figure 1 below. This shows that there has been no significant change compared to the July figures with the main movements relating to reflection of actual results for 2019/20. This includes an update to the valuation adjustments and depreciation charge to reflect opening valuations and a small decrease in funding costs due to a reduction in the opening loan balance. Additional savings in operating costs of £220k have also been reflected in 2020/21.

**Figure 1: Statement of comprehensive income**

	2020/21	2021/22	2022/23	2023/24	2024/25
Turnover	7,411	7,662	20,862	11,276	9,266
Operating Expenditure	(7,407)	(8,014)	(8,119)	(8,669)	(8,938)
Gain on Investment Properties	26	26	27	28	28
<b>Operating Surplus</b>	<b>30</b>	<b>(326)</b>	<b>12,770</b>	<b>2,634</b>	<b>356</b>
<b>Operating Margin (%)</b>	<b>0%</b>	<b>-4%</b>	<b>61%</b>	<b>23%</b>	<b>4%</b>
Finance Costs	(1,785)	(1,956)	(2,243)	(2,547)	(2,626)
Housing Property Valuation Movement	2,744	3,090	(12,958)	740	4,488
<b>Total Comprehensive Income</b>	<b>989</b>	<b>808</b>	<b>(2,431)</b>	<b>828</b>	<b>2,218</b>
<b>July Re-forecast</b>	<b>948</b>	<b>720</b>	<b>(2,668)</b>	<b>701</b>	<b>2,091</b>

- 5.5 Our revised Statement of Financial Position, set out in Figure 2 below, shows the movement in the net asset position over the first five years of the projections. The delivery of 176 new affordable housing properties will help to strengthen our net asset base.

**Figure 2: Statement of Financial Position**

Statement of Financial Position	2020/21	2021/22	2022/23	2023/24	2024/25
Housing & Investment Properties	66,120	80,270	73,027	73,941	78,830
Other Fixed Assets	983	799	637	475	397
<b>Total Fixed Assets</b>	<b>67,103</b>	<b>81,069</b>	<b>73,664</b>	<b>74,416</b>	<b>79,227</b>
Current Assets	2,586	2,630	2,631	2,600	2,572
Current Liabilities	(8,774)	(14,937)	(4,985)	(3,302)	(4,790)
<b>Net Current Liabilities</b>	<b>(6,189)</b>	<b>(12,307)</b>	<b>(2,354)</b>	<b>(702)</b>	<b>(2,219)</b>
Long-Term Liabilities	(36,021)	(43,060)	(48,040)	(49,616)	(50,693)
Pension	(578)	(578)	(578)	(578)	(578)
<b>Net Assets</b>	<b>24,316</b>	<b>25,124</b>	<b>22,693</b>	<b>23,520</b>	<b>25,738</b>
Retained Earnings	24,316	25,124	22,693	23,520	25,738
<b>Total Reserves</b>	<b>24,316</b>	<b>25,124</b>	<b>22,693</b>	<b>23,520</b>	<b>25,738</b>
<b>July Re-forecast</b>	<b>17,738</b>	<b>18,458</b>	<b>15,790</b>	<b>16,491</b>	<b>18,582</b>

- 5.6 This shows a significant increase in net assets compared to the July projections as a result of an increase in the opening housing property valuation and reduction in pension liability. There is a reduction in the debt position versus the July re-forecast that also contributes to the improved net assets position. Fluctuations in current liabilities are due to the inclusion of new build grant income. This is reported as deferred income until completion of the units at which point it is transferred to Turnover in the Statement of Comprehensive Income.
- 5.7 While we are funded via an intra group loan from WFL1 and is not subject to covenants on a standalone basis it is important to assess our cash generation ability and contribution to the RSL Borrower Group financial position. A key measure used within the Group to determine this is interest cover, with this defined as EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major repairs investment spend taken into account) over net interest payable. Ideally this should be >1 meaning that sufficient cash is generated from operating activities to cover both investment in existing assets and cost of funding. Figure 3 shows the revised projected for interest cover, including a comparison to the figures presented in July.

**Figure 3: EBITDA MRI interest cover ratio**

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
Turnover (excl Grant)	7,411	7,662	8,222	8,887	9,266
Operating Costs (excl Depreciation)	(3,706)	(4,146)	(3,826)	(3,929)	(4,061)
<b>EBITDA</b>	<b>3,705</b>	<b>3,516</b>	<b>4,396</b>	<b>4,957</b>	<b>5,205</b>
Investment	(1,401)	(1,616)	(2,256)	(1,591)	(1,600)
<b>EBITDA (MRI)</b>	<b>2,304</b>	<b>1,900</b>	<b>2,141</b>	<b>3,367</b>	<b>3,605</b>
Interest (net)	(1,785)	(1,956)	(2,243)	(2,547)	(2,626)
<b>Interest Cover</b>	<b>519</b>	<b>(56)</b>	<b>(102)</b>	<b>820</b>	<b>979</b>
<b>Interest Cover (x)</b>	<b>1.29x</b>	<b>0.97x</b>	<b>0.95x</b>	<b>1.32x</b>	<b>1.37x</b>
<b>July Re-forecast</b>	<b>1.14x</b>	<b>0.95x</b>	<b>0.94x</b>	<b>1.30x</b>	<b>1.35x</b>

- 5.8 This demonstrates an improved performance compared to the financial projections presented in July. In 2020/21 interest cover increases from 1.14x to 1.29x primarily as a result of an additional £221k of savings in operating expenditure. Whilst underlying operating performance remains unchanged in subsequent years the lower opening debt position results in decreased finance costs and a small improvement in interest cover. Higher investment costs in years two and three result in interest cover falling just below 1, though this recovers by 2023/24.

## 6. Key Issues and Conclusions

- 6.1 The revised projections show that we remain financially strong, and that there has been improvement compared to the position reported in July. Given the unprecedented level of uncertainty, these financial projections will remain under review and any significant changes reported back to the Board.
- 6.2 The SHR FYFPs have been prepared in accordance with the guidance issued. These projections are based on the 2020 Statutory Accounts, also submitted to this board and the reforecast financial projections. The board are requested to consider and approve the regulatory return. Once approved, these will be submitted to the SHR.

## **7. Value for Money implications**

- 7.1 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. As part of the reforecast the long term rent increase assumption has been reduced from 3.5% to 2.9% each year.

## **8. Impact on Financial Projections**

- 8.1 The impact of the reforecast on our financial projections is outlined in section 5 above.

## **9. Legal, regulatory and charitable implications**

- 9.1 Once approved by the Board the FYFPs return will be submitted to the SHR. The information will be used only by the SHR in its role as regulator and will not be used or relied upon by any other party. It is therefore not expected that there will be any legal implications


## **10. Equalities Impact**

- 10.1 Not applicable

## **11. Recommendations**

- 11.1 The Board is requested to:
- 1) Note the update to our financial projections, including the impact of the actual results for 2019/20 as reported in the Statutory Accounts; and
  - 2) Approve the summary sheet and accompanying financial data and projections at Appendix 1 and authorise these to be submitted to the Scottish Housing Regulator

Appendix 1 – Scottish Housing Regulator Five Year Financial Projection Return

Financial Projections & Assumptions						2020	
Loretto Housing Association Ltd						154	
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
		£'000	£'000	£'000	£'000	£'000	£'000
PLEASE USE "0" FOR NIL VALUES THROUGHOUT THIS RETURN							
<b>STATEMENT OF COMPREHENSIVE INCOME</b>							
Gross rents	10 :	5,714.0	6,452.5	6,575.1	7,109.2	7,740.2	8,091.2
Service charges	11 :	750.0	867.6	997.4	1,021.3	1,055.7	1,081.4
<b>Gross rents &amp; service charges</b>	12 :	<b>6,464.0</b>	<b>7,320.1</b>	<b>7,572.5</b>	<b>8,130.5</b>	<b>8,795.9</b>	<b>9,172.6</b>
Rent loss from voids	13 :	116.0	264.5	271.0	279.4	290.3	298.6
<b>Net rent &amp; service charges</b>	14 :	<b>6,348.0</b>	<b>7,055.6</b>	<b>7,301.5</b>	<b>7,851.1</b>	<b>8,505.6</b>	<b>8,874.0</b>
Developments for sale income	15 :	0.0	0.0	0.0	0.0	0.0	0.0
Grants released from deferred income	16 :	5,232.0	0.0	0.0	12,639.5	2,388.8	0.0
Grants from Scottish Ministers	17 :	0.0	0.0	0.0	0.0	0.0	0.0
Other grants	18 :	0.0	72.1	73.2	75.4	77.6	80.0
Other income	19 :	2,120.0	283.0	287.6	295.5	303.5	311.9
<b>TURNOVER</b>	20 :	<b>13,700.0</b>	<b>7,410.7</b>	<b>7,662.3</b>	<b>20,861.5</b>	<b>11,275.5</b>	<b>9,265.9</b>
Less:							
Housing depreciation	22 :	3,180.0	3,494.2	3,653.7	4,082.9	4,511.4	4,724.5
Impairment written off / (back)	23 :	0.0	0.0	0.0	0.0	0.0	0.0
Management costs	25 :	543.0	579.7	624.5	332.8	350.9	398.9
Planned maintenance - direct costs	26 :	658.0	641.3	708.9	720.0	732.5	745.3
Re-active & voids maintenance - direct costs	27 :	651.0	494.5	735.6	756.7	834.0	883.3
Maintenance overhead costs	28 :	0.0	0.0	0.0	0.0	0.0	0.0
Bad debts written off / (back)	29 :	130.0	254.3	225.3	232.6	242.0	249.1
Developments for sale costs	30 :	0.0	0.0	0.0	0.0	0.0	0.0
Other activity costs	31 :	2,762.0	1,625.8	1,740.0	1,669.6	1,653.5	1,665.1
Other costs	32 :	229.0	317.0	326.4	324.3	345.0	271.5
	33 :	4,973.0	3,912.6	4,360.7	4,036.0	4,157.9	4,213.2
<b>Operating Costs</b>	35 :	<b>8,153.0</b>	<b>7,406.8</b>	<b>8,014.4</b>	<b>8,118.9</b>	<b>8,669.3</b>	<b>8,937.7</b>
Gain/(Loss) on disposal of PPE	36 :	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional Items - (Income) / Expense	37 :	(149.0)	(26.0)	(26.5)	(27.0)	(27.6)	(28.1)
<b>OPERATING SURPLUS/(DEFICIT)</b>	38 :	<b>5,696.0</b>	<b>29.9</b>	<b>(325.6)</b>	<b>12,769.6</b>	<b>2,633.8</b>	<b>356.3</b>
Interest receivable and other income	40 :	1.0	0.0	0.5	1.0	1.5	3.0
Interest payable and similar charges	41 :	1,734.0	1,784.5	1,956.9	2,243.8	2,548.1	2,628.9
Increase / (Decrease) in Negative Goodwill	42 :	0.0	0.0	0.0	0.0	0.0	0.0
Other Gains / (Losses)	43 :	(1,497.0)	2,743.7	3,089.7	(12,957.9)	740.4	4,487.7
<b>SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAX</b>	45 :	<b>2,466.0</b>	<b>989.1</b>	<b>807.7</b>	<b>(2,431.1)</b>	<b>827.6</b>	<b>2,218.1</b>
Tax on surplus on ordinary activities	47 :	0.0	0.0	0.0	0.0	0.0	0.0
<b>SURPLUS/(DEFICIT) FOR THE YEAR AFTER TAX</b>	49 :	<b>2,466.0</b>	<b>989.1</b>	<b>807.7</b>	<b>(2,431.1)</b>	<b>827.6</b>	<b>2,218.1</b>

		£'000	£'000	£'000	£'000	£'000	£'000	
Actuarial (loss) / gain in respect of pension schemes	51 :	779.0	0.0	0.0	0.0	0.0	0.0	
Change in Fair Value of hedged financial instruments.	52 :	0.0	0.0	0.0	0.0	0.0	0.0	
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	54 :	<b>3,245.0</b>	<b>989.1</b>	<b>807.7</b>	<b>(2,431.1)</b>	<b>827.6</b>	<b>2,218.1</b>	49+51+52
<b>STATEMENT OF FINANCIAL POSITION</b>								
<b>Non-Current Assets</b>								
Intangible Assets & Goodwill	59 :	0.0	0.0	0.0	0.0	0.0	0.0	
Housing properties - Gross cost or valuation	62 :	60,193.0	64,794.9	78,918.2	71,648.9	72,535.3	77,396.3	
Less								
Housing Depreciation	64 :	0.0	0.0	0.0	0.0	0.0	0.0	
Negative Goodwill	65 :	0.0	0.0	0.0	0.0	0.0	0.0	
<b>NET HOUSING ASSETS</b>	66 :	<b>60,193.0</b>	<b>64,794.9</b>	<b>78,918.2</b>	<b>71,648.9</b>	<b>72,535.3</b>	<b>77,396.3</b>	62-64-65
Non-Current Investments	68 :	1,299.0	1,325.0	1,351.5	1,378.5	1,406.1	1,434.2	
Other Non Current Assets	69 :	1,179.0	983.4	799.0	637.0	475.0	397.1	
<b>TOTAL NON-CURRENT ASSETS</b>	70 :	<b>62,671.0</b>	<b>67,103.3</b>	<b>81,068.7</b>	<b>73,664.4</b>	<b>74,416.4</b>	<b>79,227.6</b>	59+66+68+69
<b>Current Assets</b>								
Net rental receivables	73 :	207.0	427.5	472.0	473.0	441.9	413.9	
Other receivables, stock & WIP	74 :	2,011.0	1,958.0	1,958.0	1,958.0	1,958.0	1,958.0	
Investments (non-cash)	75 :	0.0	0.0	0.0	0.0	0.0	0.0	
Cash at bank and in hand	76 :	614.0	200.0	200.0	200.0	200.0	200.0	
<b>TOTAL CURRENT ASSETS</b>	77 :	<b>2,832.0</b>	<b>2,585.5</b>	<b>2,630.0</b>	<b>2,631.0</b>	<b>2,599.9</b>	<b>2,571.9</b>	SUM(73:76)
<b>Payables : Amounts falling due within One Year</b>								
Loans due within one year	80 :	0.0	0.0	0.0	0.0	0.0	0.0	
Overdrafts due within one year	81 :	0.0	0.0	0.0	0.0	0.0	0.0	
Other short-term payables	82 :	2,702.0	2,481.0	2,418.0	2,418.0	2,418.0	2,418.0	
<b>TOTAL CURRENT LIABILITIES</b>	83 :	<b>2,702.0</b>	<b>2,481.0</b>	<b>2,418.0</b>	<b>2,418.0</b>	<b>2,418.0</b>	<b>2,418.0</b>	80+81+82
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	85 :	<b>130.0</b>	<b>104.5</b>	<b>212.0</b>	<b>213.0</b>	<b>181.9</b>	<b>153.9</b>	77-83
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	87 :	<b>62,801.0</b>	<b>67,207.8</b>	<b>81,280.7</b>	<b>73,877.4</b>	<b>74,598.3</b>	<b>79,381.5</b>	70+85
<b>Payables : Amounts falling due After One Year</b>								
Loans due after one year	90 :	37,253.0	36,020.7	43,059.7	48,040.0	49,615.9	50,692.8	
Other long-term payables	91 :	0.0	0.0	0.0	0.0	0.0	0.0	
Grants to be released	92 :	1,643.0	6,293.0	12,519.3	2,566.9	884.2	2,372.4	
	93 :	<b>38,896.0</b>	<b>42,313.7</b>	<b>55,579.0</b>	<b>50,606.9</b>	<b>50,500.1</b>	<b>53,065.2</b>	90+91+92
Provisions for liabilities & charges	94 :	578.0	578.0	578.0	578.0	578.0	578.0	
<b>NET ASSETS</b>	95 :	<b>23,327.0</b>	<b>24,316.1</b>	<b>25,123.7</b>	<b>22,692.5</b>	<b>23,520.2</b>	<b>25,738.3</b>	87-93-94
<b>Capital &amp; Reserves</b>								
Share capital	98 :	0.1	0.3	0.3	0.3	0.3	0.3	
Revaluation reserve	99 :	0.0	0.0	0.0	0.0	0.0	0.0	
Restricted reserves	100 :	0.0	0.0	0.0	0.0	0.0	0.0	
Revenue reserves	101 :	23,326.9	24,315.8	25,123.4	22,692.2	23,519.9	25,738.0	
<b>TOTAL CAPITAL &amp; RESERVES</b>	102 :	<b>23,327.0</b>	<b>24,316.1</b>	<b>25,123.7</b>	<b>22,692.5</b>	<b>23,520.2</b>	<b>25,738.3</b>	SUM(98:101)
Pension Liability - as included above	104 :	578.0	578.0	578.0	578.0	578.0	578.0	
Intra Group Receivables - as included above	105 :	203.0	203.0	203.0	203.0	203.0	203.0	
Intra Group Payables - as included above	106 :	37,570.0	36,337.7	43,376.7	48,357.0	49,932.9	51,009.8	
Balance check	107 :	<b>TRUE</b>	<b>TRUE</b>	<b>TRUE</b>	<b>TRUE</b>	<b>TRUE</b>	<b>TRUE</b>	

		£'000	£'000	£'000	£'000	£'000	£'000	
<b>STATEMENT OF CASHFLOWS</b>								
<b>Net Cash from Operating Activities</b>								
Operating Surplus/(Deficit)	111 :	5,696.0	29.9	(325.6)	12,769.6	2,633.8	356.3	38
Depreciation & Amortisation	112 :	3,331.0	3,701.0	3,868.2	4,293.0	4,739.9	4,876.8	
Impairments / (Revaluation Enhancements)	113 :	0.0	0.0	0.0	0.0	0.0	0.0	
Increase / (Decrease) in Payables	114 :	(506.0)	(221.0)	(63.0)	0.0	0.0	0.0	
(Increase) / Decrease in Receivables	115 :	(1,156.0)	(167.7)	(44.6)	(1.2)	31.3	27.9	
(Increase) / Decrease in Stock & WIP	116 :	0.0	0.0	0.0	0.0	0.0	0.0	
Gain / (Loss) on sale of non-current assets	117 :	0.0	0.0	0.0	0.0	0.0	0.0	
Other non-cash adjustments	118 :	(6,017.0)	(26.0)	(26.5)	(12,666.5)	(2,416.4)	(28.1)	
<b>NET CASH FROM OPERATING ACTIVITIES</b>	119 :	<b>1,348.0</b>	<b>3,316.2</b>	<b>3,408.5</b>	<b>4,394.9</b>	<b>4,988.6</b>	<b>5,232.9</b>	SUM(111:118)
Tax (Paid) / Refunded	121 :	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Return on Investment and Servicing of Finance</b>								
Interest Received	124 :	1.0	0.0	0.5	1.0	1.5	3.0	
Interest (Paid)	125 :	(1,805.0)	(1,782.6)	(2,079.7)	(2,467.2)	(2,626.0)	(2,673.9)	
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>	126 :	<b>(1,804.0)</b>	<b>(1,782.6)</b>	<b>(2,079.2)</b>	<b>(2,466.2)</b>	<b>(2,624.5)</b>	<b>(2,670.9)</b>	124+125
<b>Capital Expenditure &amp; Financial Investment</b>								
Construction or acquisition of Housing properties	129 :	(3,382.0)	(3,771.4)	(12,906.4)	(7,266.0)	(2,978.9)	(3,448.1)	
Improvement of Housing	130 :	(1,607.0)	(1,401.3)	(1,615.8)	(2,255.5)	(1,590.5)	(1,600.1)	
Construction or acquisition of other Land & Buildings	131 :	0.0	0.0	0.0	0.0	0.0	0.0	
Construction or acquisition of other Non-Current Assets	132 :	0.0	(190.8)	(70.5)	(72.6)	(74.8)	(77.0)	
Sale of Social Housing Properties	133 :	0.0	0.0	0.0	0.0	0.0	0.0	
Sale of Other Land & Buildings	134 :	0.0	0.0	0.0	0.0	0.0	0.0	
Sale of Other Non-Current Assets	135 :	0.0	0.0	0.0	0.0	0.0	0.0	
Grants (Repaid) / Received	136 :	1,695.0	4,649.7	6,226.3	2,687.1	706.2	1,488.2	
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	137 :	<b>(3,294.0)</b>	<b>(713.8)</b>	<b>(8,366.4)</b>	<b>(6,907.0)</b>	<b>(3,938.0)</b>	<b>(3,637.0)</b>	SUM(129:136)
<b>NET CASH BEFORE FINANCING</b>	139 :	<b>(3,750.0)</b>	<b>819.8</b>	<b>(7,037.1)</b>	<b>(4,978.3)</b>	<b>(1,573.9)</b>	<b>(1,075.0)</b>	119+121+126+137
<b>Financing</b>								
Equity drawdown	142 :	0.0	0.0	0.0	0.0	0.0	0.0	
Debt drawdown	143 :	0.0	0.0	0.0	0.0	0.0	0.0	
Debt repayment	144 :	0.0	0.0	0.0	0.0	0.0	0.0	
Working Capital (Cash) - Drawn / (Repaid)	145 :	3,502.0	(1,233.8)	7,037.1	4,978.3	1,573.9	1,075.0	
<b>NET CASH FROM FINANCING</b>	146 :	<b>3,502.0</b>	<b>(1,233.8)</b>	<b>7,037.1</b>	<b>4,978.3</b>	<b>1,573.9</b>	<b>1,075.0</b>	SUM(142:145)
<b>INCREASE / (DECREASE) IN NET CASH</b>	148 :	<b>(248.0)</b>	<b>(414.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	139+146
<b>Cash Balance</b>								
Balance Brought Forward	151 :	862.0	614.0	200.0	200.0	200.0	200.0	153 (Prior Year)
Increase / (Decrease) in Net Cash	152 :	(248.0)	(414.0)	0.0	0.0	0.0	0.0	148
<b>CLOSING BALANCE</b>	153 :	<b>614.0</b>	<b>200.0</b>	<b>200.0</b>	<b>200.0</b>	<b>200.0</b>	<b>200.0</b>	151+152
Difference between Closing Balance and Cash at bank and in hand	154 :	0.0	0.0	0.0	0.0	0.0	0.0	153-76
<b>ADDITIONAL INFORMATION</b>								
<b>Units owned:</b>								
Social Rent Properties	159 :	1,442	1,442	1,442	1,588	1,618	1,618	
MMR Properties	160 :	17	17	17	17	17	17	
Low Costs Home Ownership Properties	161 :	4	4	4	4	4	4	

