Loretto Housing

BOARD MEETING AGENDA, 6.15pm on 10 February 2020
At Lipton House, 170 Crown Street, Glasgow, G5 9XD

1. Apologies for Absence

2. Declarations of Interest

3. Minutes of Board Meeting held on 25 November 2019, matters arising and actions list

4. Director's Update (verbal)

Main Business Items

5. Rent and Other Charges 2020/21

6. Financial Projections 2020/21

7. Creating one care company in Wheatley Group: Progress update

8. Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25

9. Five Year Development Programme

10. Universal Credit (presentation)

Other Business Items

11. Finance Report for the period to 31 December 2019

12. Performance Report – YTD 2019/20 (Quarter 3)

13. Board Appraisal

14. Loretto Care Gender Pay Gap Reporting – Year 3 (presentation)

15. AOCB

Loretto Housing

Report

To: Loretto Housing Association Board

By: Laura Henderson, Managing Director

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

Subject: Rent and other charges 2020/21

Date of Meeting: 10 February 2020

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2020/21 RSL rent and service charge increase; and
- Seeks Board approval for the 2020/21 rent and service charge increases.

2. Authorising context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group rent setting framework. As part of this, the Group Board is responsible for agreeing rent increase parameters that each RSL Board has the authority to agree an increase within.

2.2 The Group Board agreed that a minimum increase of 3.4% should be the basis of consultation with each RSL's tenants. It also agreed that options should be discussed with tenants for increases of 3.9% and 4.4%, with tenants asked whether they would be prepared to pay these higher levels in return for additional local investment. The Board agreed these three options for consultation with tenants.

3. Risk appetite and assessment

3.1 Our risk appetite in relation to regulatory practises (Scottish Housing Regulator and Care Inspectorate) such as rent increases is cautious, that is, "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.2 The Scottish Housing Regulator undertook a thematic enquiry into how Registered Social Landlords ("RSLs") consult with tenants about rent increases. In tandem, the Scottish Federation of Housing Associations ("SFHA") issued guidance on rent setting and affordability. The main risk highlighted by these publications related to RSLs setting rent without due regard to meaningfully engaging tenants and affordability.

3.3 We mitigate this risk through engagement with our tenants on our rent proposals through a combination of focus Groups, local engagement and a statutory consultation process.

4. Background

4.1 The rent increase assumptions in our financial projections are subject to annual review. The annual review takes into account the key principles set out in our Group rent setting framework:

1) Financial viability;
2) Affordability;
3) Comparability; and
4) Consultation with tenants and service users.

4.2 The Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the meeting on 7 October. The consultation with tenants is the final element of our rent setting process prior to formally agreeing rent levels.

5. Discussion

5.1 Our consultation approach has been refined in recent years to provide a greater degree of insight into our tenants' views on our rent setting proposals. Our rent setting process for 2020/21 involved two stages; firstly, a series of focus groups and direct tenant engagement; then a full written consultation issued to all tenants with options, including a "none of the above" option. We had 97 responses (2018: 89) to the full consultation stage, with **66% of tenants supporting** of one of the three increase options (3.4%, 3.9% or 4.4%). This compares with 69% last year.

5.2 In considering the rent increase we take into account the combination of feedback from both consultation methods. Feedback from each is set out below:

<u>Focus Groups</u>

5.3 This year, we further refined our approach to the focus groups, with a lead officer, in our case the Head of Housing, presenting to tenants as part of giving more context to the proposals. The presentation and accompanying video set out the key elements contained within the proposed consultation brochure to be sent to all tenants, specifically:

- How we spent tenants' money in the previous year ie what rent pays for;
- Key challenges for the year ahead; and
- The rent options.

5.4 Having the Head of Housing taking questions and receiving feedback was welcomed by tenants. We received a large amount of valuable feedback on individual tenant experiences.

5.5 In order to maintain the independence of the focus groups, staff did not participate in the subsequent focus group discussions.

5.6 In total there were 19 focus groups across the wider Group.

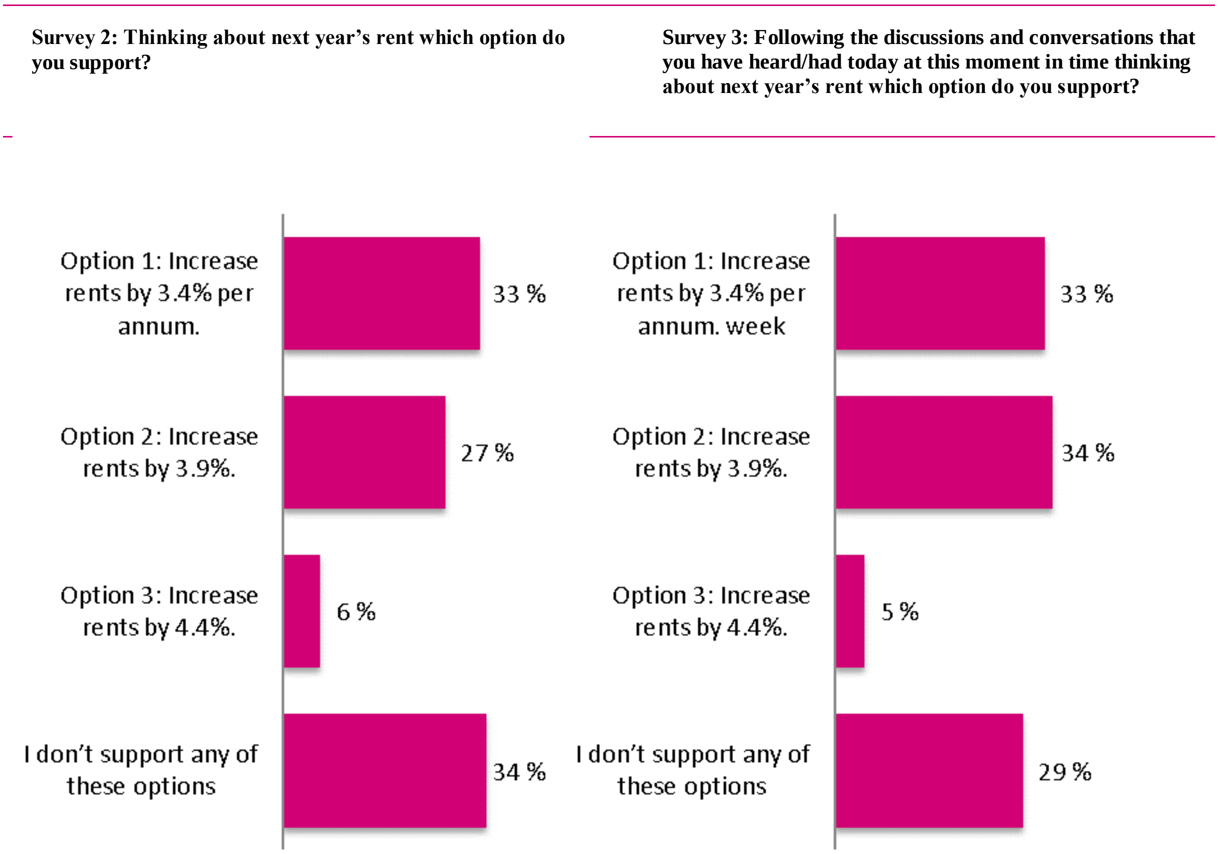
5.7 The focus groups allowed us to engage with tenants in more depth on rent setting proposals, in particular:

- Tenants' perception of what their rent pays for *vs* what it actually pays for;
- Tenants' understanding of the drivers of rent increases;
- Value drivers for tenants in terms of rent levels; and
- General feedback on tenants' views of our landlord services in the context of rent.

5.8 In exploring these issues with tenants, as opposed to asking a binary 'yes or no' question on rent proposals, we were able to gather a) quantitative feedback by testing if the group discussion and increased knowledge of how rents are set impacts tenants' views of rent, and b) qualitative feedback we can use to understand what drives and impacts tenants' views on rent setting, potentially informing our service delivery and future strategic thinking.

5.9 Across all focus groups, support for the options 1-3 was 72%, which rose from 66% following the discussions and supporting information on the reasons for the increase. The breakdown by option is shown below.

Figure 1: Views on the rent increase options



Classified as Internal

5.10 The report provided detail of key drivers of tenant satisfaction. The following were identified by BMG as key satisfaction drivers:

- living in a new(ish) home and particularly a house with a front and backdoor and garden;
- receipt of significant capital investment in recent years (particularly new heating systems, windows, bathrooms, kitchens and foyers);
- receipt of a personalised service;
- tenants (across all RSLs) who have experienced a range of wraparound services are noticeably more satisfied with and appreciative of their RSL, and are keen to impress on other tenants the value of this assistance;
- a proactive housing officer who is effective in supporting and signposting tenants such as help to navigate complex benefit systems they feel nervous or unable to tackle alone;
- tenants who seem to be the most satisfied also live in what they term 'nice' areas, close to facilities and good transport connections, where they know their neighbours and above all, where there are no significant problems with anti-social behavior; and
- In comparison with last year, it would appear that tenants' estimation of the repairs service has improved, with more participants saying that more appointments are now prompt, the staff more polite and likely to complete the job in one visit, and the service generally more joined up.

5.11 In terms of drivers of dissatisfaction, there were very localised responses. A key overall driver was where a tenant considers an issue is not being addressed appropriately or as quickly as they would like. The associated communication in resolving such issues can further exacerbate such issues.

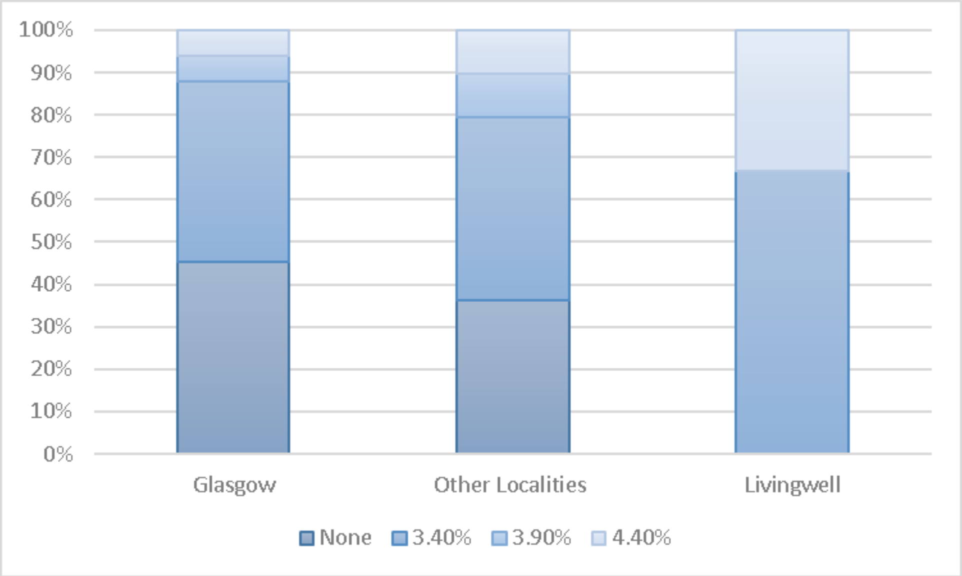
5.12 The key theme overall related to anti-social behaviour. Tenant frustrations in relation to this issue can have a significant effect on satisfaction, and the ongoing work through our Community Improvement Partnership to address this is a key part of the customer value element of our new strategy.

5.13 Of the 19 focus groups across the wider Group. Two of these were arranged specifically for Loretto Housing, and were attended by 14 of our tenants - support for the options 1-3 was 93%.

<u>All-tenant consultation</u>

5.14 We consulted all tenants, as we have a statutory duty to do, using the consultation booklet agreed by the Board and revised to reflect the feedback from the focus groups. The consultation ran from November 2019 to 12 January 2020. Tenants were able to respond email, prepaid return slips, telephone or online.

5.15 In total 97 of our tenants provided feedback (2018: 89), either by completing the feedback form or by phone, email or online. In total 66% of tenants supported one of the increase options. The breakdown of the responses by area is set out below for Glasgow (33), Other Localities (58) and LivingWell (6).



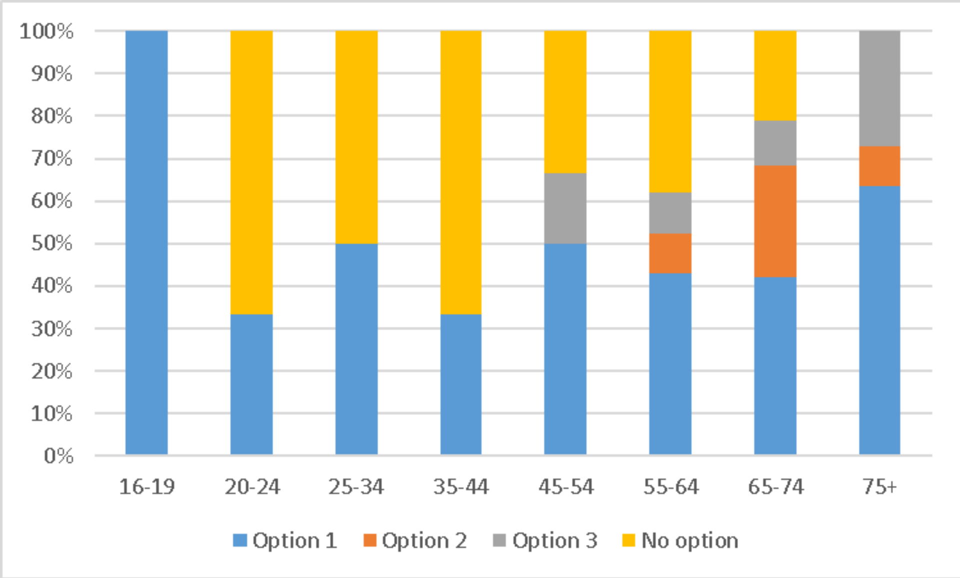
5.16 As can be seen, the majority of tenants in all areas supported one of the increase options. In all cases the largest support within the three option was option 1, which was also greater than for total support for options 2 and 3.

5.17 The open feedback box on the consultation responses drew a wide range of responses. Where option 1 was selected the most common feedback was that this was the most affordable. Where one of the higher options was selected, the additional improvements identified as desirable ranged widely with no single specific theme emerging.

5.18 We undertook further analysis of the responses to identify if there were any variations in responses based on different tenant characteristics. Those who provided ethnicity details were of such a small number that any further analysis would not be proportionate.

<u>Age</u>

5.19 In total, 93 of the respondents provided their age range in the response. The data identified that support levels are generally correlated to age, with the level of support ascending with the age groups. The results are set out below:



5.20 The results indicate that all but two of the age groups, 20-24 and 35-44 year olds, had a majority in favour of one of the increase options. In the 20-24 category this represented 2 individuals, in the 35-44 category this represented 8 individuals not in support of any of the options. Support was highest amongst 45-54, 55-64, 65-75 and 75+ year olds, these segments recieved the highest number of responses.

6. Key issues and conclusions

6.1 The feedback from tenants indicates a strong level of support for a rent increase when this is explained in the context of what it will deliver.

6.2 It is proposed that the Board therefore approve an increase of 3.4%.

6.3 A 3.4% increase represents a £3.19 increase to the average weekly rent. Per week, average rents would increase from £93.79 to £96.98.

7. Value for money implications

7.1 Our value for money framework approved by the Board in 2017 clearly identified the need to improve the ways in which we listen to and communicate with customers in relation to value for money; this has taken place through our consultation process.

7.2 The rent setting consultation relates to the three prominent value drivers for value for money, these are; the repairs service, the quality of homes and customer service.

7.3 Delivering value for money starts with us understanding how we can build value for each of our customers. Having consulted with our customers on rent setting through a more robust and choice based approach it is anticipated that this could positively impact key drivers relating to customer satisfaction indicators in the future.

8. Impact on financial projections

8.1 The financial implications will be set out in a separate business plan update.

9. Legal, regulatory and charitable implications

9.1 Consultation with tenants on any increases in rent or service charges is a requirement of the Housing (Scotland) Act 2001. The approach set out in this paper therefore discharges our requirement to consult under the Act.

9.2 The 2016 Scottish Housing Regulator Thematic Review of Rent Setting detailed a number of recommendations, including provision of options to tenants during rent setting consultations. The approach taken this year responds to these recommendations.

10. Partnership implications

10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

11.1 Following approval of the 2020/21 rent and service charge levels, tenants will subsequently receive notification of the final decision in writing 28 days clear of a change in rent being applied.

11.2 In recognition of the increasing importance for tenants to notify the relevant authority of the change, we are undertaking additional communication to remind and encourage tenants to notify the change of circumstances as soon as possible.

12. Equalities impact

12.1 This will be further considered as part of the analysis of feedback by age and ethnicity.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the extensive consultation process with tenants on our 2020/21 RSL rent and service charge increase; and
2) Approve a 3.4% rent and service charge increase for 2020/21 and that we formally write to tenants to confirm this.

Report

To:-	**Loretto Housing Association Board**
By:-	**Pauline Turnock, Director of Financial Reporting**
Approved by:-	**Steven Henderson, Group Director of Finance**
Subject:-	**Financial Projections 2020/21**
Date of Meeting:-	**10 February 2020**

1. Purpose

1.1 The purpose of this report is:

- to set out the updated projections for investment in assets and services over the period to 2025, in support of our strategic ambitions; and
- to ask for the Board's approval of these updated financial projections, of which the first year will form the budget for 2020/21.

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, sets out that, whilst the Group Board is responsible for the overall approval of the plan and parameters, the Loretto Board has autonomy to agree its individual business plan within said parameters.

2.2 Loretto Housing, as the parent, also needs to formally approve the Loretto Care financial projections and budget.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in Loretto Housing 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".

4. Background

4.1 The financial projections presented reflect our new 2020-25 strategy, *Inspiring Ambition, Unleashing Potential,* and addresses how the 5 key themes of the strategy will be achieved.

4.2 We continue to make significant investment in our services and assets. For example:

- In the current financial year we are forecast to invest £1.9m in our existing housing stock.
- A total of 56 new social rent properties have been completed in 2019/20. Across the period of the '*Investing in our Futures'* strategy from 2015-20, Loretto will have delivered 321 new build properties.
- Management and overhead costs remain lower than when Loretto first joined the Group, reducing from £3,173 per unit in 2015 to £2,708 forecast for 2020/21. These efficiencies create capacity within Loretto to fund the debt required to meet our new build ambitions and invest in services for our customers.

5. Discussion

5.1 The new strategy for 2020-2025, *Inspiring Ambition, Unleashing Potential*, forms the basis of these financial projections. The financial highlights under each theme of our new strategy are set out below.

Delivering Exceptional Customer Experience

5.2 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. These projections include funding to support:

- A continuation of our 1:200 housing officer patch sizes and environmental teams, including:

    - Total funding of £2.1m over the next five years for environmental services and improvements will assist Loretto achieving accreditation through our partnership 'Keep Scotland Beautiful'.
    - A programme of works to improve common areas within our properties, informed by our work in conjunction with 'Keep Scotland Beautiful'.
    - Supporting the Community Improvement Partnership; £39k per annum will support police teams to enhance our focus on anti-social behaviour, and fire specialists to ensure our customers are safe in their homes.

- Our new *MyRepairs* service, with a specialist hub in our call centre delivering the right diagnosis first time, offering next day appointments and text alerts to customers, improving the flexibility of our offering and enhancing business efficiencies through improved access rates. The new "rate it" score function will aim to improve repair performance for Loretto Housing customers by 10%.

Making the most of our homes and assets

5.3 The projections include £30.5m of gross funding for the new build programme over the five years, delivering 176 new social housing units during this period. Grant income of £15.8m is also assumed in the projections which will contribute towards the funding costs of the properties noted above.

5.4 In our existing homes, total investment of £8.4m has been included. This work will largely be completed by our joint venture partner, City Building (Glasgow) LLP.

5.5 During the first five years of the plan £7.2m has been earmarked for repairs, assisting the upkeep and maintenance of our stock.

5.6 The financial projections include £45k of funding in years 1-5 for customer identified investment priorities. Our vision is that customers will have a greater say in what investment creates most value for them. This will promote community engagement and will mean investment work streams will be better directed towards what customers want.

Changing lives and communities

5.7 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. This will be achieved through:

- Funding of £345k to the Wheatley Foundation (“The Foundation”) over the first 5 years of the financial projections. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice and training schemes for unemployed tenants, modern apprenticeships, our furniture up-cycling Homes Comforts scheme as well as our Eat Well service which delivers food parcels for 6 weeks to tenants most in need.
- The group-wide Tenancy Support Service (“TSS”) is managed by our colleagues at Loretto Care. Loretto’s financial projections include funding of £187k over the five years and in return we receive flexible, tailored support for our vulnerable tenants.
- The Helping Hand Fund continues in 2020/21; this funding continues to be relevant with the introduction of universal credit impacting our tenants. The £33k provision next year can provide a “helping hand” towards utility bills, the purchase of food or can be used to help clear rent arrears.

Developing our shared capacity

5.8 Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development and our leadership and graduate programmes. Our new strategy also refers to measures to support our tenants through the following:

- Funding for modern apprenticeships through the Wheatley Foundation. These apprenticeships are offered to young people in the communities in which we operate.
- The Foundation also offer bursaries to tenants and customers of the Wheatley Group. This provides financial support to our customers who want to go into further education but would struggle to afford it on their own.