		£'000	£'000	£'000	£'000	£'000	£'000	
Properties - Other Tenures	162	0	0	0	0	0	0	
<b>Number of units owned at end of period</b>	163	<b>1463</b>	<b>1463</b>	<b>1463</b>	<b>1609</b>	<b>1639</b>	<b>1639</b>	SUM(159:162)
Number of units managed at end of period (exclude factored units)	165	1,496	1,496	1,496	1,642	1,672	1,672	
New Social Rent Properties added	167	56	0	0	146	30	0	
New MMR Properties added	168	0	0	0	0	0	0	
New Low Costs Home Ownership Properties added	169	0	0	0	0	0	0	
New Properties - Other Tenures added	170	0	0	0	0	0	0	
<b>Total number of new affordable housing units added during year</b>	171	<b>56</b>	<b>0</b>	<b>0</b>	<b>146</b>	<b>30</b>	<b>0</b>	SUM (167:170)
<b>Financed by:</b>								
Scottish Housing Grants	174	5,232.0	0.0	0.0	12,639.5	2,388.8	0.0	
Other public subsidy	175	0.0	0.0	0.0	0.0	0.0	0.0	
Private finance	176	3,825.0	0.0	0.0	9,865.4	2,298.4	0.0	
Sales	177	0.0	0.0	0.0	0.0	0.0	0.0	
Cash reserves	178	0.0	0.0	0.0	0.0	0.0	0.0	
Other	179	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Total cost of new units</b>	180	<b>9,057.0</b>	<b>0.0</b>	<b>0.0</b>	<b>22,504.9</b>	<b>4,687.2</b>	<b>0.0</b>	SUM (174:179)
	181							
<b>Number of units lost during year from:</b>								
Sales including right to buy	183	0	0	0	0	0	0	
Demolition	184	0	0	0	0	0	0	
Other	185	0	0	0	0	0	0	
<b>Assumptions:</b>								
General Inflation (%)	188	0.0	3.0	1.5	3.0	3.0	3.0	
Rent increase - Margin above General Inflation (%)	189	0.0	0.4	0.4	(0.1)	(0.1)	(0.1)	
Operating cost increase - Margin above General Inflation (%)	190	0.0	0.0	0.0	0.0	0.0	0.0	
Direct maintenance cost increase - Margin above General Inflation (%)	191	0.0	0.0	0.0	0.0	0.0	0.0	
Actual / Assumed average salary increase (%)	192	2.2	2.2	1.5	1.5	1.5	2.0	
Average cost of borrowing (%)	193	4.9	5.3	5.4	5.4	5.4	5.4	
Employers Contributions for pensions (%)	194	8.0	8.0	8.0	8.0	8.0	8.0	
Employers Contributions for pensions (£'000)	195	1,472.0	1,504.4	1,526.9	1,549.9	1,573.1	1,604.6	
SHAPS Pensions deficit contributions (£'000)	196	924.0	462.6	476.5	0.0	0.0	0.0	
Total staff costs (including NI & pension costs)	198	3,548.0	3,626.1	3,680.4	3,735.7	3,791.7	3,867.5	
Full time equivalent staff	199	77.0	77.0	77.0	77.0	77.0	77.0	
EESH Capital Expenditure included above	201	181.7	170.8	315.0	55.2	90.0	90.0	
Total capital and revenue expenditure on maintenance of pre-1919 properties	202	0.0	0.0	0.0	0.0	0.0	0.0	
Total capital and revenue expenditure on maintenance of all other properties	203	2,916.0	2,537.1	3,060.3	3,732.2	3,157.0	3,228.7	
EESH Revenue Expenditure included above	204	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Version 8.42</b>								

## Report

**To:** Loretto Housing Association Board

**By:** Gillian Ogilvie, Finance Manager

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** 2019/20 Financial Statements

**Date of Meeting:** 17 August 2020

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### 1. Purpose

- 1.1 To seek to Board approval of the 2019/20 financial statements.
- 1.2 The Board should note that the financial statements have been reviewed by the Wheatley Group Audit Committee and recommended for approval at its meeting which was held on 5 August 2020.

### 2. Authorising Context

- 2.1 Under the terms of the Intra-Group Agreement between Loretto and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, the Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances and the approval of the statutory financial statements.
- 2.2 This report provides the Board with the final statutory financial statements following the completion of the external audit by KPMG and a reconciliation of the final out-turn to period 12 management accounts.
- 2.3 Our agreed risk appetite for governance is “cautious”. This level of risk tolerance is defined as “preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward”.

### 3. Summary of year-end financial results

- 3.1 The financial statements reflect the requirements of the 2014 Statement of Recommended Practice (“SORP 2014”) for Social Housing Providers. The audited financial results of the Association are summarised below:



	Year ended 31.03.20 £'000	Year ended 31.03.19 £'000
Turnover	13,700	15,982
Operating Expenditure	(8,153)	(8,296)
Other gains and losses	149	(165)
<b>Operating Surplus</b>	<b>5,696</b>	<b>7,521</b>
Finance costs	(1,733)	(798)
Social housing property revaluation	(1,524)	(3,691)
Office property revaluation	27	199
<b>Surplus for the year</b>	<b>2,466</b>	<b>3,231</b>
Actuarial loss in respect of pension schemes	779	(701)
<b>Total comprehensive income for the year</b>	<b>3,245</b>	<b>2,530</b>

3.2 The finance reports submitted to the Board during the year formed the basis of these financial statements, and were updated to include a number of year end statutory adjustments.

#### 4. Adjustments from 31 March management accounts

4.1 The adjustments made between the 31 March 2020 management accounts and the final audited accounts are summarised below:

	I&E £'000	Net Assets £'000
<b>March management accounts</b>	<b>3,391</b>	<b>23,471</b>
Revaluation of Housing Properties	(1,524)	(1,524)
Revaluation of Investment Properties	149	149
Revaluation of Office Properties	27	27
SHAPS defined benefit pension valuation	1,174	1,174
Other	28	28
<b>LHA statutory accounts</b>	<b>3,245</b>	<b>23,325</b>

4.2 Revaluation of Properties: Housing, investment and office properties have been re-valued at the year-end by Jones Lang Lasalle. This resulted in a decrease in the valuation of £1,524k for social housing properties, an increase of £149k for mid-market rent (investment) properties and an increase of £27k for office properties. New build housing properties are initially recognised on the balance sheet at cost of construction, then are written down to an existing use for social housing ("EUV-SH") on completion. The write-down is, however, offset by the grant received to subsidise their construction, which is also recognised through the income statement.

4.3 SHAPS defined benefit pension valuation: The SHAPS defined benefit pension scheme is re-valued on an annual basis by independent actuaries. The 2019/20 valuation resulted in an employee service credit the operating cost of £441k, a £46k interest costs, and an actuarial gain of £779k.

4.4 Other: These adjustments are for other adjustments finalised after the preparation of the management accounts such as a review of accruals made following the receipt of the invoices post year end.

## 5. Audit summary

5.1 The external auditors, KPMG have completed their audit of the financial statements and have issued an unqualified audit opinion.

5.2 No audit adjustments were identified during the course of the audit with respect to us.

5.3 As a standard part of the standard audit process, and in line with previous years, KPMG require the Board of each organisation in the Wheatley Group to sign a “letter of representation” in which the Board confirms certain matters in terms of disclosure and record-keeping. As in previous years, a letter from the Group Chief Executive has been provided to each Board to provide comfort that the officers have complied with the matters stated in this letter. Both these documents are provided along with this paper (Appendix 2 and 3 respectively).

5.4 The Board are asked to confirm in the letter of representation that the financial statements are prepared on a going concern basis. The assessment that the Association continues in business is based on the preparation and approval of the Association’s 30-year business plan which includes cashflow forecasts, the certainty of revenue streams from rental income and the assessment of the availability of funding provided to us through the RSL borrower relationship with WFL1.

5.5 The accounts and letter of representation will be signed following the approval of the Wheatley Group accounts at the Group Board meeting on 26 August 2020.

## 6. Loretto Care

6.1 The attached draft statutory accounts include the consolidated Loretto Housing and Care financial results for the year, and also the Association results. For completeness we have included in the appendices the draft Loretto Care financial statements, which were approved by the Loretto Care Board on 10 August.

6.2 The financial results for the year for Loretto Care are summarised below:

	Year ended 31.03.20 £000	Year ended 31.03.19 £000
Total income	12,778	13,006
Total expenditure	(12,570)	(12,751)
<b>Net incoming resources</b>	<b>208</b>	<b>255</b>
Movement on pension scheme	522	(369)
<b>Surplus</b>	<b>760</b>	<b>(114)</b>
<b>Reserves</b>	<b>2,143</b>	<b>1,383</b>

- 6.3 The results show that Loretto Care generated net incoming resources of £208k. This is increased by the movement on the actuarial valuation of the SHAPS defined benefit pension scheme which has the effect of increasing the overall surplus to £760k.
- 6.4 Loretto Care holds reserves of £2,143k at 31 March 2020, representing 1,9 months' worth of expenditure.
- 7. Value for Money implications**
- 7.1 Ensuring financial performance remains in line with approved budget is a key element of continuing to demonstrate value for money.
- 8. Impact on financial projections**
- 8.1 The business plan will be updated to reflect the 2019/20 statutory accounts.
- 9. Legal, regulatory and charitable implications**
- 9.1 No implications.
- 10. Equalities impact**
- 10.1 Not applicable.
- 11. Recommendations**
- 11.1 The Board is asked to:
- 1) Approve the 2019/20 financial statements;
  - 2) Confirm the preparation of the financial statements using the going concern basis;
  - 3) Delegate authority to the Chair and Group Director of Finance to approve any non-material changes to the accounts; and
  - 4) Approve the letter of representation from the auditors, and note the related letter of comfort from the Chief Executive.

## **LIST OF APPENDICES**

Appendix 1: Financial statements for the year ending 31 March 2020 Loretto Housing Association [redacted Available here:

[https://www.lorettoha.co.uk/\\_data/assets/pdf\\_file/0019/115714/Loretto-Housing-Annual-report-and-financial-statements-2019-2020.pdf](https://www.lorettoha.co.uk/_data/assets/pdf_file/0019/115714/Loretto-Housing-Annual-report-and-financial-statements-2019-2020.pdf)]

Appendix 2: Letter of representation [redacted]

Appendix 3: Letter of comfort [redacted]

Appendix 4: Financial statement for year ending 31 March 2020 Loretto Care [redacted. Available here:

[https://www.wheatley-care.com/\\_data/assets/pdf\\_file/0020/115724/Loretto-Care-Trustees-report-and-financial-statements-2019-2020.pdf](https://www.wheatley-care.com/_data/assets/pdf_file/0020/115724/Loretto-Care-Trustees-report-and-financial-statements-2019-2020.pdf)]

## Report

**To:** Loretto Housing Board

**By:** Ranald Brown, Director of Assurance

**Subject:** Annual Internal Audit Report and Assurance Statement 2019/20

**Date of Meeting:** 17 August 2020

---

### 1. Purpose

- 1.1 To provide the Loretto Housing Board (“the Board”) with the Annual Internal Audit Report and Assurance Statement for noting, following assurance work completed and reported during financial year 2019/20. As this paper supports the 2019/20 year-end financial statements, the Finance Manager will present this paper at the Board meeting as part of the overall Annual Accounts.

### 2. Authorising context

- 2.1 Under the Group Authorising Framework, the Board is responsible for managing and monitoring Subsidiary compliance arrangements and operational performance. The activities undertaken by the Assurance Team provide the Board with independent assurance to support the Board in this role.
- 2.2 The Group Audit Committee is responsible for monitoring the Group’s assurance activities. The Group Audit Committee has responsibility for instructing and keeping under review the long-term plan for internal audit within the Group, to approve the annual Group Assurance Plan and monitor results as presented in the annual internal audit report and assurance statement. The 2019/20 Annual Internal Audit Report and Assurance Statement was approved by the Group Audit Committee on 6 May 2020.

### 3. Risk appetite and assessment

- 3.1 There is no specific risk appetite for Internal Audit, however, the agreed risk appetite in relation to Governance is deemed “cautious” meaning that tolerance for risk taking is limited to events where there is little chance of any significant repercussion should there be a failure.

### 4. Background

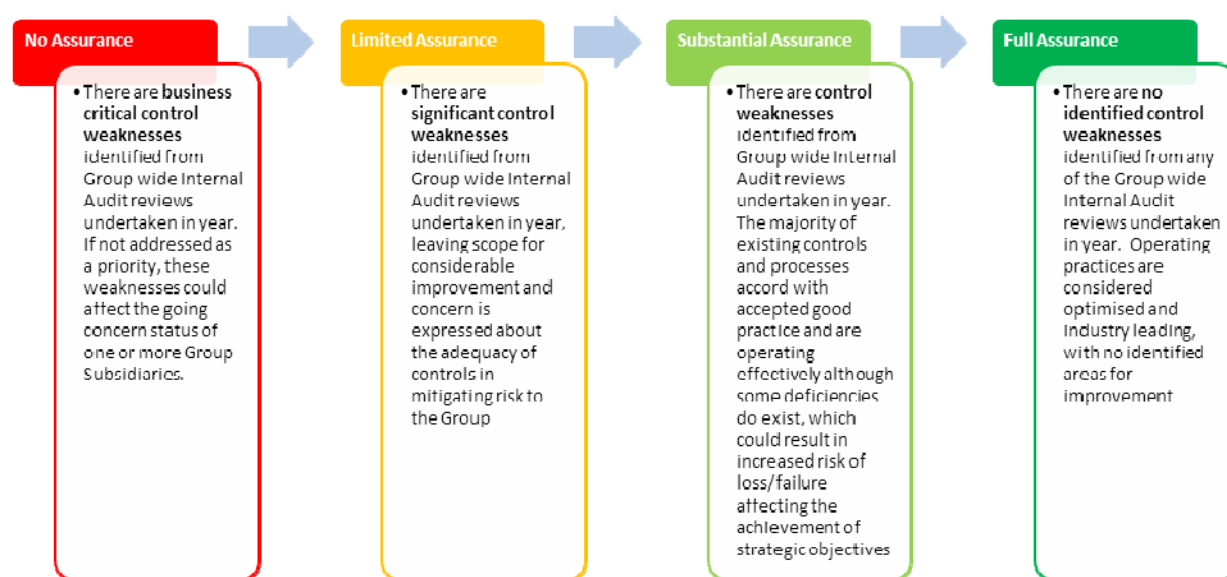
- 4.1 The 2019/20 Annual Assurance Plan (“the Plan”), as approved by the Group Audit Committee on 13 February 2019, set out the Assurance services to be provided across the Wheatley Housing Group (“the Group”). The Group’s established position is that it only operates Committees at Group level. The Group Audit Committee’s role and responsibilities are contained within its

Terms of Reference. **Annex 1** sets out the core areas and further explanation of the respective roles and responsibilities of the Group Audit Committee and subsidiary Boards.

- 4.2 The Plan is set in order to provide assurance on systems of internal control that are both Group-wide and subsidiary specific. Progress against the Plan was reported to the Group Audit Committee throughout the 2019/20 financial year. Our findings have been reported to the Group Audit Committee and to the Loretto Housing Board where relevant.
- 4.3 In line with good practice, Internal Audit provides the Group Audit Committee with an Annual Assurance Statement, as a result of completion of the Plan alongside any other Assurance work completed (e.g. Business Assurance inspections, continuous auditing of data). The Annual Assurance Statement is then reported to each subsidiary Board alongside the annual accounts. The Statement on Internal Financial Control included within the statutory accounts sets out our conclusions.

## 5. Group Internal Audit Report and Assurance Statement

- 5.1 A copy of the approved Annual Report and Opinion has been included at **Appendix 2**. The table below shows the different types of Internal Audit Opinion which may be given:



## 6. Annual Internal Audit opinion

- 6.1 Following completion of our approved Internal Audit Plan, we can confirm that sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2019/20. In giving this opinion, it should be noted that assurance can never be absolute.

- 6.2 During the delivery of our Internal Audit Plan, we identified no critical weaknesses in the governance, risk management, or internal control environments which would put the achievement of subsidiary or Group strategic objectives at risk. Recommendations were raised during the year and management have acted to address these and strengthen the control environment. In addition, we gave a mid-year Assurance update to both Subsidiary and Group Boards to highlight relevant Group and Subsidiary specific audit findings.
- 6.3 Based on our Group wide work undertaken during 2019/20 there continues to be a **substantial level of assurance** that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and consistent application of controls do exist.
- 6.4 Due to the Covid-19 pandemic, in March 2020 the Group followed UK Government advice and implemented virtual working arrangements while moving to an emergency service delivery model. The opinion expressed in this report applies to the period before the emergency service delivery model was implemented.

(See **Appendix 2** within the Assurance Statement for Internal Audit Opinion Definitions).

## **7. Value for money implications**

- 7.1 The Group has a Value for Money (VFM) Framework in place and subsidiary Boards and the Group Board have set their risk appetites in consideration of this.
- 7.2 Our risk based assurance approach is designed to consider the adequacy and effectiveness of operational activity and VFM is always a standard consideration when assessing control maturity.

## **8. Impact on financial projections**

- 8.1 The financial implications of individual audit findings have been considered as part of reaching the overall Internal Audit opinion.
- 8.2 An impact on surplus arises if audit findings and recommendations are not implemented to a sufficient extent to mitigate risks (particularly those with a financial impact). It is the responsibility of the Wheatley Group's management to monitor and review the status of agreed audit findings on a regular basis to ensure that mitigating controls are appropriate to manage the impact on operating surplus.

## **9. Legal, regulatory and charitable implications**

- 9.1 We have an Internal Audit function in line with the requirements of the Scottish Housing Regulator's revised Financial Regulations. The Group's Internal Audit function complies with the Institute of Internal Audit's (IIA) standards in relation to Internal Audit and is regularly quality assessed against IIA's standards.

## **10. Partnership implications**

- 10.1 In accordance with the City Building Glasgow (CBG) Assurance Plan, the Glasgow City Council (GCC) Chief Internal Auditor is leading for elements of the controls work. In accordance with the agreed joint Internal Audit approach, WHG Internal Audit has full access to working papers. We have been provided with an understanding of the GCC Internal Audit Team and their audit approach. We were provided with a high level overview of CBG Internal Audit files during 2019/20 which demonstrated the audit approach used to reach the audit conclusions.
- 10.2 It is the responsibility of GCC (as lead Internal Auditors) to provide the annual Internal Audit opinion for CBG. In accordance with the agreed CBG Internal Audit approach, we have placed reliance on work undertaken by the GCC Internal Audit team (in terms of the strength of CBG's control environment) in determining the overall Group Internal Audit opinion.
- 10.3 We have placed reliance on the internal audit work performed by the Dumfries and Galloway Housing Partnership Internal Auditors (Beever & Struthers) during the year to 31 March 2020. Responsibility for the internal audit of this Subsidiary passed to the Group's Director of Assurance on 1 April 2020.

## **11. Implementation and deployment**

- 11.1 The deployment of Internal Audit reviews is monitored and reported by the Head of Assurance and the Director of Assurance.

## **12. Equalities impact**

- 12.1 No equalities impact arising from this report.

## **13. Recommendation**

- 13.1 The Board is asked to note the contents of this report along with the overall Annual Internal Audit opinion detailed in Section 6 above.

## **List of Appendices**

Appendix 1 – Respective roles and responsibilities of Group Audit Committee and Subsidiary Boards

Appendix 2 - Annual Internal Audit Report and Assurance Statement 2019/20

## Appendix 1 – Respective roles and responsibilities of Group Audit Committee and subsidiary Boards

Core area	Group Audit Committee roles and responsibilities	Subsidiary Board roles and responsibilities
Internal Audit	<ul style="list-style-type: none"> <li>▪ Approve annual assurance plan (all planned Internal Audit work for the year).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Note the Annual Plan and identify any potential areas to recommend to the Group Audit Committee for inclusion.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Consider feedback from Group wide audits and inspections and monitor progress in implementing recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Note feedback from Subsidiary specific audits and inspections and monitor progress in implementing recommendations.</li> <li>▪ Receive updates on Group-wide audits as part of bi-annual assurance update.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Consider annual report and opinion for Group.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Note Group annual report and opinion.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Monitor effectiveness of Internal Audit.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide feedback, as appropriate, on Internal Audit to Group Audit Committee.</li> </ul>
Risk, Fraud and Whistleblowing	<ul style="list-style-type: none"> <li>▪ Review and make recommendations to the Group Board on the Group’s risk management framework and Corporate risk register (Subsidiaries and Joint Ventures).</li> <li>▪ Group Audit Committee approves ‘Fraud, Corruption and Bribery’ and ‘Whistleblowing’ policies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approve Subsidiaries risk appetite level and risk register.</li> <li>▪ Subsidiary Boards to monitor compliance with ‘Fraud, Corruption and Bribery’ and ‘Whistleblowing’ policies.</li> </ul>
Financial Statements	<ul style="list-style-type: none"> <li>▪ Review the Group’s accounting policies.</li> <li>▪ Review financial statements of all group members.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Approve Subsidiary financial statements and letters of representation.</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>▪ Approve annual audit plan.</li> <li>▪ Recommend appointment/re-appointment of external auditors to Group Board.</li> <li>▪ Set policy for award of non-audit</li> </ul>	<ul style="list-style-type: none"> <li>▪ As required under individual constitution.</li> </ul>



Core area	Group Audit Committee roles and responsibilities	Subsidiary Board roles and responsibilities
	work to external auditors.	
Policy	<ul style="list-style-type: none"> <li>▪ Recommend to Group Board and/or approve assurance related polices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide feedback on and implement Group assurance policies.</li> </ul>



# Wheatley Housing Group Internal Audit Annual Report and Opinion 2019/20

*(Approved by Audit Committee :  
6 May 2020)*

# Internal Audit Annual Report 2019/20

## Contents

1. Introduction
  2. Annual Internal Audit Opinion
  3. Summary of Findings
  4. Summary of other IA work
  5. Follow Up of Audit Actions
  6. Performance of Internal Audit Team
- App 1 - Limitations and Responsibilities  
App 2 - Assurance Opinion Definitions  
App 3 - Risk Rating Definitions

## Group Assurance Mission Statement

*To enhance and protect the Wheatley Group by providing independent, risk based and objective, assurance, advice and insight*

**“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”**

*Section 3 – Definition of Auditing; Chartered Institute of Internal Auditors’ International Professional Practices Framework*

## 1. Introduction

The purpose of Internal Audit, as a function of the Assurance Team, is to provide independent, objective assurance and advice, which adds value and assists the Group in achieving its objectives in an effective and efficient manner. It provides appraisal of the Group’s internal control system and provides Accountable Officers and Board Members with continued assurance that the Group’s governance, risk management and internal control arrangements are adequate and effective.