Enabling our ambitions

5.9 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest. The financial statements presented below demonstrate our improving financial performance and position over the next five years.

5.10 The detailed financial projections and assumptions are provided in the appendices to this report. Figure 1 shows the forecast deficit/surplus over the five year period to 2024/25

Figure 1: Statement of comprehensive income

Statement of comprehensive income	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	7,165	7,504	8,383	8,847	9,192
Other Income	355	7,427	4,710	2,774	396
Total Income	**7,520**	**14,931**	**13,093**	**11,621**	**9,589**
Operating Expenditure	(7,827)	(8,065)	(8,416)	(8,711)	(8,881)
Gain on Investment Properties	23	24	24	25	25
Operating Surplus	**(283)**	**6,890**	**4,702**	**2,936**	**734**
Operating Margin (%)	**(4%)**	**46%**	**36%**	**25%**	**8%**
Finance Costs	(1,978)	(2,072)	(2,562)	(2,685)	(2,684)
Housing Property Valuation Movement	2,530	(8,668)	642	891	4,263
Total Comprehensive Income	**269**	**(3,851)**	**2,781**	**1,142**	**2,313**

5.11 Over the five year period presented, Loretto's statutory surplus fluctuates due to property valuation movements and grant recognition on completed units.

5.12 Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections incorporate the proposed 3.4% increase in rent and service charge levels and are aligned to our Strategy; the key elements of which are set out below:

- The financial projections assume a reduction to our operating cost base, with efficiency savings of 20% in the cost per unit over the five year period; ensuring we continue to deliver value for money for our customers.
- The joint venture with City Building will continue to result in a share of its profit each year, better working practices and closer collaboration. This will help support the delivery of our capital programme.
- The financial plans support our strategic commitment to strengthen our asset base through development, with funding in place for 176 new properties to be built over the five year period to 2024/25.

5.13 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. Our Statement of Financial Position, set out below, shows a strong net asset position which improves over the first 5 years of the projections. The delivery of 176 new social housing properties will help to strengthen Loretto's net asset base. Figure 2 shows the projected change in the balance sheet over the five year period to 2024/25.

Figure 2: Statement of Financial Position

Statement of Financial Position	2020/21	2021/22	2022/23	2023/24	2024/25
Housing & Investment Properties	69,451	70,475	72,741	72,251	77,109
Other Fixed Assets	1,060	902	747	587	514
Total Fixed Assets	70,511	71,377	73,488	72,838	77,622
Current Assets	1,285	1,324	1,365	1,343	1,319
Current Liabilities	(11,255)	(7,748)	(4,562)	(2,890)	(4,400)
Net Current Liabilities	(9,969)	(6,424)	(3,197)	(1,547)	(3,081)
Long-Term Liabilities	(42,354)	(50,616)	(53,173)	(53,031)	(53,969)
Net Assets	**18,187**	**14,337**	**17,118**	**18,259**	**20,572**
Retained Earnings	18,187	14,337	17,118	18,259	20,572
Total Reserves	**18,187**	**14,337**	**17,118**	**18,259**	**20,572**

5.14 The value of housing assets increases by £19.4m over the five years. The new build programme is funded by debt (and grant subsidy) which increases £14.2m over the same period. This additional debt and asset value results in a growth in net assets of £2.4m over the period.

5.15 Figure 3 shows the cash position over five years – the net movement in cash reflects Loretto's borrowing requirements from WFL1 in line with new build expenditure. Our borrowing levels are, however, sustainable and fully funded within our financial projections.

Figure 3: Cash flows generated

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Cash Flow	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	8,607	8,970	9,872	10,425	10,799
Operating Expenditure	(5,250)	(5,350)	(5,102)	(5,186)	(5,323)
Net Cash from Operating Activities	**3,357**	**3,620**	**4,769**	**5,239**	**5,476**
Core & Other Capital Expenditure	(1,906)	(1,709)	(2,362)	(1,691)	(1,704)
New Build Expenditure	(10,810)	(11,351)	(3,468)	(1,389)	(3,489)
Grant Income	8,817	3,558	1,149	717	1,510
Net Cash used in Investing Activities	**(3,899)**	**(9,503)**	**(4,682)**	**(2,363)**	**(3,683)**
Finance Costs	(2,000)	(2,377)	(2,643)	(2,733)	(2,729)
Net Movement in Cash	**(2,542)**	**(8,260)**	**(2,555)**	**144**	**(936)**

5.16 As there is a time lag between expenditure and the generation of additional rental income, our finance costs increase before we realise the benefit of additional rents from new build properties. Upon completion of the new build programme debt repayments will commence, reducing the associated finance costs, thereby improving the cash position.

5.17 Cash flows need to be sufficient to service intra-group debt each year, i.e. meet the finance costs, and to repay funding within 30 years. EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major repairs investment spend taken into account) over net interest payable is the ratio used by the group to assess this and ideally should be >1. The chart in figure 4 shows that the ratio is < 1 in the first three years as Loretto's debt level increases to fund the new build programme and capital investment. As the additional income is generated from new build properties and rent increases the ratio improves, being >1 from 2023/24 onwards.

Figure 4: EBITDA MRI interest cover ratio

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
EBITDA (MRI)	1,416	1,877	2,371	3,448	3,667
Interest Expense	1,978	2,072	2,562	2,685	2,684
Interest Cover	**0.72**	**0.91**	**0.93**	**1.28**	**1.37**

5.18 We must ensure that Loretto and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. As demonstrated in the table above and within the appendix, Loretto is able to meet these parameters, albeit in the development years the position is weaker. This ensures WFL1, as Group treasury vehicle, is able to meet its external funding conditions.

6. Key issues and conclusions

6.1 These financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 19 February. The figures in the first year of the projections, 2020/21, will then form the basis of the annual budget which will be presented to the Board for approval in March. Performance against the budget will then be monitored via the management accounts provided to the Board throughout the year.

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. These will be reflected in the annual budget and performance monitored against budget each month.

8. Loretto Care

[paragraphs 8.1-8.11 redacted]

9. Legal, regulatory and charitable implications

9.1 There are no specific legal implications arising from the revised financial projections. Implementation of specific actions identified in these projections may have legal implications and specific legal input will be sought as part of any business case approval process for these actions.

10. Equalities impact

10.1 Not applicable.

11. Recommendations

11.1 The Board is requested to:

1) Approve the updated projections for investment in assets and services over the five year period to 2025;
2) Agree that the projected 2020/21 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March; and
3) Approve the Loretto Care Financial Projections for 2020/21.

List of Appendices

Appendix 1 – Loretto Housing Association 2020/21 Detailed Financial Projections
Appendix 2 – Loretto Care 2020/21 Detailed Financial Projections [redacted]

Loretto Housing

Business Plan: Financial Projections – 2020/21

1. Headlines

Loretto have completed 56 social rent new build properties during 2019/20, and are projected to invest over £1.9m in existing homes.

The 2020/21 updated financial projections include:

- Provision to build 176 new social rented homes over the next five years
- A further £8.4m of investment in existing housing stock
- Contribution of £370k to the Group’s IT investment, helping to make our operating practices more efficient
- £0.3m in donations to the Wheatley Foundation

Throughout the five year period presented Loretto’s development programme is on-going which means the statutory surplus, net assets and interest cover reported are all low (although increasing over the period) and there is a net cash outflow each year (before debt finance).

Loretto’s peak net debt is in 2026/27 (year 7) and finance costs on the debt borrowed from Wheatley Funding No 1 Limited (“WFL1”) steadily increase over the five years. This is in advance of the significant benefit from increased rental and lease income and lowers the statutory surpluses reported.

It is important to note that rent increases in line with those assumed in our strategy, and continued control of costs are an important aspect of managing the financial position.

2. Key assumptions

The key financial assumptions in the 2020/21 Business Plan are highlighted below. All figures include VAT, where applicable but not inflation (unless stated otherwise).

2.1 Stock

a) Stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2019, updated for developments completed during 2019/20 (56 units- see table 2 for a breakdown). The financial projections assume that as at 31 March 2020 Loretto HA will own or manage 1,514 properties as shown in Table 1 below. The opening stock number includes 50 units which are managed by Loretto HA on behalf of other providers.

Table 1 – Split of stock by type

Unit Type	Units
General Needs and Supported	1,493
Shared Ownership	4
Total (Social)	1,497
Mid-Market Rent	17
Total	1,514

b) Stock Profile

Loretto's Strategic Plan for 2015-2020 aimed to grow its housing stock by 459 properties (384 Social and 75 MMR). At 31 March 2020 a total of 321 units (304 Social and 17 MMR) will have been achieved. The 17 MMR units at Barclay Street are managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain for responsibility of Loretto and these costs are contained within the business plan assumptions moving forward. The projections contain no provision for further MMR units. Table 2 outlines the developments and the year of completion.

Table 2 – Units completed

Year	Developments	Units
2015/16	Glenburn Rd, Mosspark Boulevard	47
2016/17	Eriboll St	55
2017/18	Barclay St Phases 1 and 2	77
2018/19	Shawbridge, Wallacewell Quadrant,	86
2019/20	Muiryhall St, Buckley St	56
At 31.3.20		**321**

c) Stock profile – new build completions

The 2020/21 projections assume a further 176 social rent units can be delivered over the period of the new five year strategy; '*Inspiring Ambition, Unleashing Potential*'.

The Loretto new build pipeline considers where new opportunities may emerge, driven by local authority housing strategy and the Strategic Housing Investment Programme that flows from it.

Whilst the plan continues to focus on Glasgow and surrounding areas, over half of the new build allocation (93 units) is planned to be in Renfrewshire, increasing housing supply, and our presence in this area.

Table 3 below shows the planned profile of social housing stock (excluding shared ownership units) over the period of the projections. Note that the projections contain no provision for further MMR units.

Table 3 – Housing Stock Numbers (ex SO & managed)

	2020/21	2021/22	2022/23	2023/24	2024/25
Opening Stock	**1,460**	**1,460**	**1,550**	**1,606**	**1,636**
New Build	0	90	56	30	0
Closing Stock	**1,460**	**1,550**	**1,606**	**1,636**	**1,636**

2.2 Income

a) Rent and Service Charge Income

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 3.4% rent increase in April 2020. In addition to rental income Loretto also receives income from service charges. Based on current charges the income received is forecast to be £979k per annum (net of amounts transferred to Loretto Care), with supported accommodation service charges being significantly higher than general needs. Table 4 shows the rent and service charge growth assumptions over the next five years.

Table 4 – Rent and service charge increase assumptions

Rent Increase	2020/21	2021/22	2022/23	2023/24	2024/25
Increase %	3.4	3.5	3.5	3.5	3.5

b) Other Income

In addition to rental and service charge income Loretto generates significant income from a number of other sources.