Our professional responsibilities as Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors.

The purpose of this report is to provide our view on the adequacy and effectiveness of the Wheatley Group’s (‘the Group’) system of governance, risk management and internal control, as relevant to our 2019/20 Annual Assurance Plan. The 2019/20 Annual Assurance Plan was approved by the Group Audit Committee on 13 February 2019 and progress against this plan has been reported to the Group Audit Committee throughout the financial year. Our detailed findings from specific reviews have been reported to Management during the year, with a summary of these findings reported to the Group Audit Committee throughout 2019/20. Reporting to Subsidiary Boards and the Group Board has taken place where appropriate.

This Annual Report summarises the Internal Audit activity and therefore does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to Management and the Group Audit Committee during the course of the year.

# Internal Audit Annual Report 2019/20

## 2. Annual Internal Audit Opinion

### Scope

In line with the International Standards for the Professional Practice of Internal Auditing (“the Standards”), Internal Audit provides the Group Board, Audit Committee and Subsidiary Boards with an Annual Internal Audit Opinion, as a result of the work completed during 2019/20.

Our opinion is subject to the inherent limitations of Internal Audit (covering both the control environment and the assurance over controls) as set out in Appendix 1 (Limitations and Responsibilities).

In arriving at our Annual Internal Audit Opinion, we have taken the following matters into account:

- the results of all Internal Audit work undertaken (including any upheld instances of fraud or whistleblowing) during the year ended 31 March 2020;
- in accordance with the Wheatley Group City Building Glasgow Assurance approach, we have placed reliance on the internal audit work done by the Glasgow City Council’s Chief Internal Auditor in relation to City Building Glasgow;
- we have placed reliance on the internal audit work performed by the Dumfries and Galloway Housing Partnership Internal Auditors (Beever & Struthers) during the year to 31 March 2020;
- whether or not any Critical recommendations have been made, and the resulting Management action;
- the effects of any material changes in the Group’s objectives, activities or regulatory environment; and
- whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the Group’s Internal Audit needs.

### Annual Internal Audit Opinion

Sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2019/20. In giving this opinion, it should be noted that assurance can never be absolute.

During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk. As reported to the Audit Committee, Management has acted promptly to address the findings we reported during the year and thereby strengthen the controls in place. Implementing agreed actions is a priority and progress is regularly reported to the Directorate Management Teams, Executive Team, Subsidiary Boards, City Building Glasgow, Group Board and the Group Audit Committee.

*Based on our Group-wide work undertaken in 2019/20 a **substantial level of assurance** can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and or consistent application of controls exist (See **Appendix 2** for Assurance Opinion Definitions). Management has agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee.*

Due to the Covid-19 pandemic, in March 2020 the Group followed UK Government advice and implemented virtual working arrangements while moving to an emergency service delivery model. The opinion expressed in this report applies to the period before the emergency service delivery model was implemented.

# Annual Internal Audit Plan 2020/21

## 3. Summary of Findings

We have completed the following audits within the 2019/20 Annual Plan, the results of which are shown below. We did not identify any critical internal control weaknesses which would require to be reported as part of the Statement of Internal Controls within the Group Financial Statements. Definitions of the report classifications and audit finding ratings are set out in **Appendix 3**.

Assurance Activity	Entities covered	Report Classifications	Number of findings per rating			
			Critical	Important	Moderate	Minor
RSM audit of Performance Management and Reporting		Minor	-	-	2	-
Governance – Annual Assurance Statement		Minor	-	-	-	2
Risk Management		Moderate	-	-	2	3
Housing: Service Innovation and Improvement		Moderate	-	-	3	4
Care: Service Innovation and Improvement		Minor	-	-	-	7
Core Financial Systems-Budget Management		Minor	-	-	1	2
Joint Venture Partnership Working		Minor	-	-	1	1
Project Management Methodology		Minor	-	-	2	-
Talent Management		Minor	-	-	1	2
Business Planning		Minor	-	-	-	2
External Stakeholder Engagement		Minor	-	-	-	2
Universal Credit Management		Minor	-	-	1	2
Dumfries and Galloway Housing Partnership		Moderate	-	-	3	3

Group (inc W Solutions)	GHA	Cube	DC	WLHP	Loretto Housing
Loretto Care	Barony	Commercial	W. Foundation	DGHP	CBG

# Internal Audit Annual Report 2019/20

## 4. Summary of other Internal Audit Work

In addition to the 14 audits shown on the previous page, the Internal Audit team has completed work in the following areas, as part of the 2019/20 Internal Audit Plan.

1. We completed the following reviews:

- MyHousing post-implementation review
- Benefits realisation
- Internal stakeholder engagement

The findings of these three reviews were reported in Audit Visit Memo format, with the actions arising reported as part of the Strategic Project Management audit.

2. We completed our annual service evaluations for RSLs and Care. The results were shared with management, with suggested areas for development and further investigation of the themes identified as a result of our analysis.
3. We undertook a two-stage validation of management's self-assessment of implementation of actions arising in a Care Inspectorate report. This confirmed that there was evidence in place to support management's assessment of all actions as complete.
4. We worked with an external provider to facilitate a Group-wide Digital Maturity Assessment. The Group's maturity was assessed as "Level 2- Digital Beginner" and a 2025 target digital maturity score of "Level 4 – Digitally Progressive" was set.

5. We completed an advisory review of Wheatley Solutions contribution to the Group's new Performance Framework, to support development of the Wheatley Solutions Performance Framework. The review assessed the level of direct and indirect involvement Wheatley Solutions teams have in the delivery of Strategic KPIs and Strategic Projects.

6. We monitored the development of the Group Repairs Performance Framework and provided assurance on completed KPIs in stages through the year. We reported our findings in Audit Visit Memo format, highlighting areas where management could develop controls to protect the completeness and accuracy of the data reported.

7. We rolled out use of IDEA data analysis software to:
- enable more efficient and effective testing of controls during audits, and
  - develop enhanced exception reporting for use by management as part of their controls.

# Internal Audit Annual Report 2019/20

## 5. Follow Up of Audit Actions

The Internal Audit team follows up internal audit actions each month, reporting on progress to Departmental Management Team (DMT) meetings and Executive Team meetings. This includes validating the updates provided by management by:

- reviewing the action updates provided by Management,
- obtaining evidence that actions have been completed as described, and
- assessing the effectiveness of actions taken to address the findings of our audits.

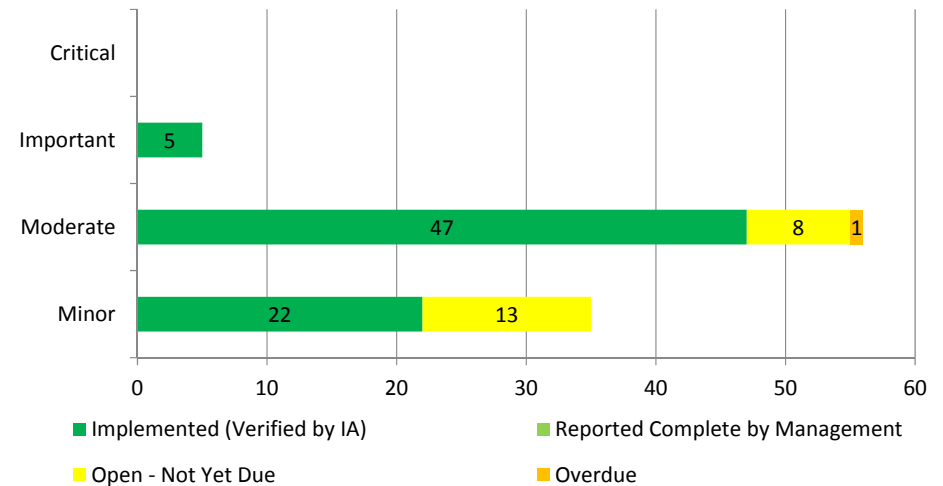
The following table provides a summary of follow up activity during 2019/20:

As at 31 March 2019	2019/20 Actions
Actions brought forward (no. overdue shown in brackets)	15 (1)
New actions added during year	81
Total actions followed up	96
Actions implemented during year	74
Actions carried forward (no. overdue shown in brackets)	22 (1)

We have verified the completion status of all 76 audit actions closed by Management during 2019/20. The following chart shows the status of all actions at 29 February 2020, split by the risk rating of the original finding.

One Moderate action remains overdue, which relates to the development of a revised Customer Service Centre performance framework. The Group Audit Committee has received regular updates on the progress towards completion of this action.

Action Status by Rating



# Internal Audit Annual Report 2019/20

## 6. Internal Audit Performance

The Assurance Team is responsible for delivering the Group's Internal Audit Service through the provision of independent, objective assurance and advice which adds value and drives improvement across the Group and its Subsidiaries. The high performance of the team is ensured through the following measures

### Internal Audit compliance with professional standards

We employ a risk-based approach to determine the audit needs of the Group at the start of each year and use a risk-based methodology to plan and conduct our work. All Internal Audit activity is performed in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors. All Assurance Staff have confirmed their independence in year.

### Conflicts of Interest

Each member of the Internal Audit team is required to confirm their independence annually. Independence Statements were confirmed by each team member in August 2019 and the exercise will be repeated in August 2020.

The Internal Audit team is led by the Director of Assurance, who reports directly to the Group Chief Executive and meets regularly with the Chair of the Group Audit Committee. The Director of Assurance has other operational responsibilities. Consequently, the Group Audit Committee assesses the controls in place to maintain the Director's independence on an annual basis. The EQA process reported in February 2019 included consideration of the Group's arrangements for confirmation of the Director of Assurance's independence and found them to be generally conformant with the requirements of the standards.

There have been no conflicts of interest during the year which have impacted on our independence or our ability to report our findings.

The table below sets out the Internal Audit team's performance against its agreed KPIs for 2019/20:

KPI	Target	Status
Overall Customer Satisfaction Survey Rating	Average feedback score of 8 out of 10	Green
Audits are delivered in line with agreed timescales	100% of audits	Green
Annual Plan agreed before start of financial year to which it relates	At February Group Audit Committee	Green
Annual Report issued in line with consideration of Annual Accounts	At August Group Audit Committee	Green
Annual Plan completed in line with agreed timescale and budget ( <i>Fire Risk Management Arrangements Review - fieldwork was underway at time of COVID19 and therefore unable to complete review. This be completed on return to work.</i> )	100% of audits	Amber
Percentage of time utilised on Internal Audit Plan delivery (based on 200 days)	100% utilisation	Green

#### Key:

Red	More than 15% away from target
Amber	Within 15% of target
Green	Target met / on track for year



# Internal Audit Annual Report 2019/20

## 7. Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality assurance measures in place which include:

- Supervision of staff conducting audit work;
- Review of working papers, audit files and reports by the Assurance Manager and the Director of Assurance;
- The use of satisfaction surveys and feedback for Internal Audits;
- Annual and on-going appraisal of Assurance staff through the My Contribution tool, linking into staff personal development and training plans;
- Sector specific training for staff alongside technical training such as attendance at Institute of Internal Auditors workshops, in-house Internal Audit Training and Financial Reporting Standards updates;
- The maintenance of an Internal Audit Manual and Charter; and
- External Quality Assessments undertaken every 3 years.

In years where an External Quality Assessment is not completed, the team completes a self-assessment against the International Internal Auditing Standards.

## Internal Quality Assessment Results

The 2019/20 self-assessment concluded that the Internal Audit team continues to be “**Generally Conformant**” with the standards (the highest available rating).

Each year, our review against the standards identifies areas in which we can continue to improve our service. In 2019/20, we have completed the following actions from our Improvement Action Log:

- The Assurance Map and Universe has been revised and refreshed.
- We introduced bi-annual meetings with all senior managers to update them on the work of Internal Audit team. These sessions include discussion to understand management risks, concerns and opportunities, which facilitates our Agile, risk-based internal audit approach.
- We have refreshed the Internal Audit intranet pages and worked with Care managers to deliver training sessions that provide staff with information and learning about Risks, Controls and the role of Internal Audit.
- We have redesigned our Customer Satisfaction Survey and used this to gather feedback on the Internal Audit service.

# Internal Audit Annual Report 2019/20

## Appendix 1: Limitations and responsibilities

### Limitations Inherent to the Internal Auditor's Work

We have prepared the Internal Audit Annual Report and undertaken the agreed programme of work as set out in the Annual Assurance Plan, subject to the limitations outlined below.

### Opinion

The Annual Internal Audit Statement is based solely on the work undertaken as part of the agreed Annual Assurance Plan. The work addressed the control objectives agreed for each individual assignment as set out in our individual Terms of Reference. The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

There might be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work, were excluded from the scope of the individual review, or were not brought to our attention. Our audit plan is based on risk to capture the higher risk areas within the Group. As a consequence, Management and the Group Audit Committee should be aware that our opinion may have differed if our programme of work or scope for individual reviews was extended or other relevant matters were brought to our attention.

### Internal Control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Responsibilities of Management and Internal Audit

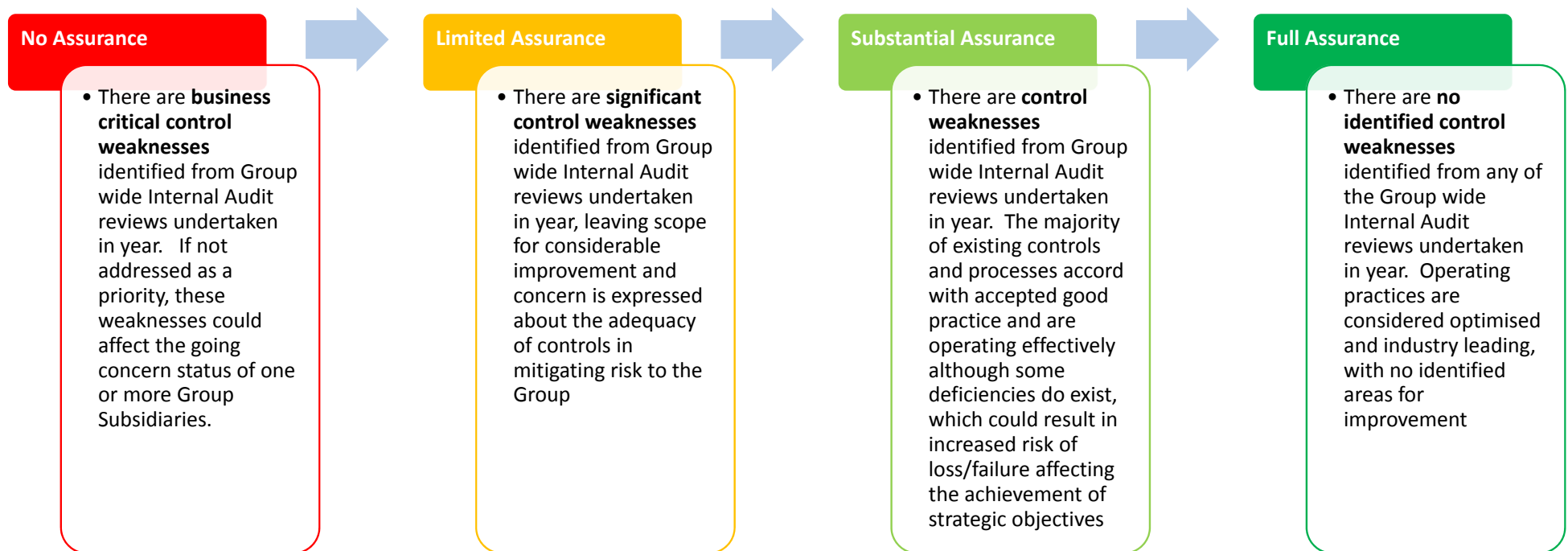
It is Management's responsibility to develop and maintain sound systems of risk management, internal control and governance to ensure the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for Management's responsibilities for the design and operation of these systems.

Internal Audit endeavour to plan work so that we have a reasonable expectation of detecting significant control weaknesses and if detected, we shall carry out additional work directed towards the identification of consequent fraud or other irregularities. Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our examinations as Internal Auditors should not be relied upon to disclose all fraud, defalcations or other irregularities which may exist.

# Internal Audit Annual Report 2019/20

## Appendix 2: Assurance Opinion Definitions

The table below details the different types of Internal Audit opinion which may be given:



# Internal Audit Annual Report 2019/20

**Appendix 3: Risk Rating Definitions** The following definitions are intended to be used as a guide to describe areas which derive the risk rating to be applied to an audit finding and overall report rating. The Director of Assurances professional judgement will be the ultimate basis for the report rating:

## Report Classification:

Each report is assigned a classification based on the sum of the ratings of individual findings within the report:

<b>Critical</b>	<b>Important</b>	<b>Moderate</b>	<b>Minor</b>
•40+ points	•26 – 39 points	•8 – 25 points	•7 points or less

## Control Objective Classification:

Each control objective is assigned a classification based on an assessment of the impact of individual findings within the report, as follows:

<b>Red</b>	<ul style="list-style-type: none"> <li>Control objective not achieved. Control weaknesses identified would have a significant and immediate impact on the risks to achievement of the organisation's objectives</li> </ul>
<b>Amber</b>	<ul style="list-style-type: none"> <li>Control objective not achieved. Control weaknesses identified would have a significant impact on the risks to achievement of the organisation's objectives</li> </ul>
<b>Yellow</b>	<ul style="list-style-type: none"> <li>Control objective achieved. Control weaknesses identified would have some impact on the risks to the achievement of the organisation's objectives</li> </ul>
<b>Green</b>	<ul style="list-style-type: none"> <li>Control objective achieved. Any control weaknesses identified would have limited impact on the risks to the achievement of the organisation's objectives</li> </ul>

## Findings ratings:

Each finding within the report is assigned a priority rating, based on the level of risk associated with the identified control weakness:

<b>Critical</b>	<b>40 Points</b>	<ul style="list-style-type: none"> <li>A report where a fundamental business critical control weakness has been identified. Failure to resolve any such findings immediately could result in loss of a business critical system that would have significant adverse impact to the organisation</li> </ul>
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<b>Important</b>	<b>10 points</b>	<ul style="list-style-type: none"> <li>Control weakness that has a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to the efficient and effective use of resources; the safeguarding of assets; the preparation of reliable financial and operational information and compliance with laws and regulations.</li> </ul>
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<b>Moderate</b>	<b>3 points</b>	<ul style="list-style-type: none"> <li>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, while high impact for the system, function or process under review it does not have a significant impact on the achievement of the overall organisation's objectives.</li> </ul>
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<b>Minor</b>	<b>1 point</b>	<ul style="list-style-type: none"> <li>Control weakness that does not impact upon the achievement of key system, function or process objectives. However, implementation of the recommendation would improve overall control and is in line with good practice.</li> </ul>
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## **Report**

**To:** Loretto Housing Board

**By:** Gillian Ogilvie, Finance Manager

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Finance report to period end 30 June 2020

**Date of Meeting:** 17 August 2020

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### **1. Purpose**

- 1.1 To provide the Board with an overview of the management accounts for the period to 30 June 2020, including the latest forecast for 20/21.

### **2. Authorising Context**

- 2.1 Under the terms of the Intra-Group Agreement between Loretto Housing and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, the Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances.

### **3. Risk appetite and assessment**

- 3.1 Our agreed risk appetite for Performance against Group is “Open”. This level of risk tolerance is defined as “Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level”.
- 3.2 This report provides the Board with an update of performance to date to allow it to discharge its role in monitoring performance and agreeing any actions required.

### **4. Background**

- 4.1 This report outlines performance against budget for the 3 months to 30 June 2020.
- 4.2 For the period to 30 June 2020 we report a statutory deficit of £315k, which is £278k favourable to budget. The majority of budget variances are driven by the changes to the usual operating model implemented in response to the Covid-19 crisis. The appendices provide more detail on the financial results.

### **5. Discussion - Finance Report for Period to 30 June 2020**

- 5.1 We have reported a statutory deficit of £315k for the period to date, which is £278k favourable to budget. When interest payable, depreciation and grants are removed to show our underlying operating position (“EBITDA”) the result is a reported surplus of £1,073k which is £271k favourable to budget.

Key points to note:

- Grant income of £31k for medical adaptations only is reported for the year to date, which is £13k higher than budget. There are no new build completions budgeted in 2020/21.
- Staff costs of £320k for the period to date include the claim made under HMRC's Job retention scheme resulting in a £14k favourable variance to budget. Employees recharged from Group Services for Loretto's share of Wheatley Solutions staff is also showing favourable to budget of £6k reflecting a similar claim for furloughed staff.
- Repairs and maintenance spend is £152k favourable to budget, due to the operation of a "life and limb" service for repairs during the period to date, with reactive repairs £51k lower than budget and cyclical maintenance £73k lower.
- Bad debts are currently £40k favourable to the budget, with an additional provision set aside when the budget was prepared on the basis of an increasing number of tenants moving onto Universal Credit.

5.2 We have reported net capital expenditure of £3,796k lower than budget for the period to 30 June 2020. Key points to note:

- Capital grant income is reported at £3,637k, inclusive a receipts of £3,606k from Allia for Dargavel. Unlike other grants which are claimed in line with expenditure, this is a one-off donation covering the life of the project. The donation is in addition to any further monies received from the Scottish Government for Dargavel, and consistent with other grant monies received, the grant will be released to income as construction costs are incurred. The budgeted investment income of £1,610k relates to income that was expected to be claimed in line with construction works being carried out, however due to Scottish Government closure of construction sites this work has not yet taken place and therefore has not been claimed.
- New build expenditure currently reports spend of £266k which is £1,456k lower than budget, as a result of the closure of construction sites on 23 March. Spend in the period represents settlement costs in relation to the Eriboll Street site.
- Investment programme spend at £95k is £286k lower than budget driven by the delay to starting new works during the lockdown. Expenditure in the period to date is for medical adaptations and voids only.