Income Type	Service Description
MMR Lease Income	Lease income from Lowther Homes for the development at Barclay Street is £74k per annum.
Loretto Care Management Fee	£209k management fee income for the provision of corporate services to Loretto Care. The fee is assumed to increase annually in line with inflation.

2.3 Cost Inflation Assumptions

Inflation during 2019/20 continued on a downwards trend, and in December 2019 RPI was reported at 2.2%, with CPI at 1.3%, a reflection of weakening demand from households in their discretionary spending, a result of a number of uncertainties across the wider UK economy. However, markets are expecting inflation to rise in 2020/21 and we have held our expectation for cost inflation to move upwards to 3% retaining an element of prudence in our forecasts.

Table 5 – Inflation assumptions

General Inflation Assumptions	2020/21	2021/22	2022/23	2023/24	2024/25
General cost inflation	0%	3.00%	3.00%	3.00%	3.00%
Wage inflation	0%	2.2%	2.2%	2.2%	2.2%

2.4 Operating performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward. The high rate of voids for our supported housing properties reflects the specialist nature of this stock and the need to work in partnership with local authorities to fill void properties, rather than referring to an established waiting list.

Table 6 shows the assumptions in the plan for the next five years.

Table 6 – Void, bad debt and arrears assumptions

Performance Assumptions	2020/21	2021/22	2022/23	2023/24	2024/25
Routine voids (%) – General Needs	1.3	1.3	1.3	1.3	1.3
Routine voids (%) – Supported	7	7	7	7	7
Bad debts (%) – General Needs	3.0	3.0	3.0	3.0	3.0
Bad debts (%) – Supported	2.0	2.0	2.0	2.0	2.0
Arrears (£'000)	245	283	324	303	278

The plan assumes voids remain at a constant % of rental income. Current year to date performance overall is 1.45%, versus the overall % of 3.16% in the business plan, therefore our assumptions are prudent compared to historical rates.

Business plan assumptions on the movement in arrears as a result of Universal Credit have been updated to reflect our experience and expectations going forward including:

- Increase in the number of tenants moving to universal credit (a total of 610 tenants – all tenants of working age)
- 80% of tenants who move to universal credit will have an increase in arrears, with this increase equivalent to 5 weeks rent; and
- Of this increased arrears balance it is assumed only 40% will be recovered which will take up to two years.

2.5 Management costs

Loretto's employee cost assumptions reflect Loretto's direct staff structure. Additionally, Loretto pays an appropriate share of the salaries of investment, NET's and Wheatley 360 staff. Improved working practices will ensure the growing asset base can be managed within the existing staff complement, as reflected in the static staff cost in the table below.

Running costs, which include day to day expenditure but exclude Initiatives, are assumed to increase by 5.0% over five years. This additional cost is due to the 176 new social rent units delivered through the development programme.

The plan assumes recharges from Group, which includes employee and running costs for central services such as Human Resources, IT, Finance, Regeneration and the Transactional Hub, to reduce by 3.6% over the next five years. This reflects further efficiency savings resulting from investment in back office services. Table 7 sets out the overall management costs are assumed in the plan.

Table 7 – management cost assumptions (excluding inflation)

Management Costs	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Employee costs	876	875	875	860	860
Pension deficit contribution	463	477	0	0	0
Running costs	592	592	634	618	622
Recharges from Group	441	428	425	425	425
Total	**2,371**	**2,372**	**1,934**	**1,903**	**1,907**

The savings noted above are required in order to be able to re-invest in our business and grow our asset base.

2.6 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for various initiatives which are available to tenants.

The largest of those is our contribution to the Wheatley Foundation of £77k per annum over the next 3 years, before decreasing to £54k from year 4 onwards. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits.

Other initiatives include the tenancy support service (“TSS”), to help our tenants who are struggling to sustain their tenancy due to underlying mental health or other personal challenges. Our net contribution to TSS is £36k a year.

The Helping Hands Fund continues in 2020/21, providing support to those customers experiencing severe hardship; the contribution to this is £33k next year.

These provisions are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Loretto over the long term.

Loretto’s share of the contribution to these initiatives over the next five years is summarised in the below table.

Table 8 – Initiatives

Other Group Recharges	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Share of Group Initiatives	146	122	120	92	90

b) Other Provisions

In order to continue to deliver service development and improvement, the projections include a provision of £370k over the next five years. This represents Loretto's share of the Group capital IT investment programme, and includes, increasing the number of online services offered and direct video calling for customers to our transactional hub.

2.7 Asset management and growth

a) Repair Costs

The financial projections assume efficiency savings in repairs and maintenance expenditure through improved working practices and closer collaboration with City Building. This is assumed to result in a 4.4% decrease to the average repairs and maintenance cost per unit over the period of the five year projections. Table 9 summarises the revenue repairs and maintenance assumptions.

Table 9 – Planned and Routine Maintenance costs (excluding inflation)

Repairs	2020/21	2021/22	2022/23	2023/24	2024/25
Routine Repairs £000	827	834	905	923	932
Planned Maintenance £000	561	559	558	556	555
Total	**1,388**	**1,393**	**1,463**	**1,480**	**1,487**
Average Cost per Unit £	£951	£926	£927	£913	£909

b) Capital Investment

Loretto's existing stock fully meets the Scottish Housing Quality Standard ("SHQS") and has benefitted from a programme of fire safety works in the last two years. The current Strategic Plan, '*Investing in our Futures*' included investment of £8m in existing properties over the five years 2015-20. By the end of the financial year 2019/20 it is projected that £9m will have been invested in existing stock. Over the period of the new five year strategy *'Inspiring Ambition, Unleashing Potential'* this investment will continue with a further £8.4m planned investment in existing stock.

This is possible due to increased operational efficiencies in management costs and repairs and maintenance expenditure, and access to borrowing via the Group.

Table 10 summarises the capital investment programme for the next five years. Within the core programme (excluding capitalised repairs, and compliance works) 6% (£230k) has been allocated to local priorities with spending decisions made in consultation with and led by our customers.

Table 10 – Capital investment programme (excluding inflation)

Capital Investment	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Core Programme (including capitalised repairs)	1,210	1,087	1,656	979	946	5,877
Void Repairs	207	195	195	195	195	985
Other	239	237	235	233	231	1,175
Medical Adaptations	72	72	72	72	72	361
Total	**1,727**	**1,590**	**2,157**	**1,478**	**1,445**	**8,397**

c) New Build Programme
The new build programme is set out in Section 1.1 with 176 new social housing units due to be delivered over the next five years. One of the key themes in the 2020-2025 strategy is ’changing lives and communities’, and as part of this developing over 3,000 new homes. The projections include Loretto’s share of this new build provision. Table 11 outlines the investment in new build homes over the next five years.

Table 11 – New build funding profile (including inflation)

New Build Programme	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Development Costs	10,810	11,351	3,468	1,389	3,489	30,507
Grant Income (cash received)	8,817	3,558	1,149	717	1,510	15,751
Net Cost	**1,993**	**7,793**	**2,319**	**672**	**1,979**	**14,756**
Completions	0	90	56	30	0	176

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs and repairs and maintenance, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period and are set out in Table 12 below.

Table 12 – Projected operating cost per unit (excluding inflation)

Operating Costs	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Operating Costs	3,905	3,888	3,516	3,474	3,484
Average No. of Units in year	1,460	1,505	1,578	1,621	1,636
Operating Cost per Unit (£)	£2,675	£2,583	£2,228	£2,143	£2,130

This represents a 20% saving to the operating cost base over the five year period. Efficiency savings will also arise due to continuing investment in service transformation, including the introduction of self-service and automated services.

2.9 Interest Rate assumptions

The new build programme planned requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited (“WFL1”) at an assumed blended all in average funding rate of 5.25%. The blended funding rate reflects a combination of bank and bond funding, any fixed rate arrangements in place and any monitoring or commitment fees payable by WFL1 to external funders and is consistent across all Group subsidiaries.

Table 13 – Interest rate assumptions

Interest	2020/21	2021/22	2022/23	2023/24	2024/25
Interest Payable (Group Funding)	5.25%	5.35%	5.35%	5.35%	5.35%
Interest Receivable	0.50%	0.75%	1.00%	1.50%	1.50%

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income

Table 14 – Statement of Comprehensive Income

Statement of Comprehensive Income	2020/21	2021/22	2022/23	2023/24	2024/25
Net Rental Income	7,165	7,504	8,383	8,847	9,192
Other Income (including MMR lease income)	283	291	299	307	315
Grant Income	72	7,137	4,411	2,467	81
Total Income	**7,520**	**14,931**	**13,093**	**11,621**	**9,589**
Management Costs	(2,517)	(2,544)	(2,156)	(2,148)	(2,205)
Repair and Maintenance Costs	(1,388)	(1,435)	(1,552)	(1,617)	(1,674)

Bad Debt	(221)	(229)	(240)	(250)	(258)
Depreciation	(3,701)	(3,857)	(4,468)	(4,696)	(4,744)
Operating Expenditure	**(7,827)**	**(8,065)**	**(8,416)**	**(8,711)**	**(8,881)**
Investment Property Valuation Movement	23	24	24	25	25
Operating Surplus	**(283)**	**6,890**	**4,702**	**2,936**	**734**
Operating Margin (%)	**(4%)**	**46%**	**36%**	**25%**	**8%**
Finance Costs	(1,978)	(2,072)	(2,562)	(2,685)	(2,684)
Housing Property Valuation Movement	2,530	(8,668)	642	891	4,263
Statutory Surplus/(Deficit)	**269**	**(3,851)**	**2,781**	**1,142**	**2,313**

Rental income

Investment in the new build program and assumed rental increases will generate 28.2% growth in rental income over the next 5 years.

Grant income

In line with SORP 2014, the projected Statement of Comprehensive Income shows recognition of grant income upon completion of the properties. The result of this is operating margin increasing or decreasing in line with the level of grant income. Depreciation will increase in line with an increased asset base.

Investment Property Valuation Movement

Mid-market properties are held on the Statement of Financial Position as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income.

Expenditure

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 20% reduction in operating cost per unit.

Finance Costs

Interest payable on our borrowings increases over the five years as debt increases, to fund the new build programme.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Income & Expenditure account, below the operating surplus line.

Statutory Surplus/ (Deficit)

The completion of new units has a significant impact on the reported statutory surplus/(deficit). Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing properties in the year of completion. Under SORP 2014 new build grants are not taken into account when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the EUV-SH valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are worst case scenario.

b) Statement of Financial Position

Table 15 – Statement of Financial Position

Statement of Financial Position	2020/21	2021/22	2022/23	2023/24	2024/25
Housing & Investment Properties	69,451	70,475	72,741	72,251	77,109
Other Fixed Assets	1,060	902	747	587	514
Total Fixed Assets	70,511	71,377	73,488	72,838	77,622
Current Assets	1,285	1,324	1,365	1,343	1,319
Current Liabilities	(11,255)	(7,748)	(4,562)	(2,890)	(4,400)
Net Current Liabilities	(9,969)	(6,424)	(3,197)	(1,547)	(3,081)
Long-Term Liabilities	(42,354)	(50,616)	(53,173)	(53,031)	(53,969)
Net Assets	**18,187**	**14,337**	**17,118**	**18,259**	**20,572**
Retained Earnings	18,187	14,336	17,118	18,259	20,572
Total Reserves	**18,187**	**14,336**	**17,118**	**18,259**	**20,572**

Housing Assets
The plan assumes Housing Property assets to increase £19.4m over five years due to the construction of 176 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
This includes Lipton House. The decrease in asset value is due to annual depreciation costs. No significant additions are planned to other fixed assets.

Current Assets

Current assets include cash, rent arrears, net of bad debt provision; and other debtors, such as office rent and insurance prepayments. The table shows current assets remaining fairly static across the five years, due to matching debt drawdowns with cash requirements.

Current Liabilities

Current liabilities are high throughout the five year period due to the deferral of new build grant income received until the relevant scheme is complete. Deferred grant income is a liability.

Long-Term Liabilities

Long-term liabilities relate to the loan due from Loretto HA to Wheatley Funding Limited 1 (“WFL1”), pension liability and long term other deferred income. The net balance due to WFL1 increases from £37.4m at March 2020 to £51.6m at March 2025, funding new build development. Peak net debt is in year 7 (2026/27) and is £53.9m.

Retained Earnings

The increase to reserves reflect the performance over the five year period, as well as property valuation movements. These are projected to increase £2.6m by 2024/25.

c) Statement of Cash Flow

Table 16- Statement of Cash Flow

Cash Flow	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Net Rental Income	8,607	8,970	9,872	10,425	10,799
Operating Expenditure	(5,250)	(5,350)	(5,102)	(5,186)	(5,323)
Net Cash from Operating Activities	**3,357**	**3,620**	**4,769**	**5,239**	**5,476**
Core & Other Capital Expenditure	(1,906)	(1,709)	(2,362)	(1,691)	(1,704)
New Build Expenditure	(10,810)	(11,351)	(3,468)	(1,389)	(3,489)
Grant Income	8,817	3,558	1,149	717	1,510
Net Cash used in Investing Activities	**(3,899)**	**(9,503)**	**(4,682)**	**(2,363)**	**(3,683)**
Finance Costs	(2,000)	(2,377)	(2,643)	(2,733)	(2,729)
Net Movement in Cash	**(2,542)**	**(8,260)**	**(2,555)**	**144**	**(936)**

Net Cash from Operating Activities
The plan assumes cash from operating activities to increase by 63% in five years. Rent increases and the completion and handover of 176 new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 20% over the same period.

Net Cash used in Investing Activities
This reflects the on-going core programme and other investment works, and the new build programme.

Finance Costs

This reflects the interest due on our loan with Wheatley Funding No 1 Limited. As expenditure is incurred to pay for our new build programme, Loretto will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2026/27, while core programme expenditure continues. Peak net debt is reached in 2026/27, which is year 7 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, the plan assumes positive movements in cash thereafter. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

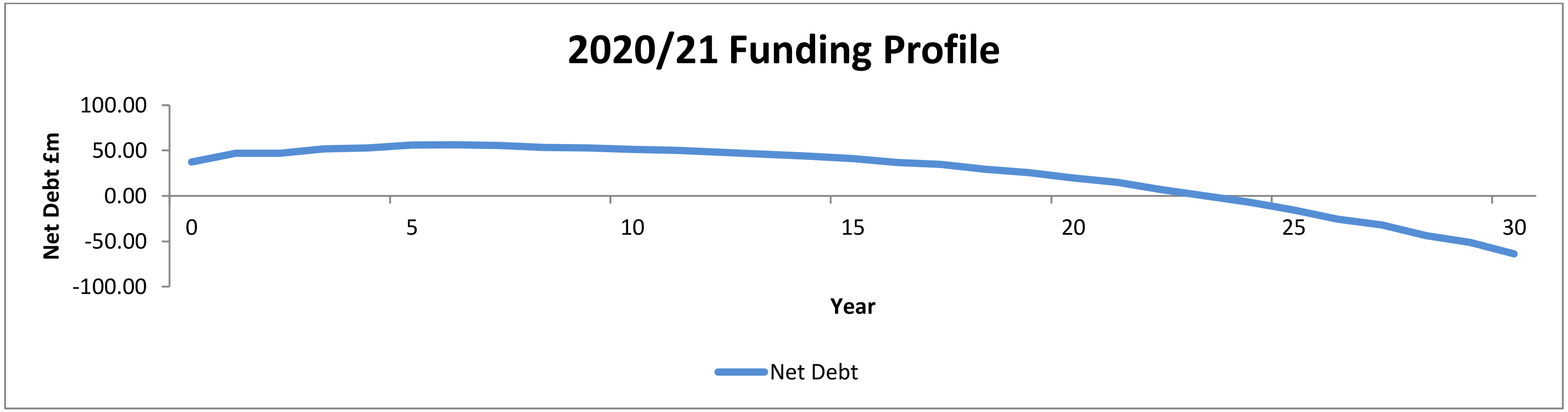
Net Movement in Cash

In the first five years of the plan we anticipate a £14.1m net decrease in cash. This is due to significant investment in our existing properties, and the new build programme, in line with our strategic objectives.

4. Funding and debt profile

4.1 Loretto can borrow from WFL1 providing it can support the debt levels with its asset base and cash flows. Loretto, together with all the other RSLs in the RSL Borrowing Group, needs to ensure that all external funding conditions at WFL1 level are met at all times, including compliance with financial covenants. Whilst there are no specific financial covenants at each RSL level it is the delivery of the approved business plan financials by each RSL that is key to meeting funding conditions at WFL1.

The resulting debt profile for Loretto is as follows:



Debt indicator	Value
Peak debt	£53.9m
Peak debt year	7
Debt repayment year	24
Cash at Year 30	£59.6m

5. Key financial parameters

5.1 Whilst covenants attached to WFL1 funding are assessed at Group level, rather than individual RSL level, there are important financial parameters which need to be met to ensure that Loretto remains financially sustainable in the long term and that its contribution to the RSL Borrowing Group, along with all the other RSLs in the group, allows WFL1 to meet its external funding conditions.

Therefore, the following criteria need to be taken into account when assessing the impact of any risks or business decisions on projections:

5.2 Operating margin generation

In the long term, underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that Loretto will generate the following operating margins over the next 5 years:

£'000	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Income (excluding grant income and property valuation movement)	7,448	7,794	8,682	9,154	9,508
Adjusted Operating Surplus	(378)	(271)	266	443	627
Adjusted Operating Margin (%)	**(5.08%)**	**(3.47%)**	**3.07%**	**4.84%**	**6.59%**

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 3.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The margin increases over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength

Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years. A measure often used in the housing sector is Earnings before Interest, Tax, Depreciation and Amortisation, Major Repairs Included ("EBITDA MRI"). This measure removes items that are non-cash and/or unrelated to underlying operations, such as grant income and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock. A ratio > 1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

£'000	2020/21	2021/22	2022/23	2023/24	2024/25
EBITDA (MRI)	1,416	1,877	2,371	3,448	3,667
Interest Expense	1,978	2,072	2,562	2,685	2,684
Interest Cover	**0.72**	**0.91**	**0.93**	**1.28**	**1.37**

The ratio is < 1 over the first three years; this is due to interest costs increasing as more debt is drawn to fund the new build programme and investment. As new build units are completed and handed over more rental income is generated which along with efficiency savings more than offsets the higher interest costs, resulting in the ratio being >1 from year 4.

Increases in rental income (as noted in paragraph 2.2) and continuing management of the cost base during this period are of extreme importance.

The long term financial projections show that debt can be repaid in year 24 of the plan with £59.6m of cash generated in year 30.

5.4 Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. The Loretto investment and development programme is supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, e.g. in relation to rent growth, will have an impact on asset values.

6. Risk analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors. As well as general risks relating to inflation and the cost base. The response and mitigation actions will be considered on a Group-wide basis by the Group Board and Audit Committee.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.72**	**0.91**	**0.93**	**1.28**	**1.37**	**£53.9m**	**24**	**£59.6m**	
1	Cost inflation decreases to 2.5% from year 3	0.72	0.91	0.93	1.29	1.37	£53.6m	23	£76.3m	As expected this has a positive impact on the Business Plan, more so in later years as the compound effect of lower than assumed inflation results in improved performance and cash flows. The year of debt repayment moves forward to year 23 and cash at year 30 increases by £16.7m

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.72**	**0.91**	**0.93**	**1.28**	**1.37**	**£53.9m**	**24**	**£59.6m**	
2	Rent increase reduced to 3% for duration of plan	0.72	0.89	0.90	1.24	1.31	£54.7m	26	£26.5m	EBITDA MRI cover deteriorates slightly, though still exceeds 1 by year 4. The compound effect of these lower rent increases delays debt repayment period by 2 years and decreases cash at year 30 by £33.1m. In mitigation operational costs, investment and new build would be reviewed in order to reduce the overall cost and cash requirement to within a manageable level.
3	Bad debt increases by 1%	0.68	0.86	0.89	1.24	1.32	£54.8m	25	£51.8m	The increase to bad debt causes debt repayment to be delayed by one year, with peak debt increasing £0.9m, and year 30 cash decreasing £7.8m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.
4	Employee costs increase by 2% higher per year (4.2%) in year 2.	0.72	0.89	0.92	1.27	1.35	£54.1m	24	£57.6m	Interest cover is only marginally affected, and remains on trend, being >1 by year 4. Peak debt increases by £0.2m and closing cash is reduced by £2.0m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased employee costs.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.72**	**0.91**	**0.93**	**1.28**	**1.37**	**£53.9m**	**24**	**£59.6m**	
5	Repairs & maintenance costs increase by £250k a year for duration of plan	0.58	0.77	0.81	1.16	1.23	£56.3m	26	£37.7m	Whilst there is a reduction to EBITDA MRI, the main impact is on peak debt (increasing £2.5m) and closing cash (decreasing £22m), with debt repayment being delayed by two years. In mitigation cost efficiencies would be sought elsewhere in the event of increasing management costs.
6	The introduction of a new housing standard requires additional capital investment of £1m over the course of years 1 and 2	0.45	0.62	0.89	1.24	1.32	£55.4m	24	£55.8m	The additional investment has a significant impact on interest cover in years 1 and 2 due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding; however, this is still on trend being >1 by year 4. Peak debt increases £1.5m, though we are still on track to repay by year 24. Closing cash reduces by £3.8m. In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.
7	New Build schemes are all delayed by 3 months	0.71	0.94	0.95	1.30	1.36	£54.1m	24	£59m	This has the effect of delaying the net operating surplus generated by new build units; costs of finance increase due to debt being held for longer than anticipated and the organisation is also potentially exposed to inflated costs brought about by the delay. Overall peak debt increases by £0.2m and cash at year 30 decreases by £0.6m. Whilst Loretto can absorb these impacts, the development team would

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.72**	**0.91**	**0.93**	**1.28**	**1.37**	**£53.9m**	**24**	**£59.6m**	
										endeavour to reduce the impact of this through contract negotiation and planning forward for known issues.
8	A major house builder goes into administration affecting almost a third of Loretto's new build programme. This causes a 6 month delay to completions and increases costs by 20%	0.72	0.90	0.98	1.22	1.29	£56.3m	25	£53.3m	Interest cover increases in year 3 due to the delay to the scheme, meaning less debt has been drawn. This subsequently decreases in years 4 and 5 due to the additional debt requirement to complete the scheme, increasing interest costs. The delayed handover of completed units also means rent is not being generated until later. Peak debt increases by £2.4m, and closing cash decreases by £6.3m. In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration. We would seek to absorb any impact from this within the investment programme funding allocation, and by reducing non-essential work within the capital investment programme.