### **Q1 2020/21 Forecast**

5.3 The forecast reports a statutory deficit of £1,781k, which is £504k favourable to budget. The main drivers of the favourable variance to are lower levels of repairs expenditure and lower capital investment spend which is driving a reduction in borrowing and associated interest costs. The underlying performance in EBITDA is forecast at £3,705k of a surplus which is £311k favourable to budget.

#### 5.4 Key points to note in the forecast are:

- Rental income remains in line with budget, as the budget did not include the completion of any new build properties in the year.
- Employee costs and group services employee costs forecast a saving of £35k in line with the claims made under the Job Retention Scheme unit it closes in October 2020.
- Repairs and maintenance is expected to be £252k lower than budget as a result of the changes to the service, with work undertaken on a life and limb basis to June and the phased move back to the full service by December.
- Provision for additional bad debts costs have been included in the forecast, increasing the charge for the year by £33k, based on an acceleration in numbers of tenants moving onto Universal Credit through the Covid-19 crisis.
- Core investment expenditure is planned to recommence with external investment works and compliance works given priority. The forecast has been reduced by £420k to £1,105k, reflecting the revised work programme planned for the rest of the financial year.
- New build investment is expected to be £6,793k lower than budget, deferring an element of these costs into future years as a result of Covid-19 lockdown. Investment income has been reduced to £4,627k reflecting the revised new build spend profile at Hallrule, Dargavel and Cobblebrae Farm sites, with grant claims now deferred into 2021/22 offset by the unbudgeted receipt from Allia for Dargavel.

#### 6. Value for Money implications

- 6.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. We have reported a statutory surplus, excluding interest payable, depreciation and grants for the period to 30 June 2020 of £1,073k, noting that a surplus of £802k was budgeted.

#### 7. Impact on financial projections

- 7.1 The 2020/21 Business Plan was approved by the Board at the February 2020 meeting. The quarter 1 forecast, as well as the updated financial projections, highlight the expected variances from the original financial projections.

#### 8 Legal, regulatory and charitable implications

- 8.1 No implications.

#### 9. Equalities impact

- 9.1 Not applicable.

#### 10. Recommendation

- 10.1 The Board is requested to note the Finance Report for the period to 30 June 2020

#### LIST OF APPENDICES

Appendix 1: Finance Report – year to 30 June 2020

**Appendix 1 – Finance Report  
Period to 30 June 2020**



# Operating Statement – YTD June 2020



	Period To 30 June 2020			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
<b>INCOME</b>				
Rental Income	2,054	2,056	(2)	8,224
Void Losses	(50)	(66)	16	(266)
<b>Net Rental Income</b>	<b>2,004</b>	<b>1,990</b>	<b>15</b>	<b>7,959</b>
<b>Other Income</b>	<b>71</b>	<b>71</b>	<b>1</b>	<b>283</b>
<b>Grant Income</b>	<b>31</b>	<b>18</b>	<b>13</b>	<b>72</b>
<b>Total Income</b>	<b>2,107</b>	<b>2,078</b>	<b>28</b>	<b>8,314</b>
<b>EXPENDITURE</b>				
Employee Costs - Direct	320	335	14	1,338
Employee Costs - Group Services	61	67	6	269
ER / VR	0	0	0	0
Direct Running Costs	371	409	38	1,531
Running Costs - Group Services	37	43	6	172
Revenue Repairs and Maintenance	198	350	152	1,388
Bad debts	15	55	40	221
Depreciation	918	918	0	3,701
<b>TOTAL EXPENDITURE</b>	<b>1,920</b>	<b>2,176</b>	<b>256</b>	<b>8,620</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>186</b>	<b>(98)</b>	<b>284</b>	<b>(306)</b>
Interest Payable	(502)	(495)	(7)	(1,978)
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>(315)</b>	<b>(593)</b>	<b>278</b>	<b>(2,284)</b>
<b>EBITDA</b>	<b>1,104</b>	<b>820</b>	<b>284</b>	<b>3,394</b>
<b>EBITDA (excluding grants)</b>	<b>1,073</b>	<b>802</b>	<b>271</b>	<b>3,322</b>

## Income and Expenditure account – key points

- Operating surplus of £186k and statutory deficit of £315k are both favourable to budget, the main driver are the changes to the operating model during the COVID pandemic which has resulted in savings in expenditure in direct running costs and the repairs and maintenance “life and limb” service only during the lockdown.
- Void losses in the year to date are 2.5% against a budget of 3.3%. In total 10 void properties have been let to GCC and Renfrewshire Council to house the homeless.
- Grant income relates to £31k for medical adaptations only. There is no other grant income budgeted for the year since there are no expected completions for New Build until financial year 2021/22
- Employee costs report a favourable variance of £14k, owing mainly to vacant positions and the claim made under the Job Retention Scheme. Employees recharged from Group Services for Loretto's share of Wheatley Solutions staff is also showing favourable to budget.
- Direct running costs are £38k favourable to budget, on various lines due to phasing of the budget, and lower spend on office and staff related expenditure since the lockdown.
- Group Services Running Costs of £37k represents Loretto's share of Wheatley Solutions running costs and include a share of the costs of unbudgeted PPE for staff.
- Revenue repairs and maintenance expenditure is £152k favourable to budget due to lower levels of spend in reactive repairs and cyclical maintenance, which is as a result of the lockdown.
- Bad debts are £40k favourable to budget. A prudent approach was taken when setting the budget due to the anticipated impact of Universal Credit.
- Interest is paid on £37.3m of loans due to Wheatley Funding Ltd 1 and in addition loan fees are included here.

# Operating Statement (2) – YTD June 2020



## Capital Expenditure – key points

	Period To 30 June 2020			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
<b>INVESTMENT</b>				
<b>Total Capital Investment Income</b>	<b>3,637</b>	<b>1,610</b>	<b>2,027</b>	<b>8,889</b>
<b>Investment Works</b>	95	381	286	1,525
<b>New Build</b>	266	1,721	1,456	11,036
<b>Other Capital Expenditure</b>	18	45	27	179
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>379</b>	<b>2,148</b>	<b>1,769</b>	<b>12,741</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>(3,259)</b>	<b>537</b>	<b>3,796</b>	<b>3,851</b>

- The net capital position of £3,259k is £3,796k lower than budget, due to the receipt of funding of £3,606k for Dargavel site from Allia, this will be released to the P&L when the site is complete. As a result of lockdown no spend has taken place on the Dargavel site.
- Investment works expenditure of £95k relates to voids, capitalised repairs and staff and the £31k spend on medical adaptations. There are no other works currently taking place generating a favourable variance against budget of £286k.
- New build expenditure of £266k mainly relates to Eriboll Street for a settlement agreement which has been reclaimed from GCC and was received and processed in month of July. The budget for April to June provides for spend at the Dargavel and Hallrule sites which are still closed due to the lockdown.
- Other capital expenditure of £18k relates to Loretto contribution to Wheatley Group IT. The budget figure of £179k for the full year includes £108k budgeted for office refurb and conversion of housing properties previously used as offices by Wheatley Care, no spend is reported on this for the first 3 months of the year.

# Rental and Other Income – YTD June 2020



Income £'000	1 April 2020 - 30 June 2020			20/21 Annual Budget
	Actual	Budget	Variance	
Rental Income	2,054	2,056	(2)	8,224
Voids	(50)	(66)	16	(266)
<b>Net Rental Income</b>	<b>2,004</b>	<b>1,990</b>	<b>15</b>	<b>7,958</b>
LC Management Fee	51	52	(2)	209
Mid Market Rental Income	21	19	2	74
Miscellaneous Income	-	-	-	-
<b>Other Income</b>	<b>71</b>	<b>71</b>	<b>1</b>	<b>283</b>
Grant Income	31	18	13	72
<b>TOTAL INCOME</b>	<b>2,107</b>	<b>2,078</b>	<b>28</b>	<b>8,314</b>

## Comments Net rental income

- Void lost rent of £50k YTD is £16k favourable to budget and the YTD void rate is 2.5%, versus the budgeted rate of 3.3%. To date 10 void properties have been let to GCC and Renfrewshire for housing the homeless.

## Other income

- Management fee income of £51k was received from Loretto Care for their share of Lipton House admin and running costs.
- Mid market rental income relates to the lease of Barclay Phase 2 units to Lowther Homes.

## Grant Income

- Grant income of £31k for medical adaptations has been accrued in line with spend. The full year budget is £72k.

## Direct Running Costs – YTD June 2020

Direct Running Costs £'000	1 April 2020 - 30 June 2020			20/21 Annual Budget
	Actual	Budget	Variance	
Equipment and Furniture	0	4	3	15
Initiatives	64	67	3	164
Insurance	9	9	0	37
Misc Running Costs	9	36	27	144
Property Costs	73	69	(5)	276
Staff Related Costs	0	3	3	13
Travel and Vehicles	2	8	6	32
Group recharges	213	213	0	850
<b>TOTAL RUNNING COSTS</b>	<b>371</b>	<b>409</b>	<b>38</b>	<b>1,531</b>

### Comments

- Direct running costs of £371k are £38k favourable to the budget of £409k. The favourable position is reported due to lower spend, particularly in miscellaneous costs of marketing, postage and stationery.
- Property costs are reporting £5k unfavourable to budget this is mainly due to the split of the budget for electricity costs. The majority of the electricity costs budget sits within the R&M section.
- The second table provides a breakdown of YTD Initiatives expenditure. Helping Hand is on budget for first 3 months of year, with saving on Think Yes.
- Note TSS costs of £9k included in Initiatives represents Loretto HA's share of Group TSS costs for the provision of the service to Loretto tenants.

Initiatives £'000	1 April 2020 - 30 June 2020			20/21 Annual Budget
	Actual	Budget	Variance	
Helping Hand	7	8	1	33
Tenancy Support Service	9	9	(0)	35
Think Yes	1	3	2	12
Wheatley Foundation	46	47	1	84
Wider Action	0	0	0	0
<b>Total</b>	<b>64</b>	<b>67</b>	<b>3</b>	<b>164</b>

# Repairs and Maintenance – YTD June 2020

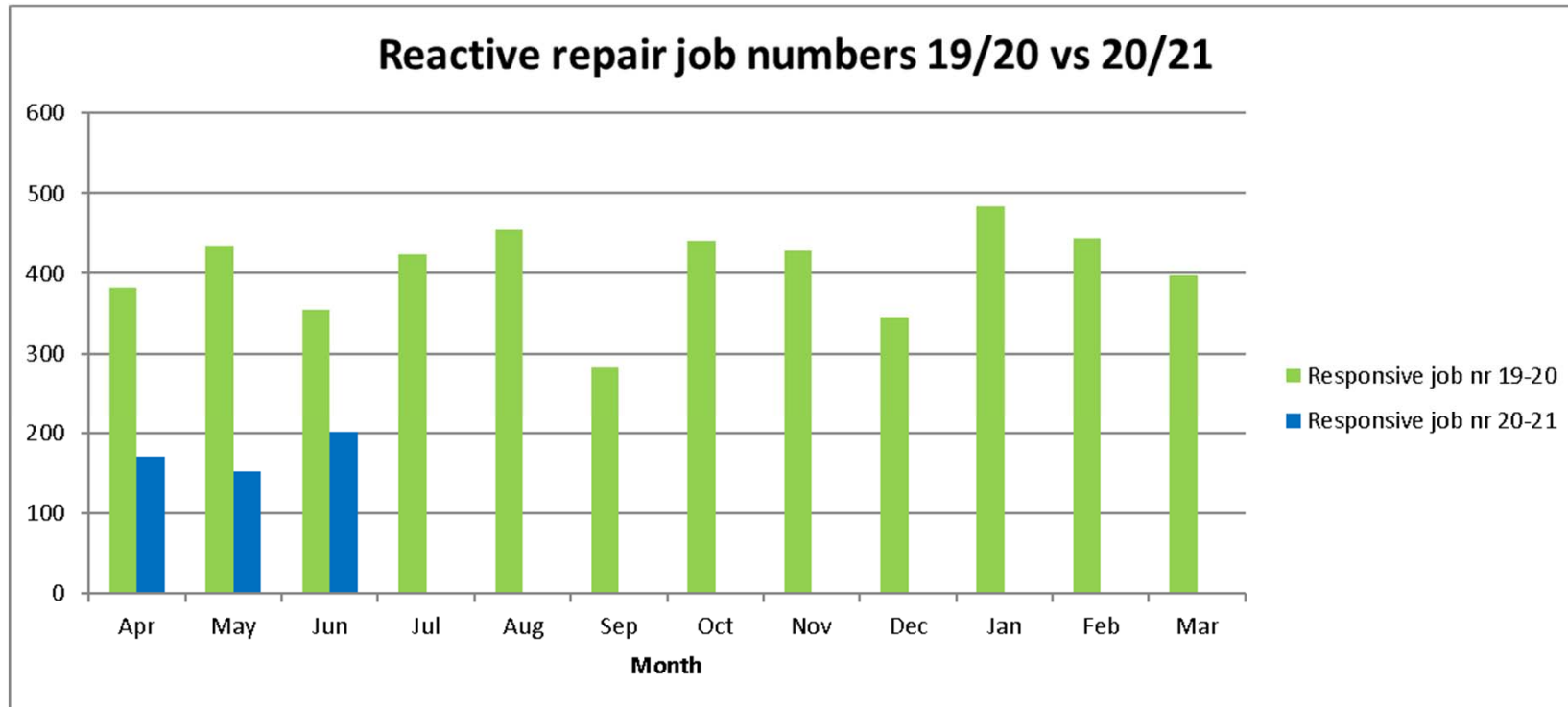


Repairs & Maintenance Expenditure £'000	1 April 2020 - 30 June 2020			20/21 Budget
	Actual	Budget	Variance	
Reactive repairs	124	175	51	700
Cyclical maintenance (compliance)	45	119	73	463
Cyclical property maintenance	0	5	5	19
Other	4	4	1	19
Communal Electricity	25	47	21	187
<b>TOTAL R&amp;M Expenditure</b>	<b>198</b>	<b>350</b>	<b>152</b>	<b>1,388</b>

## Comments:

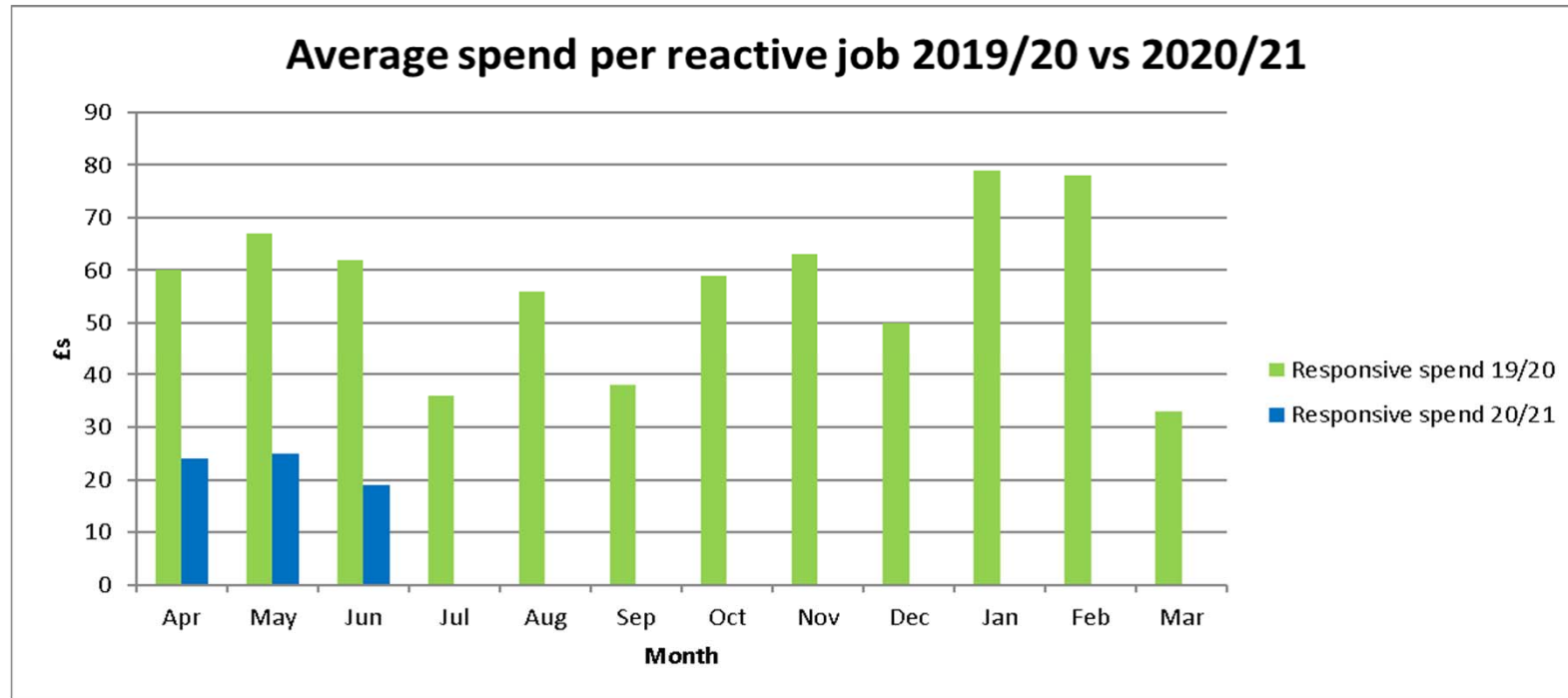
- Revenue repairs and maintenance costs of £198k are £152k favourable to the budget of £350k.
- After deduction of capitalised repairs, the reactive repairs spend is £51k favourable to budget, following a reduced service due to the lockdown and a reduction in the average spend per repair, compared to the prior year.
- Loretto's compliance based cyclical programme is for gas servicing, lifts, fire safety equipment, alarms, pumps and tanks and TMVs, currently showing savings against budget of £73k.
- Cyclical property has zero spend against a budget of £5k in the 3 months year to date.
- Other R&M expenditure relates to decant/removal costs, laundry equipment, alarm monitoring, key holding and small repairs jobs undertaken by contractors other than City Building.

# Reactive repairs analysis (1) – YTD June 2020



Reactive job numbers	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
19-20 month	383	434	354	424	455	282	440	428	345	484	444	398
19-20 YTD	383	817	1,171	1,595	2,050	2,332	2,772	3,200	3,545	4,029	4,473	4,871
20-21 month	170	152	201	0	0	0	0	0	0	0	0	0
20-21 YTD	170	322	523	523	523	523	523	523	523	523	523	523

# Reactive repairs analysis (2) – YTD June 2020



Average Spend	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
19-20 £month	157	154	175	85	123	135	134	147	145	163	176	83
19-20 £YTD	157	155	161	141	137	137	136	138	139	141	145	140
20-21 £month	141	164	95									
20-21 £YTD	141	152	130	130	130	130	130	130	130	130	130	130

- All data relates to completed jobs and is prior to the deduction of capitalised repairs. Broad Street (Fordneuk service) repairs are excluded from the figures as these are recharged to Loretto Care.
- YTD the volume of repairs is 55% lower than the prior year and the YTD average cost per repair has decreased by 19.25%.

# Investment Works – YTD June 2020

Investment Works £'000	1 April 2020- 30 June 2020			20/21 Annual Budget
	Actual	Budget	Variance	
<b>Investment Works Grant Income</b>				
Adaptations	31	18	(13)	72
<b>Total</b>	<b>31</b>	<b>18</b>	<b>(13)</b>	<b>72</b>
<b>Investment Works Expenditure</b>				
Core programme	46	312	266	1,246
Void repairs	18	52	34	207
Adaptations	31	18	(13)	72
<b>Total</b>	<b>95</b>	<b>381</b>	<b>286</b>	<b>1,525</b>

## Comments

- Overall investment works expenditure of £95k for the month of June is £286k favourable to the budget of £381k.
- Core programme works are following a revised programme due to lockdown and the only expenditure reported for the months of April to June was for capitalised repairs and capitalised staff cost.
- Void repair costs are £34k less than budget as a result of the lockdown revised programme.
- The current approved grant for adaptations is £72k for the year. For the 3 months to end June 2020 the spend was £31k.

Breakdown of core programme £'000	1 April 2020- 30 June 2020			20/21 Annual Budget
	Actual	Budget	Variance	
Capitalised repairs	36	52	16	209
Capitalised staff costs	9	9	0	36
Compliance costs (capital)	0	72	72	288
Duke Street	0	0	0	0
Fire Safety	0	9	9	36
Internal Common Work	0	4	4	15
Kitchen, Bathrooms and Rewire	0	64	64	252
Windows	0	30	30	120
Doors	0	8	8	32
Environmental	0	22	22	90
Central Heating	0	42	42	168
Various	1	0	(1)	0
<b>Total</b>	<b>46</b>	<b>312</b>	<b>266</b>	<b>1,246</b>



# New Build Programme – YTD June 2020



Name	Contractor	Year To Date			FY Budget
		Actual £s	Budget £s	Variance £s	
Buckley Street	MACTAGGART	0	0	0	54
Muiryhall Street	CCG	0	54	54	54
Wallacewell		1	0	(1)	0
Eriboll		191	0	(191)	0
Hallrule Drive	MACTAGGART	41	434	393	2,668
McDowall Street	-	0	0	0	791
Cobblebrae Farm		0	0	0	1,188
Dargavel		0	1,158	1,158	5,955
Land Acquisition	-	0	25	25	100
Feasibility	-	0	0	0	0
<b>Loretto</b>		<b>233</b>	<b>1,671</b>	<b>1,438</b>	<b>10,810</b>

<b>Capitalised Staff Costs</b>		<b>33</b>	<b>51</b>	<b>18</b>	<b>202</b>
<b>Gross New Build Costs</b>		<b>266</b>	<b>1,723</b>	<b>1,456</b>	<b>11,036</b>

<b>Grant Income</b>		<b>3,606</b>	<b>1,592</b>	<b>2,014</b>	<b>8,817</b>
<b>Net new build costs</b>		<b>(3,340)</b>	<b>131</b>	<b>3,471</b>	<b>2,219</b>

## Capital Investment Income

Grant income reported within the capital budget represents the cash received from Allia which is not subject to any repayment as this was a donation.

## New Build Expenditure

**Buckley Street (BP\* completion August 19):** This project was the redevelopment of an old school. A fire at the site at the start of the development delayed the development programme and the last handovers took place in October 2019. **COMPLETE**

**Muiryhall Street (BP\* completion March 19):** Commenced on site in February 2018. Site completed in May 2019. End of defects works delayed due to lockdown. **COMPLETE**

**Eriboll:** Previous project handed over. Current year spend relates to settlement of contractor claims. Glasgow City Council will repay £136k (received after this period end) as primary claim and associated fees related to their Children's Unit that formed part of the project.

**Hallrule Drive:** This site is owned by Loretto and demolition works are now complete. Planning Permission has been granted. Offer of grant has been accepted. Project approved by Group Development Committee in May 2020.

**McDowall Street:** Discussions required with Renfrewshire Council to determine timelines for this site.

**Cobblebrae Farm:** 21 social rent units. Report being prepared to Group Development Committee for project approval.

**Dargavel:** Site acquired in December 2019 for 58 social rent units and advance drainage works were carried out last financial year. Affordable housing portion of site is currently locked down.

## Land Acquisition:

\*BP = 2019/20 business plan approved in February 2019

# Balance Sheet

	30 June 2020 £k	31 March 2020 £k
<b>Tangible Fixed Assets</b>		
Housing Properties	59,637	60,193
Investment Properties	1,300	1,299
Other Assets	1,197	1,179
	<u>62,134</u>	<u>62,671</u>
<b>Current Assets</b>		
Rent and service charge arrears	106	207
Intercompany balances	61	1,808
Other debtors	594	203
Cash at Bank and in Hand	5,424	614
	<u>6,185</u>	<u>2,832</u>
<b>Short Term Creditors</b>		
Amounts due within one year	(2,223)	(2,703)
Deferred Grants	(3,787)	(178)
	<u>(6,010)</u>	<u>(2,881)</u>
<b>Net Current Assets</b>	175	(49)
<b>Long Term Creditors</b>		
Amounts due after one year	(37,253)	(37,253)
Deferred Income	(1,465)	(1,465)
Pension Liability	(578)	(578)
	<u>(39,296)</u>	<u>(39,296)</u>
<b>Net Assets</b>	<u>23,013</u>	<u>23,326</u>
<b>Capital and Reserves</b>		
Share Capital	-	-
Revenue Reserve - b/fwd	23,906	20,659
Current year surplus/(deficit)	(315)	3,245
Pension Reserves	(578)	(578)
	<u>23,013</u>	<u>23,326</u>
<b>Association's Funds</b>	<u>23,013</u>	<u>23,326</u>

## Comments

The balance sheet reported reflects the 31 March 2020 year end audited statutory accounts position. Year end adjustments applied include the revaluation of housing properties and actuarial valuation of the defined benefit pension scheme

- **Fixed Assets** - Expenditure is capitalised in accordance with our accounting policy.
- **Investment Properties** – These are the Barclay Street Mid Market Rent properties, leased to Lowther Homes.
- **Debtors** are £1.3m lower than the year end balance mainly due to the movement in intercompany balances. The level of tenant arrears (net of bad debt provision) have reduced slightly from the year end position of £206k to £106k.
- **Cash at Bank** - The change from the year end principally reflects the timing of the settlement of Grants and the £3.6M donation for the Dargavel project.
- **Deferred grants** – The increase relates to the schemes currently on site. Upon completion of the properties this income will be released to the I&E as grant income. The increase at June represents the £3.6m increase in relation to the Dargavel grant received from Allia.
- **Long-Term Creditors** - This includes £37.3m of loans due to Wheatley Funding Ltd 1.
- Current Assets (excluding cash) are £5m higher than the year end balance mainly due to the increase in arrears and intercompany balances and lower level of prepayments and accrued income at June. The year end gross arrears figure includes the early receipt of housing benefit payments reducing the figure. The arrears figure of £11.4m at 30 June does not include early HB receipts.

# Q1 2020/21 Forecast

	Full Year 2020/21		
	Forecast £k	Budget £k	Variance £k
<b>INCOME</b>			
Rental Income	8,224	8,224	0
Void Losses	(266)	(266)	0
<b>Net Rental Income</b>	<b>7,958</b>	<b>7,958</b>	<b>0</b>
<b>Other Income</b>	<b>283</b>	<b>283</b>	<b>(0)</b>
<b>Grant Income</b>	<b>72</b>	<b>72</b>	<b>0</b>
<b>Total Income</b>	<b>8,313</b>	<b>8,313</b>	<b>0</b>
<b>EXPENDITURE</b>			
Employee Costs - Direct	1,315	1,338	23
Employee Costs - Group Services	257	269	12
ER / VR	0	0	0
Direct Running Costs	1,474	1,531	57
Running Costs - Group Services	172	172	0
Revenue Repairs and Maintenance	1,136	1,388	252
Bad debts	254	221	(33)
Depreciation	3,701	3,701	0
<b>TOTAL EXPENDITURE</b>	<b>8,309</b>	<b>8,620</b>	<b>311</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>4</b>	<b>(307)</b>	<b>311</b>
Interest Payable	(1,785)	(1,978)	193
<b>STATUTORY SURPLUS / (DEFICIT)</b>	<b>(1,781)</b>	<b>(2,285)</b>	<b>504</b>
<b>EBITDA</b>	<b>3,705</b>	<b>3,394</b>	<b>311</b>
<b>EBITDA (excluding grants)</b>	<b>3,633</b>	<b>3,322</b>	<b>311</b>

	Full Year 2020/21		
	Actual £k	Budget £k	Variance £k
<b>INVESTMENT</b>			
<b>Total Capital Investment Income</b>	<b>4,627</b>	<b>8,889</b>	<b>(4,262)</b>
<b>Investment Works</b>	<b>1,105</b>	<b>1,525</b>	<b>420</b>
<b>New Build</b>	<b>4,243</b>	<b>11,036</b>	<b>6,793</b>
<b>Other Capital Expenditure</b>	<b>152</b>	<b>179</b>	<b>27</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>5,500</b>	<b>12,740</b>	<b>7,240</b>
<b>NET CAPITAL EXPENDITURE</b>	<b>873</b>	<b>3,851</b>	<b>2,978</b>

## Comments:

- This table shows the 2020/21 budget presented to the Board compared to the Q1 forecast for 2020/21, compiled following the June year to date results.
- Operating surplus of £4k and statutory deficit of £1,781k are both favourable to budget, largely driven by lower costs resulting from the current COVID 19 restrictions.

## Key points to note:

- Rental income remains at the budget level since there is no impact of delayed completions in the financial year. Planned budgeted completions assumed for 2021/22 are now forecast to take place in 2022/23.
- Employee Costs are slightly favourable to budget as a result of the claims made under the Job Retention scheme in place until end of October. This is also reflected in Group Services Employee Costs.
- Repairs and Maintenance is favourable to budget, with savings projected as a result of the life and limb service during lockdown,. The forecast estimates a full year saving of £252k against budget.
- An additional provision for bad debts has been forecast of £33k, on the basis of an acceleration of tenants moving onto Universal Credit during the Covid-19 crisis. The forecast is expected to be £254k for the financial year.
- New build expenditure and capital investment income are forecast to be £6,793k and £420k lower than budget respectively. The main driver for the reduction in new build expenditure is the closure of all construction sites from March. Due to the delay in construction work, costs have been deferred into 2021/22.
- Core programme investment expenditure for the year is expected to be £1,105k, a reduction from budget of £420k, representing the delay in works undertaken as a result of lockdown, and the recommencement of external investment and compliance/safety works given priority.

## Report

**To:** Loretto Housing Association Board

**By:** Anthony Allison, Director of Governance

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Governance update

**Date of Meeting:** 17 August 2020

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### 1. Purpose

- 1.1 To update the Board and, where applicable, seek Board approval on the following governance related matters:
- 2020 Annual General Meeting (“AGM”) arrangements;
  - Constitutional changes;
  - Board arrangements and cycle for the remainder of 2020; and
  - Scottish Housing Regulator consultation on the Regulatory Framework;
  - Secretary’s report

### 2. Authorising context

- 2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group’s overall governance arrangements. As part of this role, the Group Board is responsible for the Group’s governance framework and agreement of any changes.
- 2.2 The Board is responsible for calling meetings, including General Meetings. All Board member appointments / re-appointments at the AGM require approval by the Parent.

### 3. Risk Appetite and assessment

- 3.1 Our agreed risk appetite for governance is “cautious”. This level of risk tolerance is defined as a “preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward”.
- 3.2 In order to mitigate this risk we engaged our external legal advisors to support the revision of the Articles as well as engaged the Board throughout the process.

### 4. Background

- 4.1 At its meeting in May the Board considered and agreed proposed changes to our Rules. It was also agreed that those changes be presented to the members for agreement at a Special General Meeting.

- 4.2 It was also agreed that an update would be brought back to the Board to set out in further details the specific approach for effecting the changes.

## 5. Discussion

### Annual General Meeting

- 5.1 The UK wide Corporate Insolvency and Governance Bill received royal assent on 25 June and is now law. The measures in this Act were designed to *'relieve the burden on businesses during the coronavirus (COVID-19) outbreak and allow them to focus all their efforts on continuing to operate'*.
- 5.2 Part of the Act allows organisations, including us, to hold General Meetings virtually, even where this is not expressly permitted by the constitution. This provision was in recognition that unnecessary gatherings should be avoided and that the facilities may not be available to do so even if permissible.
- 5.3 It is therefore intended that the 2020 AGM will be held virtually on 21 September 2020 via Zoom. Papers will be issued to members in the normal way.
- 5.4 We recognise that holding the meeting virtually has the potential to impact accessibility and we will make support available to tenants in particular to attend virtually. This might include support downloading and using the Zoom platform and if practical access to the necessary equipment and infrastructure. We will also strongly encourage the use of proxies, which will support us reaching the necessary quorum.
- 5.5 The primary purpose of the Annual General Meeting is: to lay accounts before members; re-appoint auditors; and elect Board members for the coming year. Our constitution provides that Board members are elected for fixed terms of up to 3 years and may serve up to 3 of those fixed terms (9 years). The Board members who have reached the end of a 3 year fixed term are: Jacqui Mallin, Nesta Gilliland, Pauline Gilmore and Jean Fyfe. Each of these Board members will therefore require to retire and stand for re-election. As permitted by the constitution, Archie Morrison was appointed during the year by the Parent. Since this is the first AGM following his appointment, it is intended that Archie step down and be reappointed at the AGM to bring his tenure in alignment with the AGM cycle.

### Constitutional changes

- 5.6 The Board received the proposed constitutional changes at its meeting in May. Since that meeting, whilst they no longer have a formal consent role we have engaged the Scottish Housing Regulator ("SHR") on the proposed changes.
- 5.7 The SHR has been clear that they expect the changes to be made within the context of fully understanding the associated Regulatory Standards (the Standards") and complying with said Standards. To support the Board discharging this duty a recap on the key proposed change to the membership model, associated Standards and our assessment of compliance are set out below:

## *Membership changes*

- 5.8 Currently we operate with an 'open' membership model. We propose to amend this so that membership is limited to our tenants and serving Board members who are not tenants. This is on the basis that decisions with an impact on tenants should be made by tenants and Board members only.
- 5.9 This has a specific area discussion was evolving our membership to be tenants. This was on the basis that engagement and discussion on how we operate should be with those we serve, our tenants. It is tenants primarily who are impacted by the types of decisions taken by membership and therefore the Board agreed it was appropriate they should take such decisions with us. This would mean all Board members' membership being for the period of their tenure and automatically ceasing upon retiring from the Board save where they are also a tenant of the organisation. A consequence of this change would be that 12 of our 130 members would have their memberships cancelled.
- 5.10 Under the Regulatory Framework, the constitutional requirements for RSLs require that with regards to the general membership of an RSL:
1. *It is clear who is eligible to become a member of the RSL and who cannot, and it is clear how to become a member and how membership is ended. Names of the members must be accessible to any other member or anyone with an interest in the RSL's funds.*
  2. *Membership of the RSL should reflect the purpose and objects of the RSL*
  3. *There is a clear procedure, including the quorum and voting procedure, for the membership of the RSL to meet and it is clear what business the membership can discuss and what decisions it can make, subject to a minimum of one annual meeting.*
- 5.11 The proposal to change the membership to tenants and Board members does not impact our ability comply with these requirements. Eligibility is clearly set out in the proposed revised constitutions i.e. only tenants and Board members. The constitution also clearly sets out the process to apply for membership and the criteria under which it may be ended.
- 5.12 In addition, Regulatory Standard 6 requires that:

*"The RSL encourages as diverse a membership as is compatible with its constitution"*

In this instance, we have not interpreted this as being a requirement to have diverse membership in and of itself, rather applied the wording used, that is that there is diversity of members within the membership categories within the constitution. We know this to be the case as RSLs such as GHA and Wheatley Group already exist with membership which is not inherently 'open' or available to anyone who wishes to apply. We publish the process to become a member published on our website.

- 5.13 We intend to strengthen this area in the year ahead in the following ways:
1. Increasing the number of members from a BAME background, including linking our BAME tenant structures more directly with membership
  2. Promoting membership through our tenant engagement structures
  3. Linking membership more closely into our Equality and Diversity Policy implementation
- 5.14 As our revised membership model will be focussed on tenants, compliance should be assessed within the context of how membership encourages a diverse range of tenants to participate. We are therefore confident that we currently comply and will continue to strengthen our work in this area to encourage a wider diversity of tenants to engage with our RSLs.
- 5.15 We recognise the need to handle any change in membership in a sensitive manner. Our intention would be to have the Chair of the Board write to all members if the change is agreed personally advising them of the changes and thanking them for their contribution, particularly former Board members. As part of this we will also refer affected members to the range of specific mechanisms by which they can remain engaged in the future, depending on their preference.

*Board member eligibility criteria*

- 5.16 Under the current Rules there is a blanket restriction on Board members being 'closely connected' to an employee. In practice, what this means is that if someone 'closely connected' to Board member was to seek employment either:
- They could not be appointed under any circumstance unless the Board member resigned; or
  - The Board member would be removed from the Board upon the person being granted a contract of employment

- 5.17 This forms part of the Scottish Federation of Housing Associations sector Model Rules. Additionally, this is linked to the following Standard:

*Governing body members and staff declare and manage openly and appropriately any conflicts of interest and ensure they do not benefit improperly from their position.*

- 5.18 The rationale for the Model Rule and Standard are clear and appropriate; to ensure that there are protections that RSLs act with honesty and integrity and do not leave themselves open to the perception of impropriety.
- 5.19 The proposed change is to allow an element of discretion, under exceptional circumstances, rather than the current blanket restriction. It is proposed that this would be permissible if agreed by the Parent. The proposed change recognises that in both Loretto and the wider Group we are large scale employers and there may be instances where we are unnecessarily disadvantaging individuals.

- 5.20 As the Board are not directly involved in decision making regarding the appointments to such posts, and there is a requirement to declare such a relationship during the recruitment process we are confident that no Board member could unduly influence the recruitment process.
- 5.21 As an additional step, any such appointment would require to be **formally approved** by the Group Remuneration, Appointments, Appraisal and Governance Committee, having satisfied themselves the process was completely open and transparent. This approval will incorporate an explicit assessment of whether the process meets the Standard. The Committee may at this time still decide that it is necessary for the Board member to step down before any employment is offered.
- 5.22 It is worth reiterating that we fully expect this to be by exception, if at all, and not to be relating to senior roles.

#### *Special General Meeting*

- 5.23 In order to effect the changes we require to convene a Special General Meeting (“SGM”). It is proposed that the SGM be held lockstep with the AGM, also virtually (via Zoom).
- 5.24 We will make the same support available for attendance as the AGM and also strongly encourage proxy votes. For both the AGM and SGM the full Board are asked to attend or provide a proxy.

#### Board arrangements and cycle for the remainder of 2020

- 5.25 It is intended that this will be the final Board meeting under the interim governance arrangements and that we will revert back to the full Board at the next Board meeting. It is intended we will have a Board meeting in October, with a date to be confirmed, and subject to any changes to the current Scottish Government guidance hold this in person.
- 5.26 We will engage our Health and Safety colleagues to ensure the meeting is held in accordance with the Scottish Government guidance. We will also make provision for members to attend virtually if they do not wish to attend, for example if a Board member was shielding. We will also hold the November meeting as planned on 25<sup>th</sup> November.

#### Scottish Housing Regulator consultation on the Regulatory Framework

- 5.27 The SHR are currently consulting on proposals to adjust its regulatory approach in response to the Covid 19 pandemic ( <https://www.housingregulator.gov.scot/about-us/what-we-do/consultation-on-our-future-approach-to-regulation-in-response-to-the-covid-19-pandemic/our-consultation-on-our-future-approach-to-regulation-in-response-to-the-covid-19-pandemic> ).
- 5.28 The consultation covers the following key areas:
- Annual Assurance Statement – the proposal it remains a requirement to submit by 31 October 2020
  - Publication of Scottish Social Housing Charter performance reports by landlords – extension of the deadline to issue the Annual Report to Tenant



to the end of December 2020 (reflecting the extension of the ARC submission to 31 July)

- Publication of Engagement Plans and Regulatory Status – revised plans, including a Regulator Status, will now be issued on 31 March 2021

5.29 We are currently considering our response to the consultation and an update on this will be provided to the meeting.

#### Secretary's report

5.30 In advance of the AGM, Rule 68 states that:

“At the last Board meeting before the annual general meeting, the Secretary must confirm in writing to the Board that Rules 62 to 67 have been followed or, if they have not been followed, the reasons for this”

5.31 The Secretary's report in relation to each Rule referred to in Rule 68 is as follows:

<b>Rule</b>	<b>Secretary report</b>
62	Signing of the minutes has not been possible during the early stages of the pandemic but is now being attended to.
63	The seal is not routinely used. It is kept at the registered office.
64 and 65	All registers have been checked and maintained throughout the year and are held at our registered office
66	Our registered name is displayed at our registered office and at every office where our business is carried out. It is also clearly marked on business letters, notices, adverts, official publications and financial documents.
67	Our books of account, registers, securities and other documents are kept at our registered office of Wheatley House, 25 Cochrane Street, Glasgow.

## **6. Key issues and conclusions**

6.1 The proposals in the report allow us to respond to the impact of Covid 19 by taking advantage of the option to hold virtual meetings. Additionally, the proposed Rule changes allow us to both respond to feedback from tenants and further advance the integration of our governance to the Group's framework.

## **7. Value for money implications**

7.1 There are no value for money implications associated with this report.

## **8. Impact on financial projections**

8.1 There are no financial implications associated with this report.

## **9. Legal, regulatory and charitable implications**

9.1 The legal and regulatory requirements are set out in detail within the body of the report.

## **10. Partnership implications**

10.1 There are no partnership implications associated with this report.

## **11. Implementation and deployment**

11.1 It is proposed that we formally call AGM and SGMs to effect the proposals within the report. These meetings will be called in line with the requirements laid out in our Rules

## **12. Equalities impact**

12.1 As set out in the body of the report, we are in the process of implementing the Equality and Diversity policy and part of this will include considering how membership and Board recruitment actively takes into account, promotes and positively fosters equality and diversity.

## **13. Recommendations**

13.1 The Board is asked to:

- 1) Approve the tracked changed Rules;
- 2) Instruct the Secretary to call a Special General Meeting for 21 September 2020 at 6pm to be held virtually via Zoom to consider a special resolution to adopt new Rules
- 3) Instruct the Secretary to call the Annual General Meeting for 21 September 2020 at 6.15pm to be held virtually via Zoom;
- 4) Approve for re-election Jacqui Mallin, Nesta Gilliland, Pauline Gilmore, Jean Fyfe and Archie Morrison;
- 5) Note the Secretary's report

## **LIST OF APPENDICES:**

Appendix 1: Tracked Changed Rules

~~Model Rules 2013 (as amended)~~

These are the Rules  
of

Loretto Housing Association Limited

Based upon  
SFHA Charitable Model Rules (Scotland) ~~2013~~2020  
~~(as amended 2015)~~

Registered under the  
Co-operative and Community Benefit Societies Act 2014  
and the Housing (Scotland) Act 2010

**Published by**  
**the Scottish Federation of Housing Associations**  
**in co-operation with The Scottish Housing Regulator**

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## Further guidance

### **Further Advice**

A separate document is also available from the SFHA Rules Service, which gives guidance on the use of these rules and the options. Advice is also available from staff at The Scottish Housing Regulator.

Advice on the procedural aspects of making a Rule registration application or Rule Amendment application is also available from the SFHA Rules Service.

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## INTRODUCTION

### Name

- 1 The name of the Society shall be Loretto Housing Association Limited (hereinafter referred to as "the Association").

### Objects

- 2 The objects of the Association are:
  - 2.1 to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care; and
  - 2.2 any other purpose or object permitted under Section 24 of the Housing (Scotland) Act 2010 which is charitable both for the purposes of Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts.
- 3 The permitted activities and powers of the Association will include anything which is necessary or expedient to help the Association achieve these objects.
- 4.1 The Association shall not trade for profit and any profits shall only be applied for the purpose of furthering the Association's objects and/or in accordance with these Rules.
- 4.2 Nothing shall be paid or transferred by way of profit to Members.
- 5 The registered office of the Association is at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

## MEMBERSHIP

- 6 The Members of the Association shall be: (a) those persons ~~or organisations~~ who hold a share in the Association and whose names are entered in the Register of Members; and (b) the Parent.

### Applying for Membership

- 7.1 The Board shall set, review and publish its membership policy for admitting new Members. ~~Other than the Parent, membership of the Association shall be held in only one of~~ Subject to the provisions of Rule 7.2, the following ~~categories shall be eligible to become Members:~~

**(i) General**

~~Membership within this category will be open only to organisations or individuals who have in a personal or professional capacity relevant knowledge, experience, skills or expertise which are complementary to the aims of the Association, who are~~

~~not tenants of the Association and who fulfil such criteria for membership as the Board may from time to time determine; or~~

~~(ii) 7.1.1 Tenants tenants of the Association;~~

~~Membership within this category will be open only to individuals who are tenants of the Association.~~

7.1.2 any person who is a Board Member and who is not a tenant or a Parent Appointee; and

7.1.3 the Parent.

7.2 If you are applying for membership you must send a completed and signed application form and the sum of one pound (which will be returned to you if the application is not approved) to the Association's registered office. Whilst it is the Association's intention to encourage membership, the Board has absolute discretion in deciding on applications for membership and the following shall constitute grounds for refusal of an application for membership:

7.2.1 where membership would be contrary to the Association's Rules or policies;

7.2.2 where a conflict of interest may exist which, even allowing for the disclosure of such an interest, may adversely affect the work of the Association; and/or

7.2.3 where the Board considers that accepting the application would not be in the best interests of the Association.