Loretto Housing

Report

To: - **Loretto Housing Association Board**

By: - **Stephen Devine, Director of Business Growth**

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

Subject: - **Creating one care company in Wheatley Group: Progress update**

Date of Meeting: - **10 February 2020**

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1. Purpose

1.1 This paper updates the Board on progress with creating a single care vehicle in Wheatley Group and confirms that changes relating to its Loretto Care subsidiary as part of this will proceed.

2. Authorising context

2.1 Loretto Housing, as parent and the sole member of Loretto Care, has a key role in approving the changes to Loretto Care as part of creating a single care company.

3. Risk appetite and assessment

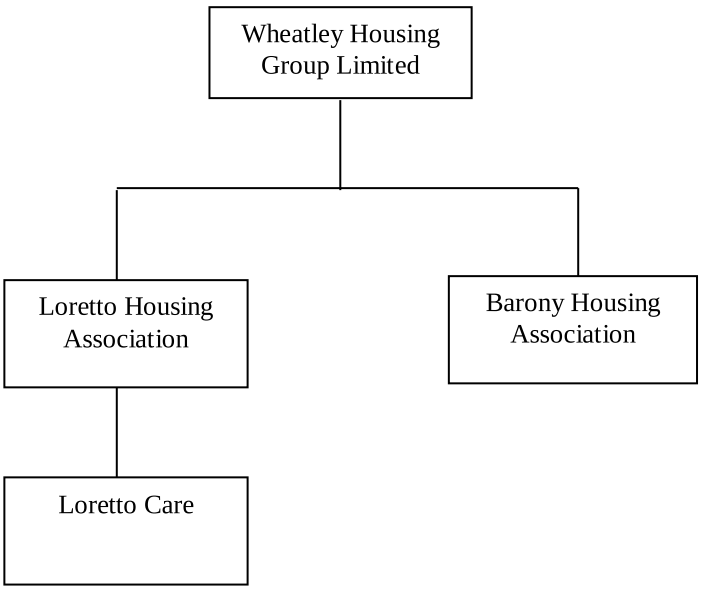
3.1 The creation of a single care company is covered by the laws and regulation category in Loretto Housing's risk appetite framework. Loretto Housing's risk appetite in this area is "***Averse***". This level of risk tolerance is defined as "avoidance of risk and uncertainty is a key organisational objective".

4. Background

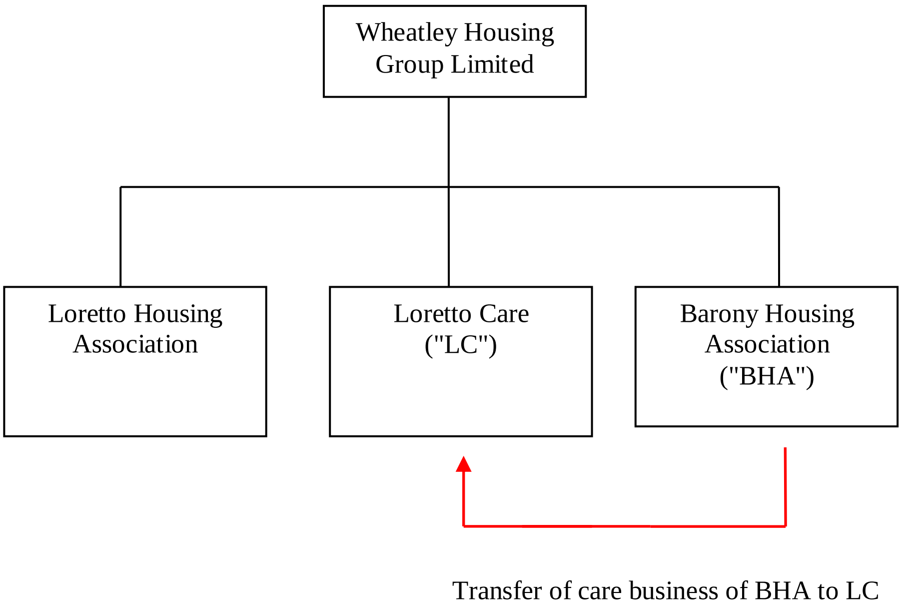
4.1 The Board considered an update on creating a single care vehicle in Wheatley Group at its meeting in February 2019. At this meeting, the Board agreed that Loretto Care should be the corporate entity through which a single care vehicle is established, and that it should be a subsidiary of Wheatley Housing Group.

4.2 The Board agreed changes to Loretto Care's Articles to make this happen and sequencing to ensure what is proposed is consistent with governance and regulatory obligations at its March 2019 meeting. The diagram below illustrates the change that was agreed.

Current corporate structure – care extract



New care related corporate structure after restructure



4.3 As part of agreeing these changes, last March, the Board was advised that they would not be put in place until necessary activities to establish a single care company in Wheatley were sufficiently advanced, and that this was expected to take around 1 year.

5. Discussion

5.1 Activities to establish one care company took place in two distinct phases during the second half of 2019. Phase 1 focused on:

- Securing necessary consent from Loretto Care and Barony Boards to the transfer of Barony's care activities;
- Scoping future governance arrangements for the one care company; and
- Establishing one leadership team across care in the East and West through restructuring Care Management Team, Senior Management Team and care central support functions where required.

Necessary consents and governance

5.2 Following appropriate external legal input including due diligence on Barony's care activities on behalf of Loretto Care, a business transfer agreement between both was drafted and approved at Loretto Care and Barony Board meetings in August 2019. Subsequent to this, governance arrangements for one care company were scoped and are currently being finalised with Board members already identified.

Establishing one leadership team

5.3 In May 2019 Care Central Management Teams and Central Support Services were restructured across both Loretto Care and Barony. Formal restructuring and associated recruitment was concluded late July with individual's securing their preferred posts and many at a promoted level. The creation of this new structure led to an external recruitment campaign for key senior roles for the first time in over 20 years. The response was overwhelmingly positive in volume and calibre of candidates.

5.4 Since November 2019 the new Care Management Structure has been fully operational. The new dynamic within the team, at this point in the development of one Care Organisation, gives a unique opportunity to establish something new and fresh in Group.

5.5 Phase 2 has focused mainly on communicating and engaging with staff, people Loretto Care work for, stakeholders and the regulator to ensure that key messages were relayed appropriately and individuals are involved in the development of the new Organisation.

5.6 These activities are nearing conclusion and nothing has emerged to change the rationale presented previously to the Board for creating one care vehicle. We are now at the stage where we intend implementing the changes agreed previously in Loretto Housing and Loretto Care. This will be done, as set out and agreed previously, through:

- The Loretto Housing company secretary signing and lodging the Board resolution agreeing the changes and the revised Articles of Loretto Care; and
- Loretto Care's revised Articles being lodged with Companies House.

5.7 Establishing a single care company will not impact the services provided currently by Loretto Care to Loretto Housing tenants, or the close working that exists between staff. Working with Loretto Housing, and other RSLs in Wheatley, will continue to be a priority for the single care company, as will meeting the needs of tenants in Fordneuk, Fullerton, Carlisle Rd and the LivingWell services. Pooling group care expertise in the single care vehicle is also expected, over time, to provided opportunity for further service development.

6. Key issues and conclusions

6.1 The Loretto Housing Board agreed previously that its Loretto Care subsidiary should provide the basis for one care company in Wheatley Group and that it should become a direct subsidiary of Wheatley Group. Sufficient progress has been made in establishing a single care company to make the planned changes to Loretto Care's Articles. Making the change to a single care company will not adversely impact the services that Loretto Housing and its tenants receive currently from Loretto Care.

7. Value for money implications

7.1 Creating one care company is expected to improve value for money and outcomes for the people Loretto Care works for.

8. Impact on financial projections

8.1 There are no financial implications for Loretto Housing from the proposed changes to Loretto Care.

9. Legal, regulatory and charitable implications

9.1 Legal and charitable implications of the proposed transfer of Loretto Care were considered by the Board at its meeting in March 2019 and external legal advice was used to support required changes to Loretto Care's Articles and the governance aspects of creating one care company in Wheatley Group.

10. Partnership implications

10.1 There are no partnership implications associated with this report. The single care company will continue to provide care services to tenants of group RSLs as it does now.

11. Implementation and deployment

11.1 Creating one care company is part of wider restructuring which also includes combining transferring Barony's housing stock in West Lothian to WLHP and its stock elsewhere to Dunedin Canmore. The inter-dependencies between these aspects have been reflected in the approach taken to, and timing of, the transfer of Loretto Care to Wheatley from Loretto Housing.

12. Equalities impact

12.1 There are no equalities impacts associated with this report.

13. Recommendation

13.1 The Loretto Housing Board is asked to note progress in establishing a single care company including that the changes to Loretto Care's Articles of Association, that the Board agreed previously, will be put in place in the coming months.

Loretto Housing

Report

To:-	**Loretto Housing Association Board**
By:-	**Laura Henderson, Managing Director**
Approved by:-	**Olga Clayton, Group Director of Housing and Care**
Subject:-	**Inspiring Ambition, Unleashing Potential: Our Strategy 2020/25**
Date:-	**10 February 2020**

1. Purpose

1.1 To seek approval for the Loretto Housing Strategy 2020-2025: “Inspiring Ambition, Unleashing Potential”. This follows the approval of the Group strategy in October 2019 by the Wheatley Group Board.