7.3 Your application shall be considered by the Board as soon as reasonably practicable after its receipt by the Association. An application for membership will not be considered by the Board within the period of 14 days before the date of a general meeting. The Board has the power in its absolute discretion to accept or reject the application.

7.4 If the Board approves your application, you will immediately become a Member and your name and other necessary particulars will be included in the Register of Members within seven working days. You will then be issued one share in the Association.

7.5 Subject to Rule 37.5, the Board shall have deemed to have admitted a person as a Member from the date on which he/she was appointed as a Board Member under these Rules and his/her name and other necessary particulars will be included in the Register of Members within seven working days. The Board Member will then be issued with one share in the Association.

7.6 The Parent shall be a Member and shall have one share to the value of one pound in the Association.

~~7.5 An application for membership to be transferred from one membership category to another will be considered by the Board at the next meeting after the transfer application is received or as soon as practicable thereafter. The Board's decision on any such application for transfer of membership is final.~~

~~7.6 The Parent shall apply for a share in terms of these Rules and shall make payment of the sum of one pound to the Association's registered office. The Parent shall then become a Member of the Association and its name and other necessary particulars will be included in the Register of Members within seven working days~~

~~and shall be issued with a share to the value of one pound (the "Parent Share") in the Association.~~

- 7.7 The Parent and the Association, together with all other organisations in the Group will document, formally and in terms that are transparent and understandable, their constitutional and financial relationships through the Group Agreement or similar document. The role of the Association and its relationship with other organisations in the Group must be undertaken in a manner consistent with the Charities and Trustee Investment (Scotland) Act 2005.
- 7.8 Notwithstanding the other provisions of this Rule 7, the Parent may in its absolute discretion admit or remove any person or organisation as a Member.
- 8 You can apply for membership of the Association from the age of 16.
- 9 No Member can hold more than one share in the Association.
- 10 If you change your address, you must let the Association know by writing to the Secretary at the registered office [or by electronic communication](#) within three months. This requirement does not apply (a) to the Parent; or (b) if you are a tenant of the Association and have moved home by transferring your tenancy to another property owned and managed by the Association.

## ENDING YOUR MEMBERSHIP

- 11.1 Your membership of the Association will end and the Board will cancel your share and record the ending of your membership in the Register of Members if:
- 11.1.1 you resign your membership giving seven days' notice in writing to the Secretary at the Association's registered office;
- 11.1.2 except in the case of the Parent, the Board reasonably believes that you have failed to tell the Association of a change of address as required by Rule 10;
- ~~11.1.3 you cease to fall within the definition or membership criteria of your membership category;~~
- [11.1.3 except in the case of a Tenant Board Member and the Parent, the Board is satisfied that you are no longer a serving Board Member following:](#)
- [11.1.3.1 retirement pursuant to Rule 39.2;](#)
- [11.1.3.2 removal or disqualification pursuant to Rule 44; or](#)
- [11.1.3.3 resignation of the Chairperson pursuant to Rule 59;](#)
- 11.1.4 for five annual general meetings in a row you have not attended, ~~submitted apologies, exercised a postal vote~~ or appointed a representative to attend and vote on your behalf by proxy;
- 11.1.5 except in the case of the Parent, the Association receives a complaint about your behaviour and two-thirds of the Members voting at a special general meeting agree to end your membership. The following conditions apply to this procedure:
- 11.1.5.1 the complaint must be in writing and must relate to behaviour which could harm the interests of the Association;



- 11.1.5.2 the Secretary must notify the Member of the complaint in writing not less than one calendar month before the meeting takes place;
  - 11.1.5.3 the notice for the special general meeting will give details of the business for which the meeting is being called;
  - 11.1.5.4 you will be called to answer the complaint at the meeting. The Members present will consider the evidence supporting the complaint and any evidence you decide to introduce;
  - 11.1.5.5 the Members can vote in person or through a representative by proxy; and
  - 11.1.5.6 if you receive proper notice but do not go to the meeting without providing a good reason, the meeting will go ahead without you and the Members will be entitled to vote to end your membership.
- 11.2 If your membership is ended in accordance with Rule 11.1.5, you will immediately cease to be a Member from the date that the resolution to end your membership was passed and any further application for membership by you will need to be approved by two-thirds of the Members voting at a general meeting.

## **REPRESENTING ~~AN ORGANISATION~~THE PARENT**

- 12.1 ~~An organisation which is a Member~~The Parent is free to nominate any person it considers suitable as its representative to the Association. That person will represent all of the ~~organisation's~~Parent's rights and powers at general meetings.
- 12.2 ~~To~~The Parent will confirm the identity of a representative, ~~the organisation must send by issuing a notice to~~ the Association ~~a copy of the authorisation or appointment of an individual as a representative. This should be signed by~~in writing or by electronic communication on behalf of a Director, Secretary or Authorised Signatory of the ~~organisation which signature must be witnessed, or in the case of a local authority, by the Chief Executive, or properly authorised officer of the local authority~~Parent.
- 12.3 ~~An organisation~~The Parent can change the identity of the person entitled to represent ~~that organisation~~the Parent at any time by confirming the identity of the new representative in terms of Rule 12.2 and withdrawing the authority of the original representative.
- 12.4 ~~If you are a~~A representative of the Parent in terms of Rule 12.2, ~~of an organisation which is a Member, you~~ cannot be a Member as an individual ~~yourself~~. If ~~you are~~the representative is already a Member as an individual when ~~you~~they start to represent ~~an organisation which is a Member~~the Parent, the Association will suspend ~~your~~the representative's membership as an individual, until such time as ~~you~~they are no longer ~~a~~the representative of ~~an organisation which is a Member~~the Parent.

## **SHARE CAPITAL**

### **Shares**

- 13 The share capital of the Association will be raised by issuing one-pound shares to Members. Shares cannot be held jointly. Joint tenants of the Association may each become individual Members.
- 14 There is no interest, dividend or bonus payable on shares.

## Transferring Shares

- 15 You shall not be entitled to any property of the Association in your capacity as a Member and your share is not withdrawable or transferable save in the circumstances set out in Rules 16 and 17.
- ~~16 You cannot sell your share but you can transfer it if the Board agrees other than in respect of the Parent Share which may not be sold or transferred but which may be cancelled on the written request of the Parent.~~
- ~~17.4~~16 If you die ~~or end your membership or have your membership ended, or you are a representative of an organisation which no longer exists~~, the Board will cancel your share (except in those circumstances outlined in ~~Rules 17.2 and 17.3~~Rule 17) and the value of the share will then belong to the Association.
- ~~17.2~~ 17 Prior to your death, you can nominate the person to whom the Association must transfer your share in the Association when you die, as long as the person that you nominate is eligible for membership under these Rules and in terms of the Association's membership policies. On being notified of your death, the Board shall transfer or pay the full value of your share to the person you have identified. Your nomination must be in the terms required by the Co-operative and Community Benefit Societies Act 2014.
- ~~17.3~~ If the person you die ~~or become bankrupt and your personal representative or trustee in bankruptcy seeks to claim your share, the Board (to the extent that your personal representative or trustee in bankruptcy has right) will transfer or pay the value of your share in terms of your representative's or trustee's instructions.~~nominate is not eligible for membership or your nomination is not in the said terms required, then following your death the Board will cancel your share.

## BORROWING POWERS

- 18.1 The Association can borrow money as long as the total borrowing at any time is not more than £100 million or such larger sum as the Association, with the prior written consent of the ~~Scottish Housing Regulator and the~~ Parent, determines from time to time in general meeting. The Association can enter into any Guarantee in respect of or to secure by heritable security, mortgage, charge, floating charge, lien or other security which the Association is permitted by law to grant, upon the whole or any part of the Association's property or assets, the obligations and liabilities of any Subsidiary; or of any joint venture established by the Association (or by a Subsidiary) with any entity or entities. The foregoing power is valid notwithstanding, and is in no way limited by, any limits on the borrowing or lending powers of the Association (including the foregoing limits) contained in these Rules or otherwise.
- 18.2 In respect of any proposed borrowing for the purposes of Rule 18.1, the amount remaining undischarged of any index-linked loan previously borrowed by the Association or any deep discounted security shall be deemed to be the amount needed to repay such borrowing in full if the pre-existing borrowing became repayable in full at the time of the proposed borrowing.
- 18.3 For the purposes of Rule 18.1 in respect of any proposed borrowing intended to be index-linked or on any deep discounted security, the amount of borrowings shall be deemed to be the proceeds of such proposed borrowings that would be receivable by the Association at the time of the proposed borrowing.

- 18.4 The Association will not pay more than the rate of interest which the Board considers to be the then market rate of interest on any money borrowed, having regard to the terms of the loan on any money borrowed.
- 18.5 The Association will not accept money on deposit.
- 18.6 Subject to the provisions of Rule 19, the Association can, with the prior written approval of the Parent, lend money to any person or organisation including, without limitation, the Parent; any Subsidiary; any joint venture established by the Association or by the Parent or by any Subsidiary, with another entity or entities on terms which the Board deems appropriate at the time of entering into the transaction. Where the Association is using a loan facility to on lend it must comply with the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.
- 18.7 The Association may borrow money from such lawful sources as is permitted by its Treasury Management Policy subject always to the requirement that the Association will comply with the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.
- 18.8 Subject to the foregoing provisions [of this Rule 18](#), the Board can, with the prior written approval of the Parent, determine and change the conditions under which the Association borrows or lends money.
- 19 With the exception of the Parent, the Association shall not lend money to Members.

## GENERAL MEETINGS

### Annual General Meeting

- 20 The Association will hold a general meeting known as the annual general meeting within six months of the end of each financial year of the Association. The functions of the annual general meeting are to:
- 20.1 present the Chairperson's report on the Association's activities for the previous year;
- 20.2 present the accounts, balance sheet and auditor's report;
- ~~20.3 elect Board Members;~~
- ~~20.4~~[20.3](#) appoint the auditor for the following year; and
- ~~20.5~~[20.4](#) consider any other general business included in the notice calling the meeting.

### Special General Meeting

- 21.1 All general meetings other than annual general meetings are known as special general meetings. The Secretary will call a special general meeting if:
- 21.1.1 the ~~Committee~~[Board](#) requests one;
- 21.1.2 the Parent requests one in writing; or

- 21.1.3 at least four Members other than the Parent request one in writing. If there are more than 40 Members, at least one tenth of all the Members must ask for the meeting.
- 21.2 Whoever asks for the meeting must give the Secretary details of the business to be discussed at the meeting.
- 21.3 If a special general meeting is requested, the Secretary must within 10 days of having received the request give all Members notice calling the meeting. The meeting must take place within 28 days of the Secretary receiving the ~~Members'~~ request. The Secretary should decide on a time, date and place for the meeting in consultation with the Board or the Chairperson, but if such consultation is not practicable the Secretary can on his/her own decide the time, date and place for the meeting.
- 21.4 If the Secretary fails to call the meeting within 10 days, the Board or the Members who requested the meeting can arrange the meeting themselves.
- 21.5 A special general meeting must not discuss any business other than the business mentioned in the notice calling the meeting.

## Notice for Meetings

- 22.1 The Secretary will call all general meetings by written notice posted or sent by ~~fax or email~~ electronic communication to every Member (which must include the Parent) at the address, ~~fax number~~ or email address given in the Register of Members at least 14 clear days before the date of the meeting. This notice will give details of:
- 22.1.1 the time, date and place of the meeting;
- 22.1.2 whether the meeting is an annual or special general meeting;
- 22.1.3 the business for which the meeting is being called.
- 22.2 The Board may ask the Secretary to include with the letter or send separately to the Members any relevant papers or accounts. If a Member, other than the Parent, does not receive notice of a meeting or papers relating to the meeting, this will not stop the meeting going ahead as planned. If the Parent does not receive notice of a meeting or papers relating to the meeting, the meeting cannot go ahead as planned. Each communication sent to a Member by post, addressed to his/her registered address, shall be deemed to have arrived 48 hours after being posted. Each electronic communication sent to a Member ~~by fax or email~~ shall be deemed to have arrived on the day it is sent.
- 23 The proceedings of a meeting shall not be invalidated by the inadvertent failure of the Association to send a notice calling the meeting to any Member, other than the Parent. Failure of the Association to send a notice calling the meeting to the Parent will invalidate the proceedings of that meeting.

## ~~PROCEDURE AT GENERAL MEETINGS~~

### Procedure at General Meetings

- 24.1 For a meeting to take place the Parent and at least seven other Members must either be present at the venue ~~meeting~~ or represented ~~at the venue~~ by a representative approved in terms of Rule 27.1. ~~If there are more than 70 Members,~~

~~at least one-tenth, including the Parent, must either be present or represented at the venue by a representative in terms of Rule 27.1.~~

- 24.2 If the Parent is not present in person or by representative and/or not enough other Members are present in person or by representative within half an hour of the time the meeting was scheduled to start, the meeting shall be rescheduled to the same day the following week at the same time and at such place as may be fixed by the chairperson of the meeting and announced at the meeting. There is no need to give notice to Members of the rescheduled meeting with the exception of the Parent, who must receive such notice if it was not present in person or represented at the meeting to be rescheduled. If at that meeting there are not enough Members present in person or by representative at the scheduled starting time the meeting can still go ahead.
- 24.3 The Parent shall be deemed to be present in person at any general meeting if it is represented in person by an individual (who need not be a Member) who is appointed to act as such ~~in writing signed~~ by or on behalf of the Parent in accordance with Rule 12.
- 24.4 The Board shall determine the manner in which general meetings of the Association are held, subject to the prior approval of the Parent.
- 25 If a majority of Members present agree, the chairperson of a meeting can adjourn the meeting. No business can be discussed at the adjourned meeting other than the business not reached or left unfinished at the original meeting. There is no need to give notice to Members of the adjourned meeting.
- 26.1 The Chairperson of the Board will be chairperson at all meetings of the Association. If there is no Chairperson or he/she is not present or willing to act, ~~the Members present must elect a~~ Board Member of the Board to will be chairperson of the meeting. If no Board Members are present, the Members present must elect a Member to be chairperson of the meeting.
- 26.2 If the Chairperson arrives later, after the meeting has commenced, he/she will take over as chairperson of the meeting as soon as the current agenda item is concluded.

## **Proxies/Representatives/~~Postal Votes~~**

- 27.1 To appoint a representative to vote on your behalf by proxy, you must let the Association have a properly completed document in the form shown in Appendix 1, which may be submitted by electronic communication. Your representative does not need to be a Member. The document must reach the Association at least five days before the meeting at which you want to be represented.
- 27.2 If there is any doubt about whether your representative has authority to vote, the Chairperson will decide and his/her decision will be final.
- 27.3 The maximum number of proxy votes that may be cast by any one person is 10.
- 27.4 To reverse your appointment of a representative, you must let the Association have a properly completed document in the form shown in Appendix 2, which may be submitted by electronic communication. The document must be presented to the Association before the meeting at which you no longer want to be represented convenes. Alternatively, if you declare yourself present before the meeting

convenes, the appointment of a representative to vote on your behalf will automatically fall.

27.5 The Chairperson will report to the meeting the details of any documents seeking to appoint a representative received but which are not valid. ~~If you represent an organisation, your authorisation or appointment as a representative requires to be in accordance with the terms of Rule 12.2.~~

~~27.6 If there is to be an election of Board Members at an annual general meeting, you can vote by post. Not less than 14 days before a meeting is held at which one or more Board Members will be elected, you will receive a ballot paper for the election. You can vote in the election by returning the ballot paper to the Secretary at least five days before the day of the meeting, or by bringing your ballot paper along to the meeting.~~

## Voting

28 If a decision of a meeting is put to the vote, the outcome will be determined by the majority of those Members voting. Voting will be by a show of hands except where a poll is requested or required. Votes cannot be taken on resolutions which conflict with any provisions of these Rules or the law.

29.1 Where a vote is by a show of hands every Member, including the Parent, present in person has one vote (subject in the case of the Parent to the provisions of Rule ~~29.3~~[29.2](#)). Where a vote is by a poll every Member, including the Parent, present in person or who has appointed a representative has one vote. Where an appointed proxy is present, and he/she advises the Chairperson, the Chairperson shall direct that the vote is by a poll.

~~29.2 In relation to the election of Board Members, the vote is by a poll using the ballot paper issued to the Members prior to the meeting; votes received by post in advance of the meeting will be counted in the total number of votes at the meeting.~~

~~29.2~~ [29.2](#) The Parent shall be allocated and shall be entitled to cast three quarters of the votes available to be cast:

~~29.3~~[29.2.1](#) At any special general meeting called by the Secretary in accordance with these Rules for the purpose of considering and, if appropriate, approving:

~~29.3.1~~[29.2.1.1](#) any amendments, additions or deletions to any of these Rules; and/or

~~29.3.2~~[29.2.1.2](#) any change of name of the Association; and

~~29.2.2~~ [29.2.2](#) at any annual general meeting, but only for the specific purpose of approving the appointment of the auditors for the following year,

~~the Parent shall be allocated and shall be entitled to cast three quarters of the votes available to be cast at the relevant special general meeting~~ and the other Members of the Association (collectively the "Other Members") shall among them be entitled to cast one quarter of the votes available to be cast at the relevant special general meeting or in relation to the appointment of auditors at an annual general meeting. Votes exercisable by the Other Members in terms of this Rule ~~29.3~~[29.2](#) shall be counted for and against the relevant resolution(s) in the proportions for and against actually cast by each of the Other Members who are present and voting at the

meeting in person or by proxy respectively. The Secretary shall make arrangements for such Other Members to vote on the resolution(s) separately and shall count the number of votes in favour and against the resolution(s) and shall notify the special general meeting or annual general meeting of the totals and accordingly the manner in which the one quarter of votes available to be cast at the relevant special general meeting or annual general meeting and exercisable by the Other Members have been cast. The Secretary shall notify the meeting of the decision of the vote having regard to the votes cast by the Parent.

- 30 Except where a resolution is passed in accordance with the provisions of Rule ~~29.3~~29.2, if there is an equal number of votes for and against a resolution, ~~or in relation to the election of Board Members~~, the Chairperson will have a second and deciding vote. The Chairperson's announcement of the decision of a vote will be final and conclusive. The decision is then recorded in the minutes of the meeting. There is no need to record the number of votes for or against the decision.
- 31.1 A poll can be required before or immediately after a vote by a show of hands, if at least one-tenth of the Members present at the meeting (in person or by proxy through a representative appointed in accordance with Rule 27.1) request this.
- 31.2 A poll must take place as soon as the Chairperson has agreed to it, in line with the Chairperson's instructions. The result of the poll will stand as the decision of the meeting.

## ~~PROCEEDINGS AT GENERAL MEETINGS~~

### Proceedings at General Meetings

- 32 All speakers must direct their words to the Chairperson. All Members must remain quiet and orderly while this is happening.
- 33 You will not be allowed to speak more than once on any individual matter unless it is to explain something or ask for an explanation until every other Member has had the chance to speak. You will then have the opportunity to speak a second time on a matter but only if the Chairperson agrees. Where the Chairperson raised the matter for discussion initially, he/she shall be permitted to make a final reply on the matter.
- ~~34~~34.1 The Chairperson will decide how long each speaker is allowed to speak, allowing equal time to each speaker.
- ~~35~~34.2 If any point arises which is not covered in these Rules, the Chairperson will give his/her ruling. ~~If the Chairperson's ruling is challenged by more than one person, the Chairperson will step down and those present will decide the point raised on a majority vote. If the vote is tied, the Chairperson's original ruling is carried.~~
- ~~36~~35 Meetings must not last longer than two hours unless at least two-thirds of the Members present agree after the end of that time to continue the meeting.
- 36.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 36.2 A Member is able to exercise the right to vote at a general meeting when:

- 36.2.1 that Member is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
- 36.2.2 that Member's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 36.3 The Board may make whatever arrangements it considers appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 36.4 In determining attendance at a general meeting, it is immaterial whether any two or more Members attending it are in the same place as each other.
- 36.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

## THE BOARD OF MANAGEMENT

### Composition of the Board

- 37.1 The Association shall have a Board which shall have a minimum of seven and a maximum (including co-optees) of 11 persons of whom:
- 37.1.1 up to six Board Members shall be Independent Board Members;
- 37.1.2 up to four Board Members shall be Tenant Board Members; and
- 37.1.3 if appointed, ~~up to~~ one Board Member shall be the Parent Appointee (as defined in Rule 37.7).
- 37.2 The Association shall keep up to date a register of the names of the Board Members which shall be made available to any person at no cost. The names of Board Members will also be published by the Association on its website, and in its annual reports and other similar documentation.
- ~~37.2 The first Board Members will be the Members who have signed the application to register the Association. The first Members and all subsequent Members who are eligible shall be Board Members until there are more than seven Members. Once there are more than seven Members of the Association, at the end of the next annual general meeting, all of the Board Members shall retire.~~
- 37.3 A person must be aged 18 or over and a Member to become a Tenant Board Member ~~(including any person appointed to fill a casual vacancy) other than a person appointed as~~ A person must be aged 18 or over but need not be a Member to become a co-optee, a person appointed by The Scottish Housing Regulator or the Parent Appointee (as defined in Rule ~~37.7~~), ~~each and any of whom must be aged 18 or over but need not be a Member~~ 37.6.
- 37.4 With the exception of the Parent Appointee (as defined in Rule ~~37.7~~ 37.6), an employee of the Association, ~~or~~ unless otherwise approved by the Parent, a Close Relative of an employee, may not be a Board Member.



37.5 No Board Member may take office until they have agreed to and signed the Association's code of conduct for Board Members and their appointment has been ratified by the Parent.

~~37.6 Notwithstanding Rule 37.1, if at any time there are fewer candidates standing for election pursuant to Rule 39 to become Tenant Board Members than the number of available vacancies, then it shall become competent for a candidate who satisfies the criteria for election as an Independent Board Member to be eligible for election to fill the relevant place or places.~~

~~37.7~~37.6 The Parent may from time to time and at any time by written notice to the registered office of the Association appoint up to one person as a Board Member (a "Parent Appointee") and by like notice remove or replace the Parent Appointee and in each case, such appointment or removal shall take effect upon the date of lodgement of such written notice at the registered office of the Association or such later date as may be specified in the notice.