2. Authorising context

2.1 The Intra Group Agreement as well as the Group Authorising Framework sets out that the Group Board is responsible for the agreement of a Group strategy, with a Subsidiary Board responsible for approving:

- Their own individual subsidiary strategy;
- Their own strategic priorities; and
- How the strategy is implemented in a way that reflects their specific circumstances.

3. Risk appetite and assessment

3.1 Developing our strategy for 2020-2025 will involve discussions across all risk areas. These discussions will reflect agreed risk appetite levels in each area.

4. Background

4.1 During 2019, the Board considered our strategic ambitions to be included within the new strategy for 2020-25. The results of this were presented to the Wheatley Board in October 2019 where the Group’s strategy “Inspiring Ambition, Unleashing Potential” was approved. This strategy includes the Loretto Housing strategic priorities highlighted by this Board.

5. Discussion

<u>The approved Group strategy</u>

5.1 The draft Group strategy was well-received by Boards across the Group, and remains as exciting and ambitious as it was when we first presented it a year ago. However, reflecting on some of the feedback from Subsidiary Boards and discussions at the Group Governance Event and Group Board residential, some changes have been made. These changes ensured that the final Group strategy reflects our latest thinking and strategic direction, in particular the potential growth of the Group into Dumfries & Galloway. Subsequently, at the October 2019 Group Board, the Group strategy for 2020-25 was approved.

5.2 In the period since, work has been undertaken to refine the proposed summary Loretto Housing Strategy 2020-25. The key updates are summarised below.

The key updates are summarised below.

(i) *Restructuring of strategic themes to draw out our work in changing lives and communities more strongly.*

5.3 Initially, four key strategic themes were proposed. In response to Board feedback we have amended these slightly; splitting the "Creating Customer Value" theme into two; one theme based on services ("Delivering Exceptional Customer Experience") and a specific theme to emphasise the importance of our role in "Changing Lives and Communities". The latter covers our care and wraparound services through Wheatley 360, but also introduces a new strategic outcome of *Supporting economic resilience in our communities*, which picks up our work on employment, education, training and poverty alleviation through the Wheatley Foundation.

5.4 We have also renamed the theme "Building Communities and Engagement" as "Making the Most of our Homes and Assets" to make it clearer that this theme relates to our physical assets and infrastructure. Engagement as a topic is threaded throughout the strategy, not just linked to our physical assets.

5.5 The revised set of strategic themes is:

- *Delivering Exceptional Customer Experience;*
- *Making the Most of our Homes and Assets;*
- *Changing Lives and Communities;*
- *Developing our Shared Capability; and*
- *Enabling our Ambitions*.

(ii) Updated strategic outcomes

5.6 The strategy sets out the key strategic outcomes we will achieve by 2025. These have been amended to:

Delivering Exceptional Customer Experience	***Making the Most of Our Homes and Assets***	***Changing Lives and Communities***	***Developing Our Shared Capacity***	***Enabling Our Ambitions***
Progressing from Excellent to Outstanding Enabling Customers to lead Developing a customer led repairs service Differentiating Lowther from its competitors	Increasing the supply of new homes Investing in existing homes and environments Setting the benchmark for sustainability and reducing carbon footprint Building community voice, engagement and resilience	Shaping Care services for the future Developing peaceful and connected neighbourhood Supporting economic resilience in our communities	WE Think – creating our Think Yes culture together WE Create – driving innovation WE Work – strengthening the skills and agility of our staff	Raising the funding to support our ambitions Maintaining a strong credit rating and managing financial risks Evolving digital platforms to support our activities Influencing locally and nationally to benefit our communities

(iii) Updating our plans for the repairs service

5.7 In the last year our plans for our new repairs service have taken greater shape, as presented to the Loretto Housing Board in October under the banner of *MyRepairs*. The content in the strategy has been updated to reflect our latest detailed plans and the sequencing of work to deliver service improvements.

(iv) Greater focus in care on supporting existing customers

5.8 The care section of the Customer Value chapter (now part of the “Changing Lives and Communities” chapter) set out a vision for an expanding care operation; including participation in new ventures such as alliancing and in new parts of the country. Reflecting on the latest outlook for the care market, we have refocused more on supporting existing customers, with the target for internal service income for care now increased from 15% to 25% by 2025.

The proposed summary Loretto Housing strategy

5.9 The proposed summary of our 2020-2025 Strategy is provided in appendix 1. In addition to capturing changes made in the Group strategy as discussed above, the updated summary includes the Board's original priorities our strategy session (reflected back at May 2019 Boards) AND then the direct feedback from subsequent Board meeting in May 2019:

- Our ambition for 2025;
- Our Values, Vision and Mission;
- How we deliver exceptional customer experience to our customers;
- What we need to do for our People, Stakeholders and to make the most of our homes and assets; and
- Ensuring that our customers receive and can recognise value for money.

Key discussion points and feedback from Loretto Housing Board included:

- Restructuring of strategic themes to draw out our work in changing lives and communities more strongly.
- Ensure that our customers and stakeholders recognise that the services we offer are unique and outstanding.
- Develop services based on evidence of "what works" and our extensive experience.
- Ensuring that our housing stock is up to standard comparable to new build properties.
- Importance of the housing officer and customer relationship to support positive outcomes.
- Supporting employability for all ages and multi-generational workplace with appropriate training and learning opportunities across group.
- Using business insight/research to understand customers current and future preferences.
- Supportive of technological development and investment where a business case is established.
- Ensure that Loretto Housing is an ethical organisation and influence others in the sector by demonstrating our value for Money.

From strategy to implementation

(a) Delivery Plans

5.10 To set out a clear plan on how we will deliver on our strategy, each of the strategic objectives have been mapped into one of four Delivery Plans. These set out more detailed explanations of how we will deliver our strategic intent, as well as detailed delivery plans and milestones.

5.11 These delivery plans are:

- Digital;
- Assets;
- People; and
- Customer Value.

5.12 Over the next year, we propose to bring each Delivery Plan to this Board.

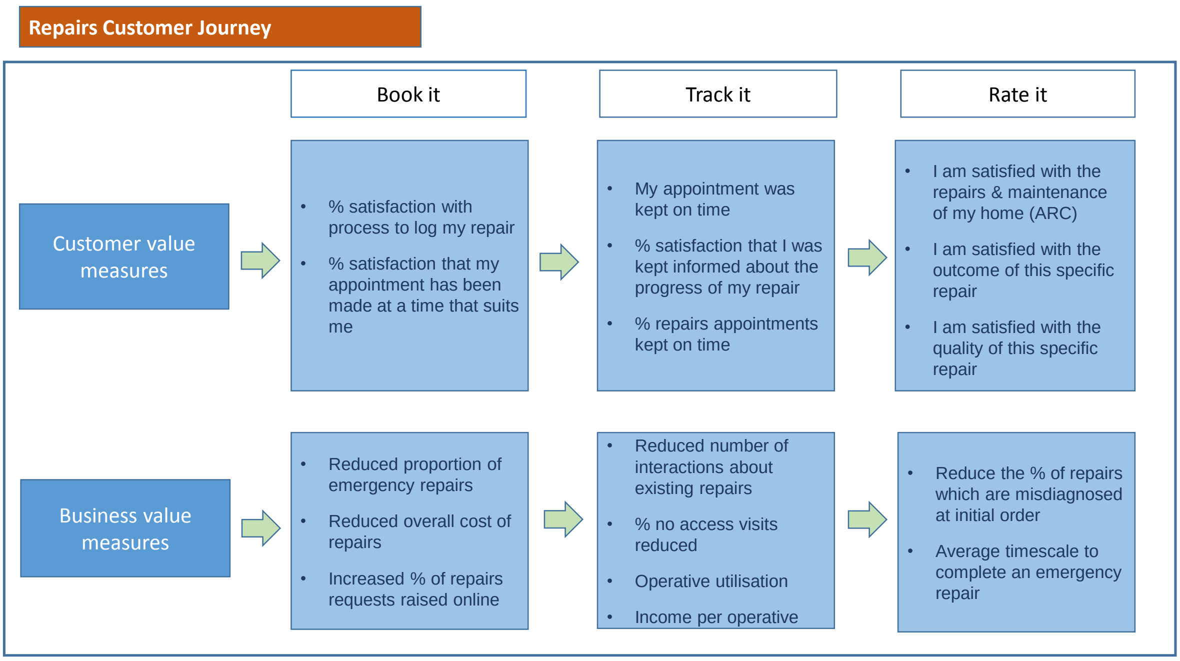
(b) New Performance Management Framework

5.13 In light of the new strategy we are also proposing a new Performance Management Framework to monitor compliance with achievement of our planned outcomes. This is detailed below.

5.14 The proposed strategy makes significant changes to our priorities. A series of new “golden threads” will run through all the work that we do. The key changes that need to be incorporated within the new Performance Management Framework (‘the Framework”) are:

- shifting the balance of power towards the customer;
- refocusing our performance indicators away from just “business value’ measures to include a new focus on “customer value” measures;
- key customer facing cycles (ie repairs, complaints, anti-social behaviour and allocations) have been mapped and new customer and business value measures are being developed;
- engaging differently to build resilience; and
- harnessing technology to blend the digital with personal.

5.15 The following diagram provides an overview of how we are setting operational performance indicators for one of the key customer facing cycles.



5.16 We plan two new ways of measuring performance. To ensure we are monitoring against our strategic themes (ie our “golden threads”), we are proposing the following approach to monitoring performance. The new approach focusses on the 5 Group strategic themes (this will be tailored for Group wide and individual Loretto Housing reporting). In addition, we will revise how we monitor performance. Previously, we have focussed on business measures and completion of annual projects. We have also incorporated feedback from the recent EFQM report and plan to measure performance under 4 distinct areas. These are:

- *Key Performance Indicators (KPIs)* – these are the key measures which have been linked to the strategy.
- *Projects* – these are the priorities detailed in the strategy and detailed in the Group wide supporting chapters. We will monitor achievement of planned business outcomes along with achievement of milestones.

- *Impact Measures* – the strategy includes a number of actions which will have a positive impact on our customers' lives eg reducing the cost of running a household by 10% and building the confidence and resilience of our communities. This new reporting area will monitor achievement of these areas. We plan to work in partnership with specialists in this area (eg the Fraser of Allander Institute) to develop an approach which would index our impact on our customers, our communities and national wellbeing. This will also provide external assurance on our impact in these areas.
- *Operational Measures* – these will be the routine measures used at an operational level to monitor performance (eg ARC measures) and will continue to be used.
- Further detail on the implementation of the Performance Management Framework will be provided to the Board in early 2020.

5.17 The following section details the KPIs included within each of the strategic themes. These measures will be used to measure the achievement of our strategic outcomes (ie "golden threads").