~~37.8~~37.7 Notwithstanding any other provision of these Rules:

~~37.8.1~~37.7.1 the Parent is the parent body of the Association and shall be entitled to appoint any number of Board Members and remove from office any and all Board Members as it may in its sole discretion determine;

~~37.8.2~~37.7.2 any appointments and removals from office in terms of Rule ~~37.8.1~~37.7.1 may be made from time to time and at any time by notice in writing signed or by electronic communication on behalf of the Parent ~~and served on the Association~~ and, in each case, shall take effect upon the date of ~~lodgement of written~~receipt of the notice ~~at~~by the ~~Association's registered office~~Association or such later date as may be specified in the notice; and

~~37.8.3~~37.7.3 all candidates for ~~election, re-election,~~ appointment, or re-appointment as Board Members in terms of these Rules shall first be approved in writing or by electronic communication by the Parent and any such ~~elections, re-election,~~ appointment or re-appointment of a Board Member shall not take effect unless and until such approval has been given.

~~37.9~~37.8 Each of the Board Members shall, in exercising his/her role as a Board Member, act in the best interests of the Association, its tenants and service users and will not place any personal or other interests ahead of his/her primary duty to the Association; and, in particular, must:

~~37.9.1~~37.8.1 seek, in good faith, to ensure that the Association acts in a manner which is in accordance with its objects;

~~37.9.2~~37.8.2 act with the care and diligence which it is reasonable to expect of a person who is managing the affairs of another person;

~~37.9.3~~37.8.3 in circumstances giving rise to the possibility of a conflict of interest between the Association and any other party:

~~37.9.3.1~~37.8.3.1 put the interests of the Association before that of the other party, in taking decisions as a Board Member; and

~~37.9.3.2~~37.8.3.2 where any other duty prevents him/her from doing so, disclose the conflicting interest to the Association and refrain from participating in any discussions or decisions involving the other Board Members with regard to the matter in question; and

~~37.9.4~~37.8.4 ensure that the Association complies with any direction, requirement, notice or duty imposed on it by the Charities and Trustee Investment (Scotland) Act 2005.

37.9 The Board can require that a Board Member who is being investigated for a potential breach of the Association's Code of Conduct for Board Members take leave of absence and not attend any meeting in his/her capacity as Board Member until the Board has completed its consideration of the potential breach. When on such leave of absence, the Board Member will not be entitled to receive minutes and/or documents in his/her capacity as a Board Member relating to the business of the Association.

## Interests

38.1 The Board shall set and periodically review its policy on payments and benefits. If a person is a Member, employee of the Association or serves on the Board or any sub-committee he/she must not receive any payment or benefit unless it is permitted by the policy. In making any payment or conferring any benefit the Association shall act at all times with transparency, honesty and propriety.

38.2 If a person serves on the Board or any sub-committee he/she must declare any personal or other external interests on an annual basis in accordance with the Association's Code of Conduct for Board Members. If while serving on the Board that person has any conflict of interest in any contract or other matter about to be discussed at a meeting, he/she must tell the Board. He/she will be required to leave the meeting while the matter is discussed and will not be allowed to vote on the matter or to stay in the meeting while any vote on the matter is being held. If that person is inadvertently allowed to stay in the meeting and vote on the matter, his/her vote will not be counted. If no quorum exists for the purpose of voting on a matter only because of the operation of this Rule 38.2, provided that there are at least three remaining Board Members who are entitled to remain in terms of this Rule 38.2, such remaining Board Members are deemed to constitute a quorum for the purposes of voting and may proceed to make a decision as a quorate Board.

38.3 If a person serves on the Board or any sub-committee he/she must not receive any payment or benefit unless it is permitted by the Charities and Trustee Investment (Scotland) Act 2005 and as set out in the Association's policy referred to in Rule 38.1. He/she shall also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 in respect of any conflict of interest that might arise.

## ~~ELECTING~~APPOINTING BOARD MEMBERS

39.1 Each Board Member ~~elected~~appointed under these Rules shall be ~~elected~~appointed for a fixed term of office expiring at the conclusion of ~~an annual general meeting~~three years (a "fixed term").~~The fixed term shall be for a term of three annual general meetings,~~ unless the Board has set a lower number of ~~annual general meetings~~years for the relevant Board Member on their ~~election or nomination~~appointment. No fixed term shall be set which would cause the relevant Board Member to serve ~~beyond their ninth consecutive annual general meeting~~for more than a period of nine years (whether continuous or in aggregate), unless otherwise approved by the Parent in accordance with Rule 39.5.

39.2 ~~At every annual general meeting each~~Each Board Member who has served their fixed term shall retire from office at the Board Meeting held immediately after expiry of their fixed term. Any Board Member who retires from office ~~at an annual general~~

~~meeting~~ under this Rule 39.2 shall be eligible for ~~re-election~~re-appointment subject to the following:

- 39.2.1 where any Board Member retiring under this Rule 39.2 has only served one fixed term, that Board Member can ~~stand for re-election without being nominated~~be re-appointed by the Board;
- 39.2.2 where any Board Member retiring under this Rule 39.2 has served two fixed terms, that Board Member shall be eligible for ~~re-election~~re-appointment for one further fixed term, but only with the prior approval of the Parent; and
- 39.2.3 where any Board Member has nine years' service on the Board, that Board Member shall automatically retire at the end of their ninth year, ~~regardless of whether this date is the date of an annual general meeting,~~ and shall not be eligible for ~~re-election~~re-appointment, unless otherwise approved by the Parent in accordance with Rule 39.5.
- 39.3 Board Members must also retire if they have been co-opted onto the Board under Rule 42.1 ~~or have filled casual vacancies under Rule 41.~~
- 39.4 If a Board Member leaves the Board for any reason other than by virtue of Rule 39.2, that Board Member will not be eligible ~~to stand for re-election~~re-appointment or to be co-opted on to the Board until the expiry of five years following the date on which they left the Board, unless otherwise approved by the Parent.
- 39.5 Other than the Parent Appointee (if appointed) no Board Member shall serve more than nine years' service in total on the Board, whether continuously or in aggregate, unless otherwise approved by the Parent. The Parent shall be entitled to approve a longer fixed term for any Board Member following the expiry of nine years' service where the Parent is satisfied that a Board Member is able to demonstrate his/her continued effectiveness as a Board Member. Where the Parent approves the re-appointment of a Board Member in terms of this Rule 39.5, the Parent shall review that Board Member's appointment on an annual basis.
- 39.6 If a Board Member retires from the Board in terms of these Rules and ~~stands for re-election~~is re-appointed, subject to Rule 39.4, any time previously served on the Board shall count towards their period of service for the purposes of Rule 39.5.
- 39.7 The other terms of this Rule 39 shall not apply to the Parent Appointee (if appointed) who shall not be required to retire at any ~~annual general meeting~~Board Meeting.
- ~~40.1 If, at the annual general meeting the number of Members standing for election is less than or equal to the number of vacant places, the Chairperson will declare them elected without a vote. If there are more Members standing for election than there are vacant places, those present at the general meeting or those exercising a postal vote in accordance with Rule 27.6 will elect Members onto the Board, in accordance with Rule 29.2. Each Member present or who has appointed a representative will have one vote for each place to be filled on the Board. A Member must not give more than one vote to any one candidate.~~
- ~~40.2 The Association will post or send by fax or email intimation of the intended date of the annual general meeting and information on the nomination procedure to each Member at the address, fax number or email address given in the Register of Members of the Association not less than 28 days before the date of the meeting. Nominations for election to the Board must be in writing and in the form specified by~~

~~the Association and must give the full name, address and occupation of the Member being nominated. A Member cannot nominate himself/herself for election to the Board. Nominations must be signed by and include a signed statement from the Member being nominated to show that they are eligible to join the Board in accordance with Rules 37.4 and 43, and that they are willing to be elected. Nomination forms can be obtained from the Association and must be completed fully and returned by hand or by post to the Association's registered office at least 21 days before the general meeting.~~

~~41 If an elected Board Member leaves the Board between the annual general meetings, this creates a casual vacancy and the Board can appoint a Member to take their place on the Board until the next annual general meeting.~~

40.1 The Board shall determine the appointment process for Board Members from time to time, subject to the approval of the Parent.

40.2 An application for appointment to the Board can be rejected by a decision by not fewer than three quarters of the Board Members on one or more of the following grounds:

40.2.1 where appointment to the Board would be contrary to the Association's Rules or policies;

40.2.2 where a conflict of interest may exist which, even allowing for the disclosure of such an interest may adversely affect the work of the Association; or

40.2.3 where there is clear evidence of relevant circumstances from which it is concluded that appointment to the Board would not be in the best interests of the Association.

41 The rejection of an application for appointment to the Board shall be notified to the person concerned in writing following the relevant Board Meeting.

## Co-optees

42.1 Subject to approval by the Parent, the Board can co-opt to the Board or to a sub-committee anyone it considers is suitable to become a Board Member or member of a sub-committee. Co-optees do not need to be Members, but they can only serve as co-optees on the Board or sub-committee ~~until the next annual general meeting~~for a period of up to one year or until removed by the Board. A person co-opted to the Board can also serve on any sub-committees.

42.2 A person appointed as a co-optee shall undertake the role of Board Member or member of a sub-committee and accordingly will be subject to the duties and responsibilities of a Board Member. Co-optees can take part in discussions at the Board or any sub-committees and vote at Board and sub-committee meetings on all matters except those which directly affect ~~the~~these Rules, the membership of the Association or the election of the Association's Office Bearers. Co-optees may not stand for election, nor be elected as one of the Office Bearers of the Board.

42.3 Board Members co-opted in this way must not make up more than one-third of the total number of the Board or sub-committee members at any one time. The presence of co-optees at Board Meetings will not be counted when establishing whether the minimum number of Board Members are present to allow the meeting to take place as required by Rule 48 and the presence of co-optees will not count towards the quorum for sub-committee meetings.

## Eligibility for the Board

- 43.1 A person will not be eligible to be a Board Member and cannot be appointed ~~or elected~~ as such if:
- 43.1.1 he/she ~~has been adjudged~~ is an undischarged bankrupt, has granted a trust deed ~~for or entered into an arrangement with creditors or his/her estate has been sequestrated and~~ which has not been discharged or is in a current Debt Payment Plan under the Debt Arrangement Scheme;
  - 43.1.2 he/she has been convicted of an offence involving dishonesty which is not spent by virtue of the Rehabilitation of Offenders Act 1974 or an offence under the Charities and Trustee Investment (Scotland) Act 2005;
  - 43.1.3 he/she is a party to any legal proceedings in any Court of Law by or against the Association;
  - 43.1.4 he/she is or will be unable to attend the Board Meetings for a period of 12 months;
  - 43.1.5 he/she has been removed from the board of another registered social landlord within the previous five years;
  - 43.1.6 he/she has resigned from the Board in the previous five years in circumstances where the resignation was submitted after the date of his/her receipt of notice of a special Board Meeting convened to consider a resolution for his/her removal from the Board in terms of Rule 44.5;
  - 43.1.7 he/she has been removed from the Board in terms of Rules 44.4 or 44.5 within the previous five years;
  - 43.1.8 he/she has been removed, disqualified or suspended from a position of management or control of a charity under the provisions of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 or the Charities and Trustee Investment (Scotland) Act 2005;
  - 43.1.9 he/she has been removed from the office of charity trustee or trustee for a charity by an order made by the Charity Commissioners for England and Wales or by Her Majesty's High Court of Justice in England on the grounds of any misconduct in the administration of the charity for which he/she were responsible or to which he/she were privy, or which his/her conduct contributed to or facilitated;
  - 43.1.10 a disqualification order or disqualification undertaking has been made against that person under the Company Directors Disqualification Act 1986 or the Company Directors Disqualification (Northern Ireland) Order 2002 (which relate to the power of a Court to prevent someone from being a director, liquidator or administrator of a company or a receiver or manager of company property or being involved in the promotion, formation or management of a company);
  - 43.1.11 his/her application for appointment to the Board has been rejected in accordance with Rule 40.2;

~~43.1.11~~43.1.12 he/she has been removed from the governing body of any other member of the Group; or

~~43.1.12~~43.1.13 he/she has left the Board and a period of five years has not expired since his/her departure for the purposes of Rule 39.4 and the Parent has not approved his/her return within that period.

43.2 A person cannot be ~~re-elected~~re-appointed as a Board Member if the Board is not satisfied under Rule 37.6 of the individual's continued effectiveness as a Board Member. In these circumstances the Board must not allow the individual to stand for ~~re-election~~re-appointment.

44 A Board Member will cease to be a Board Member if:

44.1 he/she resigns his/her position as a Board Member in writing;

44.2 he/she ceases to be a Member unless he/she is a co-optee in terms of Rule 42.1 or an appointee of The Scottish Housing Regulator;

44.3 he/she misses four Board Meetings in a row without special leave of absence previously being granted by the Board either at his/her request or by exercise of the Board's discretion;

44.4 except in the case of the Parent Appointee, the majority of Members voting at a general meeting decide this. ~~The Members at the meeting may then elect someone to take his/her place. If a replacement is not elected at the meeting, the Board may appoint a Board Member in terms of Rule 41;~~

44.5 except in the case of the Parent Appointee, the majority of those remaining Board Members present and voting at a special meeting of the Board convened for the purpose decide to remove him/her as a Board Member. The resolution to remove him/her as a Board Member must relate to one of the following issues:

44.5.1 failure to perform to the published standards laid down by ~~the Scottish Federation of Housing Associations and/or~~ The Scottish Housing Regulator adopted and operated by the Association;

44.5.2 failure to sign or failure to comply with the Association's Code of Conduct for Board Members; or

44.5.3 a breach of the Association's Rules, standing orders or other policy requirements;

44.6 he/she becomes ineligible as a Board Member in terms of Rule 43;

44.7 he/she is a co-optee whose period of office is ended in accordance with Rules 39.3 or 42.1;

44.8 he/she is a Board Member retiring in accordance with Rule 39.2; or

44.9 he/she is the Parent Appointee and the Parent subsequently removes him/her from the Board.

## **POWERS OF THE BOARD OF MANAGEMENT**

45 The Board is responsible for directing the affairs of the Association and its business and may do anything lawful which is necessary or expedient to achieve the objects

of the Association. The Board is not permitted to exercise any powers which are reserved to the Association in general meetings either by these Rules or by statute. The Board is responsible for the leadership, strategic direction and control of the Association with the aim of achieving good outcomes for its tenants and other service users in accordance with Regulatory Standards and Guidance issued by The Scottish Housing Regulator from time to time. The Board is responsible for ensuring that the Association can demonstrate its governance and financial arrangements are such as to allow The Scottish Housing Regulator to regulate effectively and exercise its full regulatory powers.

- 46 The Board acts in the name of the Association in everything it does. A third party acting in good faith and without prior notice does not need to check if the powers of the Board have been restricted, unless they are already aware that such a restriction may exist.
- 47 Amongst its most important powers, the Board can:
- 47.1 buy, sell, build upon, lease or exchange any land and accept responsibility for any related contracts and expenses;
- 47.2 agree the terms of engagement and remuneration of anyone employed in connection with the business of the Association and act as employer for anyone employed by the Association;
- 47.3 grant heritable securities over land owned by the Association and floating charges over all or any part of property and assets both present and in future owned by the Association. This includes accepting responsibility for any related expenses;
- 47.4 decide, monitor and vary the terms and conditions under which property owned by the Association is to be let, managed, used or disposed of;
- 47.5 appoint and remove solicitors, surveyors, consultants, managing agents and employees, as required by the Association's business;
- 47.6 refund any necessary expenses as are wholly necessary incurred by Board Members and sub-committee members in connection with their duties;
- 47.7 compromise, settle, conduct, enforce or resist either in a Court of Law or by arbitration any suit, debt, liability or claim by or against the Association; and
- 47.8 accept donations in support of the activities of the Association.

## **BOARD PROCEDURE**

- 48 It is up to the Board to decide when and where to hold its ordinary meetings, but it must meet at least six times aper calendar year. There must be at least four Board Members present for the meeting to take place including (if appointed) the Parent Appointee (unless the Parent Appointee has presented their apologies in advance of the meeting).
- 49 The Board will continue to act while it has vacancies for Board Members. However, if at any time the number of Board Members falls below seven, the Board can continue to act only for another two months. If at the end of that period the Board has not found new Board Members to bring the number of Board Members up to

seven, the only power it will have is to act to bring the number of Board Members up to seven.

- 50 Board Members must be sent written notice of Board meetings posted, or delivered, by hand or sent by ~~fax or email~~electronic communication to the last such address for such communications given to the Secretary at least seven days before the date of the meeting, unless the Chairperson determines, in relation to specific proposed Board Meeting, that a shorter period is required. The accidental failure to give notice to a Board Member or the failure of the Board Member (other than the Parent Appointee) to receive such notice shall not invalidate the proceeding of the relevant meeting.
- 51 Meetings of the Board can take place in any manner which permits those attending to hear and comment on the proceedings. A Board Member may participate in a Board Meeting by means of conference telephone, video conferencing facility or similar communications equipment whereby all the Board Members participating in the Board Meeting can communicate with each other. A Board Member participating in a Board Meeting in this manner shall be deemed to be present in person at the Board Meeting.
- ~~52~~52.1 All speakers must direct their words to the Chairperson. All Board Members must remain quiet and maintain order while this is happening. The Chairperson will decide who can speak and for how long.
- ~~53~~52.2 If any point arises which is not covered in these Rules, the Chairperson will give his/her ruling which will be final.
- ~~54~~53 All acts done in good faith as a result of a Board Meeting or sub-committee meeting will be valid even if it is discovered afterwards that a Board Member was not entitled to be on the Board.
- ~~55~~54 A written resolution ~~signed~~agreed in writing or by electronic communication by not fewer than three quarters of the Board Members or three quarters of the members of a sub-committee will be as valid as if it had been passed at a Board Meeting or sub-committee meeting duly called and constituted.
- 55 Subject to these Rules, the Board may agree any arrangements which it thinks fit about how it takes decisions, and about how such arrangements are to be recorded or communicated to Board Members, subject to the prior approval of the Parent.

## Special Board Meetings

- 56.1 The Chairperson, the Parent or two Board Members can request a special meeting of the Board by writing to the Secretary with details of the business to be discussed. The Secretary will send a copy of the request to all Board Members and to the Parent within three working days of receiving it. The meeting will take place at a place mutually convenient for the majority of Board Members, normally the usual place where Board Meetings are held, between 10 and 14 days after the Secretary receives the request.
- 56.2 No other business may be discussed at the meeting other than the business for which the meeting has been called.
- 56.3 If the Secretary does not call the special meeting as set out above, the Chairperson or the Board Members who ~~request~~requested the meeting can call the meeting. In



this case, they must write to all Board Members at least seven days before the date of the meeting.

- 57 If a Board Member (other than the Parent Appointee) does not receive notice of the meeting, this will not prevent the meeting going ahead.

## **Sub-committees**

- 58.1 The Board can delegate its powers to sub-committees or to staff or to Office Bearers. The Board will establish the terms of reference for such delegation, which will be set down in writing and communicated to the recipient of the delegated powers. Such delegation will be set out down in writing in standing orders, schemes of delegated authority or other appropriate documentation. In the case of a sub-committee such delegation shall include the purposes of the sub-committee, its composition and quorum for meetings. A minimum number of members for a sub-committee shall be three. There must be at least three of the members of a sub-committee present for the meeting to take place. The Board shall be responsible for the on-going monitoring and evaluation of the use of delegated powers.
- 58.2 The meetings and procedures of sub-committees or otherwise must comply with the relevant terms of reference.
- 58.3 Any decision made by sub-committee must be reported to the next Board Meeting.
- 58.4 The Board can establish and delegate powers to sub-committees, designated as Area Committees, to take decisions relating to the management and maintenance of properties within a particular geographical area. The Board will determine the membership and delegated responsibility of an Area Committee in its terms of reference. An Area Committee shall exercise such delegated powers notwithstanding the provisions of Rules 42.1 and 42.3 which provisions shall not apply to Area Committees.
- [58.5 The creation of any new sub-committees by the Board is subject to the prior approval of the Parent.](#)

## **THE SECRETARY AND OFFICE BEARERS**

- 59.1 The Association must have a Secretary, a Chairperson and any other Office Bearers the Board considers necessary. The Office Bearers, except for the Secretary, must be ~~elected~~ Board Members ~~and~~but cannot be co-optees. An employee of the Association, the Parent or any other member of the Group may hold the office of Secretary although shall not be a Board Member. The Board will appoint these Office Bearers. If the Secretary cannot carry out his/her duties, the Board, or in an emergency the Chairperson, can ask another Office Bearer or employee to carry out the Secretary's duties until the Secretary returns. The appointment of an Office Bearer in terms of these Rules is subject to the prior written approval of the Parent.
- 59.2 The Secretary and the other Office Bearers will be controlled, supervised and instructed by the Board in respect of performance of their respective duties (which duties, in the case of the Secretary, are those set out in Rule 59.3).
- 59.3 The Secretary's duties include the following (these duties can be delegated to an appropriate employee with the Secretary assuming responsibility for ensuring that they are carried out in an effective manner):

- 59.3.1 calling and going to all meetings of the Association and all the Board Meetings;
  - 59.3.2 keeping the minutes for all meetings of the Association and Board;
  - 59.3.3 sending out letters, notices calling meetings and relevant documents to Members before a meeting;
  - 59.3.4 preparing and sending all the necessary reports to the Financial Conduct Authority and The Scottish Housing Regulator;
  - 59.3.5 ensuring compliance with these Rules;
  - 59.3.6 keeping the Register of Members and other registers required under these Rules; and
  - 59.3.7 supervision of the Association's seal.
- 59.4 The Secretary must produce or give up all the Association's books, registers, documents and property whenever requested by a resolution of the Board, or of a general meeting.
- 59.5 ~~At its first meeting after registration of the Association, the Board will elect the Chairperson of the Association. Thereafter a~~The Chairperson will be appointed in accordance with Rule ~~59.6~~59.7 and shall hold office for a period which shall commence on the date of the Chairperson's appointment and shall expire immediately prior to the next scheduled Board Meeting held after the expiry of three years from the date of appointment (the "office term"), subject always to the provisions of Rule 39.

## Role of the Chair

- 59.6 The Chairperson is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of the Board's role and to ensure that the Board properly discharges its responsibilities as required by law, the Rules and the standing orders of the Association. The Chairperson will be delegated such powers as is required to allow the Chairperson to properly discharge the responsibilities of the office. Among the responsibilities of the Chairperson are that:
- ~~59.5.1~~59.6.1 the Board works effectively with the senior staff;
  - ~~59.5.2~~59.6.2 an overview of business of the Association is maintained;
  - ~~59.5.3~~59.6.3 the Agenda for each meeting is set;
  - ~~59.5.4~~59.6.4 meetings are conducted effectively;
  - ~~59.5.5~~59.6.5 minutes are approved and decisions and actions arising from meetings are implemented;
  - ~~59.5.6~~59.6.6 the standing orders, code of conduct for Board Members and other relevant policies and procedures affecting the governance of the Association are complied with;
  - ~~59.5.7~~59.6.7 where necessary, decisions are made under delegated authority for the effective operation of the Association between meetings;
  - ~~59.5.8~~59.6.8 the Board monitors the use of delegated powers;
  - ~~59.5.9~~59.6.9 the Board receives professional advice when it is needed;
  - ~~59.5.10~~59.6.10 the Association is represented at external events appropriately;
  - ~~59.5.11~~59.6.11 appraisal of the performance of Board Members is undertaken, and that the senior staff officer's appraisal is carried out in accordance with the agreed policies and procedures of the Association; and
  - ~~59.5.12~~59.6.12 the training requirements of Board Members, and the recruitment and induction of new Board Members is undertaken.
- ~~59.6~~59.7 The Chairperson must be elected from the Board Members (excluding co-optees) which election must ~~then~~ be approved ~~in writing~~ by the Parent. The

Chairperson must be prepared to act as Chairperson until the end of their office term (unless he/she resigns the post). The Chairperson can only be required to resign if a majority of the remaining Board Members present at a special meeting agree to this.

~~59.7~~59.8 If the Chairperson is not present at a Board Meeting or is not willing to act, the Board Members present will elect another Board Member to be chairperson for the Board Meeting. If the Chairperson arrives at the meeting late, he/she will take over as chairperson of the Board Meeting as soon as the current agenda item is concluded.

~~59.8~~59.9 If the votes of the Board Members are divided equally for and against an issue, the Chairperson will have a second and deciding vote.

~~59.9~~59.10 The Chairperson can resign his/her office in writing to the Secretary and must resign if he/she leaves the Board or is prevented from ~~standing for, or~~ being ~~elected~~appointed to the Board under Rule 43. The Board will then elect another Board Member as Chairperson.

~~59.10~~59.11 The Chairperson can be re-elected upon expiry of their office term for a further maximum of two years and must not hold office continuously for more than five years, unless otherwise approved by the Parent, subject always to the provisions of Rule 39.

~~59.11~~59.12 Upon expiry of their period of service as Chairperson, the Chairperson must resign as a Board Member and leave the Board. If the Chairperson resigns under Rule ~~59.6~~59.7 or ~~59.9~~59.10 then they shall also be deemed to have resigned as a Board Member, regardless of the length of their period of service as Chairperson.

## **FINANCIAL GUARANTEES FOR OFFICERS**

60.1 The Board shall take out fidelity guarantee insurance to cover all Office Bearers and employees who receive or are responsible for the Association's money, or, these office bearers and employees must be covered by a bond as set out in Schedule 1 of the Co-operative and Community Benefit Societies Act 2014, or a guarantee under which they promise to account for and repay money due to the Association accurately.

60.2 The Board shall have the power to purchase and maintain indemnity insurance for, or for the benefit of, persons who are, or were at any time, Board Members, officers or employees of the Association. A Board Member may form part of a quorum and vote at a meeting where such insurance is under consideration notwithstanding the terms of Rules 38.1 and 38.2.

61 Office Bearers and employees will not be responsible for the Association's loss while they are carrying out their duties unless there has been gross negligence or dishonesty. If an Office Bearer or employee is dishonest, the Association will try to recover any loss that it has suffered and may alert the police or other relevant authority.

## **THE BOARD'S MINUTES, SEAL, REGISTERS AND BOOKS**

### **Minutes**

- 62 Minutes of every general meeting, Board Meeting and sub-committee meeting must be kept. Those minutes must be presented at the next appropriate meeting and if accepted as a true record, signed by the ~~Chairperson~~chairperson of the meeting at which they are presented. All minutes signed by the ~~Chairperson~~chairperson of the meeting shall be conclusive evidence that the minutes are a true record of the proceedings at the relevant meeting.

## Execution of Documents and Seal

- 63 The Association shall execute deeds and documents in accordance with the provisions of the Requirements of Writing (Scotland) Act 1995 and record the execution in the register. The use of a common seal is not required. The Association may have a seal which the Secretary must keep in a secure place unless the Board decides that someone else should look after it. The seal must only be used if the Board decides this. When the seal is used, the deed or document must be signed by the Secretary or a Board Member or another person duly authorised to subscribe the deed or document on the Association's behalf and recorded in the register.

## Registers

- 64 The Association must keep at its registered office a Register containing:
- 64.1 the names and addresses of the Members and where provided for the purposes of electronic communication, fax numbers and email addresses;
  - 64.2 a statement of the share held by each Member and the amount each Member paid for it;
  - 64.3 the date each person was entered in the Register as a Member and the date at which any person ceased to be a Member of the Association;
  - 64.4 a statement of other property in the Association, whether in loans or loan stock held by each Member; and
  - 64.5 the names and addresses of the Office Bearers of the Association, their positions and the dates they took and left office.
- 65.1 The Association must also keep at its registered office:
- 65.1.1 a second copy of the Register showing the same details as above but not the statements of shares and property. This second register must be used to confirm the information recorded in the main Register;
  - 65.1.2 a register of loans and to whom they are made; and
  - 65.1.3 a register showing details of all loans and charges on the Association's land.
- 65.2 The inclusion or omission of the name of any person from the original Register of Members shall, in the absence of evidence to the contrary, be conclusive that the person is or is not a Member of the Association.

## Registered Name

- 66 The registered name of the Association must be clearly shown on the outside of every office or place where the Association's business is carried out. The name must also be engraved clearly on the Association's seal and printed on all its business letters, notices, adverts, official publications, website and legal and financial documents.

## Documentation

- 67 The Association's books of account, registers, securities and other documents must be kept at the Association's registered office or any other place the Board decides is secure.
- 68 At the last Board Meeting before the annual general meeting, the Secretary must confirm in writing [or by electronic communication](#) to the Board that Rules 62 to 67 have been followed or, if they have not been followed, the reasons for this. The Secretary's confirmation or report must be recorded in the minutes of the Board Meeting.

## ACCOUNTS

- 69 The Association must keep proper books of accounts to cover its income, expenditure transactions and its assets, liabilities and reserves in line with Part 7 of the Co-operative and Community Benefit Societies Act 2014. It must also set up and maintain a suitable system for controlling its books of accounts, its cash and its receipts and invoices.
- 70 The Board must send the Association's accounts and balance sheet to the Association's auditor. The auditor must then report to the Association on the accounts it has examined. In doing this, the auditor must follow the conditions set out in Part 7 of the Co-operative and Community Benefit Societies Act 2014 and Part 6 of the Housing (Scotland) Act 2010.
- 71 The Association must provide The Scottish Housing Regulator and the Financial Conduct Authority with a copy of its accounts and the auditor's report within six months of the end of the period to which they relate [or such other period as may be permitted by the applicable regulatory authority from time to time](#).

## THE AUDITOR

- 72.1 Each year the Association must appoint, at a general meeting of the Association, a qualified auditor to audit the Association's accounts and balance sheet. In this Rule "qualified auditor" means someone who is a qualified auditor under Section 91 of the Co-operative and Community Benefit Societies Act 2014.
- 72.2 None of the following can act as auditor to the Association:
- 72.2.1 a Board Member or employee of the Association;
  - 72.2.2 a person who is a partner of, or an employee or employer of a Board Member or employee of the Association;
  - 72.2.3 an organisation which is a Member of the Association.

- 73 ~~The Association must appoint an auditor within three months of being registered by the Financial Conduct Authority. The Board will appoint the auditor unless there is a meeting of the Association within that time. The Board~~Board may appoint an auditor to fill in a casual vacancy occurring between general meetings of the Association. The Board shall take such steps as it considers necessary to ensure the continuing independence of the Association's auditor including the periodic review of the need for audit rotation. The Association must send a copy of its accounts and the auditor's report to The Scottish Housing Regulator within six months of the end of the period to which they relate or such other period as may be permitted by The Scottish Housing Regulator from time to time.
- 74.1 An auditor appointed to act for the Association one year will be re-appointed for the following year unless:
- 74.1.1 a decision has been made at a general meeting to appoint someone else or specifically not to appoint them again;
  - 74.1.2 they have given the Association notice in writing that they do not want to be re-appointed;
  - 74.1.3 they are not a qualified auditor or are excluded under Rule 72.2;
  - 74.1.4 they are no longer capable of acting as Auditor to the Association; or
  - 74.1.5 notice to appoint another Auditor has been given.
- 74.2 To prevent an auditor being re-appointed or to appoint another person as auditor, not less than 28 days' notice must be given to the Association that the matter requires to be discussed at the next meeting of the Association.
- 74.3 The Association shall give notice to the auditor who is to be asked to step down that the matter will be discussed at the next meeting of the Association. If possible the Association will also give proper notice of this matter to the Members but if this is not possible, the Association can give notice by advertising in the local newspaper at least 14 days before the meeting.
- 74.4 The retiring auditor may make representations to the Association or give notice that he/she intends to make representations at the meeting and the Association must tell the Members of any representations made by the auditor under Section 95 of the Co-operative and Community Benefit Societies Act 2014.

## **ANNUAL RETURNS AND BALANCE SHEET**

- 75.1 Every year, within the time allowed by the law, the Secretary shall send to the Financial Conduct Authority the annual return in the form required by the Financial Conduct Authority.
- 75.2 The Secretary must also send:
- 75.2.1 a copy of the auditor's report on the Association's accounts for the period covered by the return; and
  - 75.2.2 a copy of each balance sheet made during that period and of the auditor's report on that balance sheet.
- 76 If requested, the Association must provide a free copy of the latest annual return and auditor's reports to Members or people with a financial interest in the Association.

77 The Association must always keep a copy of the latest balance sheet and auditor's report publicly displayed at its registered office.

78 The Association must comply with the requests of The Scottish Housing Regulator for annual returns.

## **SURPLUSES AND DONATIONS**

79.1 The Association must not distribute its surpluses to Members.

79.2 The Board shall set and review periodically its policy for the donation of funds to charities. Such donations must further the objects of the Association and the Board shall report to the Members on such donations.

## **INVESTMENTS**

80 The Association's funds may be invested by the Board in such manner as is permitted by its investment policy subject always to the requirement that the Association will comply with the Regulatory Framework and Regulatory Guidance issued by The Scottish Housing Regulator from time to time.

## **INSPECTING THE REGISTER**

81 Any Member or person having a financial interest in the Association can inspect their own account. They may also inspect the second copy of the Register of Members which shall be made available to them for inspection within 7 days of the request of a Member or eligible person. The books must be available for inspection at the place they are kept at all reasonable hours. The Board may set conditions for inspecting the books. ~~The Association will also maintain a register of the names of those Members who have given consent for this purpose which shall be made available for inspection within seven days of the request of any person.~~

## **DISPUTES**

82 Every dispute between the Association or the Board and:

82.1 a Member;

82.2 a person aggrieved who has ceased to be a Member within the previous six months; or

82.3 a person claiming under the Rules of the Association,

shall be dealt with in accordance with these Rules and any procedures determined by the Board from time to time but without prejudice to all rights which any person may have to raise an action on the matter in any court with competent jurisdiction, including without prejudice the Sheriff Court in the Sherriffdom in which the Association's registered office is located.

## **STATUTORY APPLICATIONS TO THE FINANCIAL CONDUCT AUTHORITY**

- 83 Any 10 Members of the Association who have been Members for at least the 12 previous months can apply to the Financial Conduct Authority to appoint an accountant or actuary to inspect and report on the Association's books on payment to the Financial Conduct Authority of the costs required.
- 84.1 One-tenth of the Members can apply to the Financial Conduct Authority to:
- 84.1.1 appoint an inspector to examine and report on the affairs of the Association; or
  - 84.1.2 call a special general meeting of the Association.
- 84.2 If there are more than 1000 Members in the Association, only 100 Members need to apply to the Financial Conduct Authority in terms of Rule 84.1.

## COPIES OF RULES

- 85 The Secretary shall, on demand, provide a copy of the Rules of the Association free of charge to any Member who has not previously been given a copy and, upon payment of such fee as the Association may require, not exceeding the amount specified by law, to any other person.

## CLOSING DOWN THE ASSOCIATION

- 86.1 The Association may be closed down in either of the following ways:
- 86.1.1 by an order or resolution to wind up the Association as set out in the Insolvency Act 1986 ~~and/or Section 105 of the Housing (Scotland) Act 2010~~; or
  - 86.1.2 in accordance with Section 119 of the Co-operative and Community Benefit Societies Act 2014, by an instrument of dissolution to which not less than three-fourths of the Members have given their consent testified by their signatures to the instrument.
- 86.2 The prior approval of the Office of the Scottish Charity Regulator is required before the Association can be dissolved. The Association must submit its application for approval to the Office of the Scottish Charity Regulator not less than 42 days before the date on which the Association intends to dissolve.
- 87 If any property remains after the Association has paid its debts, this property will be transferred to such other charitable registered social landlord as determined by The Scottish Housing Regulator.

## CHANGING THE RULES

- 88.1 Any changes to these Rules shall require the prior written approval of the Parent and, subject to such consent, these Rules can be changed or deleted and new Rules can be introduced if:-
- ~~88.1.1~~ three-quarters of the votes at a special general meeting are in favour of the change(s); ~~and~~.



~~88.1.2 The Scottish Housing Regulator has approved the change(s).~~

- 88.2 Where an amendment of these Rules affects the purposes of the Association the prior approval of the Office of the Scottish Charity Regulator is required. The Association must submit its application for approval to the Office of the Scottish Charity Regulator not less than 42 days before the date on which the Association intends to amend its purposes. Any other amendment of these Rules requires to be notified to them within three months of the change having been made.
- 88.3 The Association must apply to the Financial Conduct Authority to register every rule change as set out in treasury regulations. Each Member must receive a copy of the change. No change is valid until it has been registered by the Financial Conduct Authority. The Association must notify The Scottish Housing Regulator within 28 days of the change or amendment being made.
- 88.4 The Association can change its name if:
- 88.4.1 three-quarters of the votes at a special general meeting are in favour of the change;
  - 88.4.2 the Financial Conduct Authority approves the change in writing;
  - 88.4.3 the Office of the Scottish Charity Regulator has given its prior approval. The Association must submit its application for approval to the Office of the Scottish Charity Regulator not less than 42 days before the date on which the Association intends to change its name; and
  - 88.4.4 the Parent approves the change in writing.
- 88.5 If the Association changes its name in terms of Rule 88.4 it must ~~inform~~notify The Scottish Housing Regulator in writing within ~~44~~28 days of the change being made.
- 88.6 The Association can change its registered office but must:
- 88.6.1 notify The Scottish Housing Regulator ~~and the Financial Conduct Authority~~ of the change in registered office within ~~seven working~~28 days of the decision having been made;
  - 88.6.2 notify the Financial Conduct Authority as soon as possible after the change in registered office has been made;
  - ~~88.6.2~~88.6.3 notify the Office of the Scottish Charity Regulator within three months of the change having been made; and
  - ~~88.6.3~~88.6.4 obtain the prior written approval from the Parent.

## INTERPRETING THESE RULES

- ~~89.1~~89 In these Rules, the following words and phrases have the meanings given below:
- ~~89.1.1~~89.1 "A person claiming through a Member": includes an heir executor assignee or nominee. This heading would be used in connection with disputes about the transfer of a Member's share after his death. It would also cover executors of a former Member.
  - ~~89.1.2~~89.2 "Association" means the registered social landlord referred to in Rule 1 whose Rules these are.

~~89.1.3~~89.3 "Board" means the Board of Management (or such other term that is used by the Association to denote the governing body of the Association) referred to in Rule 37.1.

~~89.1.4~~89.4 "Board Meeting" means a meeting of the Board.

~~89.1.5~~89.5 "Board Member" means a member of the Board.

~~89.1.6~~89.6 "Chairperson" means the Chairperson of the Association (or such other term that is used by the Association to denote the holder of this office) referred to in Rule 59.1.

~~89.1.7~~89.7 "charitable" means both charitable under section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts.

~~89.1.8~~89.8 "clear days" excludes, in relation to the period of a notice, the day after the notice is posted (or, in the case of a notice sent by electronic ~~means~~communication, the day after it was sent) and also the day of the meeting.

~~89.1.9~~89.9 "Close Relative" means someone who is the spouse or civil partner of a person, or (being either of the same or different sex) who cohabits with that person, or is that person's parent, grandparent, child, stepchild, grandchild, brother or sister.

89.10 "electronic communication" has the meaning given in the Electronic Communications Act 2000.

~~89.1.10~~89.11 "Financial Conduct Authority" means the registering authority for societies registered under the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 set up in terms of the Financial Services Act 2012 or its successor body.

~~89.1.11~~89.12 "Group" means the Parent, the Association and any Subsidiary from time to time.

~~89.1.12~~89.13 "Group Agreement" means the written agreement from time to time between the Association and the Parent in relation to the objectives and operation of the Group.

~~89.1.13~~89.14 "Guarantee" means any guarantee and includes any obligation (including as primary obligor), including a contract of indemnity or suretyship, however described, to pay, satisfy, provide funds for the payment or satisfaction of (including, without limitation, by advance of money, purchase of or subscription for securities and purchase of assets or services), indemnify against the consequences of default in the payment of, or otherwise be responsible for, any indebtedness of any Subsidiary or any other person.

~~89.1.14~~89.15 "Independent Board Member" means a Board Member who is neither a Tenant Board Member nor the Parent Appointee.

~~89.1.15~~89.16 "Meeting" means a general meeting of the Association, whether special, general or annual referred to in Rules 20-23.

~~89.1.16~~89.17 "Member" means a member of the Association whose name is entered in the Register of Members.

~~89.1.17~~89.18 "Office Bearer" means the Chairperson, Secretary, and such other Officer Bearer appointed under Rule 59.1.

~~89.1.18~~89.19 "Office of the Scottish Charity Regulator" means the body set up under the Charities and Trustee Investment (Scotland) Act 2005 to regulate charities in Scotland.

~~89.1.19~~89.20 "organisation" means a legal body which exists separately and distinctly from its members and includes companies, building societies, community benefit societies, local authorities and so on and also for the purposes of these Rules includes unincorporated organisations such as social clubs, branches of political parties or trade unions and other voluntary bodies.

~~89.1.20~~89.21 "Parent" means Wheatley Housing Group Limited, a company incorporated in Scotland (company number SC426094), a registered social landlord (registration number 363) and having its registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

~~89.1.21~~89.22 "property" includes everything which can be passed on by inheritance (including loans, certificates, books and papers).

~~89.1.22~~89.23 "Register of Members" means the register of members referred to in Rule 64.

~~89.1.23~~89.24 "Rules" means the registered Rules of the Association.

~~89.1.24~~89.25 "The Scottish Housing Regulator" means The Scottish Housing Regulator as established pursuant to Section 1 of the Housing (Scotland) Act 2010.

~~89.1.25~~89.26 "Secretary" means the Office Bearer appointed by the Board to be the Secretary of the Association or anyone authorised by the Board to stand in for the Secretary.

~~89.1.26~~89.27 "Subsidiary" means an organisation which is a subsidiary of either the Association or the Parent within the meaning of Section 164 of the Housing (Scotland) Act 2010.

~~89.1.27~~89.28 "Taxes Acts" means Part 11 of the Corporation Tax Act 2010 as read with Schedule 6 of the Finance Act 2010 and any statute or statutory provision which amends, extends, consolidates or replaces the same.

~~89.1.28~~89.29 "Tenant Board Member" means a Board Member who is ~~elected~~appointed to the Board pursuant to these Rules and is a residential tenant of the Association from time to time occupying a residential property let by the Association under a Scottish secure tenancy or a short Scottish secure tenancy.

~~89.1.29~~89.30 Words in the singular also include the plural. Words in the plural also include the singular.

~~89.1.30~~89.31 A reference to law or statute is a reference to that law or statute as re-enacted, amended or replaced.

~~89.2 In the event of Sterling joining the Euro any sums of money referred to in Sterling in these Rules shall be redenominated into Euros at the rate of exchange applying for such redenomination as at the date of joining the Euro.~~



# APPENDIX 1

## PROXY FORM

You must use the wording shown below to appoint a representative to vote at a meeting for you. Please see Rule 27.1 for more details.

I (insert name) am a member of (insert name) \_\_\_\_\_ Limited.

My address is: (please insert).

I hereby appoint (insert name) who lives at (insert address) to be my representative and vote for me at the Association's meeting on (insert date) and any other dates that meeting continues on.

Your name \_\_\_\_\_

Your signature \_\_\_\_\_

Date \_\_\_\_\_

## APPENDIX 2

### CANCELLATION OF PROXY

You must use the wording shown below to reverse your application to send a representative to vote at a meeting for you. Please see Rule 27.4 for more details.

I (insert name) am a member of (insert name) \_\_\_\_\_ Limited.

My address is: (please insert).

I hereby revoke the appointment of (insert name) as my representative to vote for me at the Association's meeting on (insert date) made by me on the (insert date).

I no longer authorise the person referred to above to represent me at the meeting referred to above.

Your name \_\_\_\_\_

Your signature \_\_\_\_\_

# SIGNATURE OF BOARD MEMBERS

Date \_\_\_\_\_

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

4 \_\_\_\_\_ Members

5 \_\_\_\_\_

6 \_\_\_\_\_

7 \_\_\_\_\_

\_\_\_\_\_ Secretary

<b>Summary report:</b>	
<b>Litera® Change-Pro for Word 10.9.2.0 Document comparison done on 30/07/2020 16:18:37</b>	
<b>Style name:</b> Default Style	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> 2.3 New Rules clean version FINAL.docx	
<b>Modified filename:</b> Loretto HA Rules - HM Clean 30.07.2020.docx	
<b>Changes:</b>	
<u>Add</u>	239
<del>Delete</del>	231
<del>Move From</del>	0
<u>Move To</u>	0
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>470</b>