Delivering exceptional customer experience

- Overall customer satisfaction above 90%
- Implement "Rate it" score from book it, track it, rate it repairs approach and aim to improve performance by 10%
- Implement new approach to recording satisfaction with how complaints are handled and improve performance
- Overall satisfaction amongst households with children to achieve 90%
- 90% of customers feel they can participate in the landlord's decision making
- 95% of customers actively engaged in shaping services feel they participate in decision making
- Meet the agreed contributions to accommodation for homeless households for each Local Authority we operate in.

Making the most of our homes and assets

- Develop 320 new homes across all tenures
- Invest £305 million of new public and private finance in new build housing
- Achieve 95% customer satisfaction with our new build homes
- Invest £8.4 million in improving, modernising and maintaining homes
- Reduce the volume of emergency repairs by 10%
- Maintain existing tenant satisfaction with the quality of their home at over 90%.

Changing lives and communities

- Over 70% of our customers live in neighbourhoods categorised as 'peaceful'
- 85% satisfaction with Environmental Services
- 100% of applicable properties have a fire risk assessment

- 50 jobs, training and apprenticeships delivered
- 230 vulnerable children benefit from targeted Foundation programmes
- 60% of customers with online accounts are using My Savings Rewards Gateway.

Developing our shared capability

- Over 90% of staff say they feel appreciated for the work they do
- Staff absence is maintained at 3%
- Staff turnover remains at less than 7%
- Over 80% of customers self-report positive distance travelled towards 'self-reliance'
- 250 young people provided with structured opportunities to build their skills within the business
- 50 graduates provided with opportunities to work and gain experience in our sectors
- Improve gender (male: female) equality
- 40% of promoted posts filled with internal candidates.

Enabling our ambitions

- Limit rent increases to Consumer Price Index +1% (estimated to be 2.9%) by 2025
- Maintain gross rent arrears below 4%
- Average days to let a home maintained at less than 14 days
- Over 50% of customers actively using their online account to transact with us.

6. Value for money implications

6.1 Our ambition to positively impact on the key drivers of value identified in our value for money framework will underpin the development of the onward strategy.

7. Impact on financial projections

7.1 The impact of proposed strategic commitments will be assessed as part of the development process.

8. Legal, regulatory and charitable implications

8.1 There are no legal, regulatory or charitable implications arising from this report.

9. Partnership implications

9.1 Influencing relationships and partnerships is a key theme for the onward strategy. Engagement will include discussions with stakeholders about their contribution to helping us deliver our strategic outcomes, as well as involving staff and customers in refining our proposals.

10. Implementation and deployment

10.1 Support will be provided by Wheatley Solutions to deliver the extensive engagement programme, ensure sufficient focus around the work needed to continue to develop and refine the new Group strategy, and support Managing Directors and Subsidiary Boards across the Group to develop their 2020-2025 Strategic Plans.

11. Equalities impact

11.1 Equalities impact considerations will continue to underpin the development and refinement of our strategic proposals. The engagement programme has been designed to be inclusive and ensure the voices of groups with specific needs are heard.

12. Recommendation

12.1 The Board is asked to approve the summary Loretto Housing Strategy 2020-2025: *Inspiring Ambition, Unleashing Potential.*

List of Appendices

Appendix 1 – Summary Loretto Housing Strategy 2020-25: Inspiring Ambition: Unleashing Potential

Loretto Housing

Wheatley Group

Inspiring Ambition, Unleashing Potential

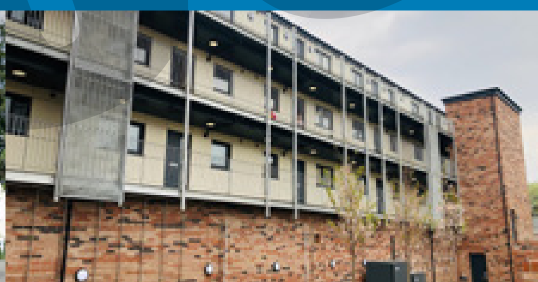


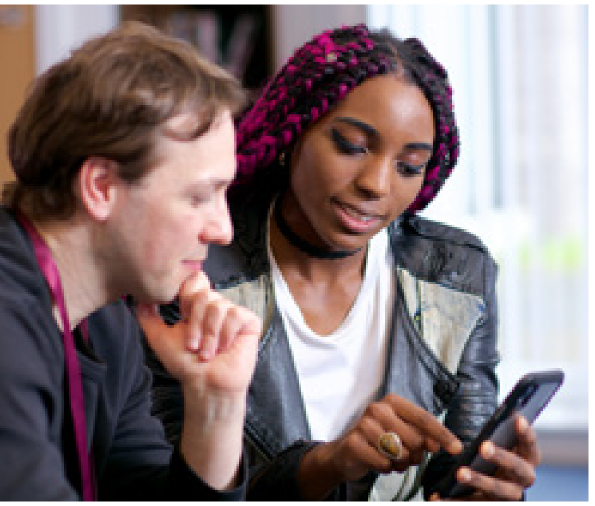
2020-2025

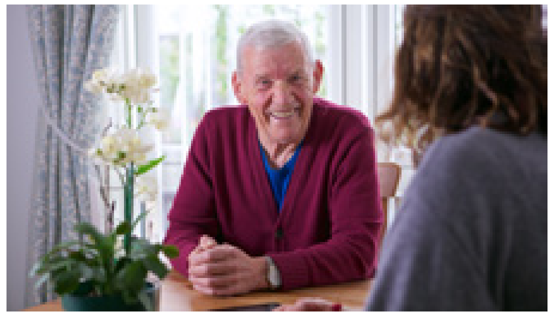


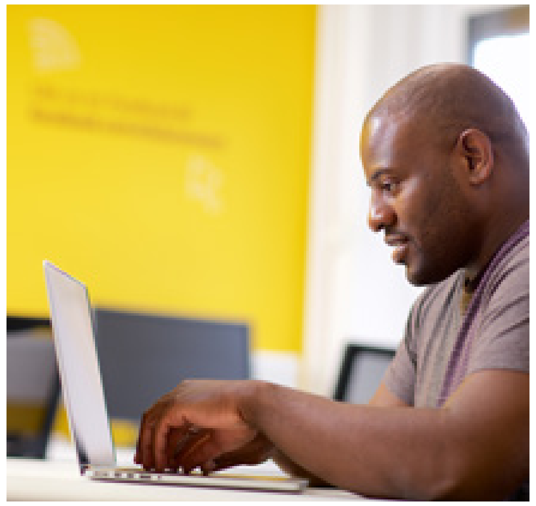
Loretto Housing

Our five-year strategy





Contents

OUR VISION FOR 2020 TO 2025

Loretto Housing, part of Wheatley Group, is rooted in its local communities and committed to delivering outstanding, customer-focused services.

Inspiring Ambition, Unleashing Potential, sets out how we will take our services to the next level on this, the next stage of our journey, from 2020 to 2025.

An ambitious, new-build programme has seen us work closely with our key partners, our seven local authorities (Glasgow City Council, Renfrewshire Council, North and South Lanarkshire, Falkirk Council, West and East Dunbartonshire Council) and the Scottish Government, to bring forward much-needed new affordable homes. Over the lifetime of this strategy we will build 176 more homes while continuing to invest in the fabric of our existing homes.

But our mission is, and always will be, focused on much more than just bricks and mortar. "**Better homes, better lives**", is what guides us on now, and as we look to the next five years.

Having the keys to one of our homes will continue to lead to a new world of opportunity. We will remain committed to helping people break down the barriers, too often created by disadvantage and poverty. This will include offering people in our homes real opportunities – such as jobs and training – to improve their lives and have more control over what happens in their area. We will also work with our partners, and tenants, to create safe, peaceful and connected communities.

Tenants will be at the heart of decisions and we will offer people more choice in how they engage with us as well as how they access our services.

We will deliver our vision for our communities against a backdrop of significant external challenges, not least of all the impact of Welfare Reform, digital exclusion, rising levels of poverty, continuing public spending cuts and the continuing gap between housing need and supply.

By 2025, we know that the expectations of our customers and our staff will be very different. We will evolve how we work, listening and responding so that Loretto Housing remains in the best possible shape to deliver on its ambitions. Key to this is working alongside Wheatley's specialist care and support provider to ensure that our new build and future investment priorities meet the broadest spectrum of needs within our communities. Operating across central Scotland, Loretto Housing will continue to identify opportunities to make it easier for our customers to access services in the most convenient way for them. We understand that in order to achieve our ambitions it will be important to continue our strong partnerships within the seven local authorities within which we operate.

At the heart of our strategy for 2020 to 2025 are five key outcomes:

- Deliver exceptional customer experience
- Make the most of our homes and assets
- Changing lives and communities
- Developing our shared capability
- Enabling our ambitions.

OUR VISION – LORETTO HOUSING IN 2025

Our vision is to enable our customers to reach their potential for a brighter future for themselves and their families. Our strategy for making this real will deliver an unprecedented shift in the balance of power and control towards our customers, empowering them to make their own choices about the services they want, ensuring they are properly equipped to do things for themselves and involving them in the design of products and services from start to finish.

We will deliver this vision through five strategic themes, under which we have defined 16 key outcomes. These are summarised below.

Our purpose:
Making Homes and Lives Better

Our vision:
Customers have increased control over their services, their communities and their lives, with new opportunities for building skills and resilience.

We will work ethically and sustainably, ensuring our homes and services are affordable for our customers, sharing our expertise and collaborating with others to improve the fabric of our customers' lives while creating great communities.

Strategic themes:

Delivering exceptional customer experience	Making the most of our homes and assets	Changing lives and communities	Developing our shared capability	Enabling our ambitions

Strategic outcomes:

Progressing from excellent to outstanding Enabling customers to lead Developing a customer led repairs service	Increasing the supply of new homes Investing in existing homes and environments Setting the benchmark for sustainability and reducing carbon footprint Building community voice, engagement and resilience	Developing peaceful and connected neighbourhoods Supporting economic resilience in our communities	W.E. Think – creating our "Think Yes Together" culture W.E. Create – driving innovation W.E. Work – strengthening the skills and agility of our staff	Raising the funding to support our ambitions Maintaining a strong credit rating and managing financial risks Evolving digital platforms to support our activities Influencing locally and nationally to benefit our communities

These themes and outcomes align the strategic priorities across our Group. The particular priorities of Loretto Housing's strategy for 2020-25 are detailed in the following sections of this document under each strategic theme.

We have reviewed and updated our values for this new strategy and these are set out below.

Performance indicators will be measured and monitored on a regular basis. These are detailed below each of the relevant themes within this document. The impact measures will quantify our societal and economic impact and provide evidence of statements made in the strategy. These will generally require periodic evaluation studies to assess the results. Our impact measures relate to the following key areas:

- **Strengthening the Economy** – this will include tracking the significant impact this strategy will make to the Scottish GDP. It is projected by Loretto Housing that the operating and capital spend over the 2020-25 period is estimated to support up to 130 jobs, training places and apprenticeships annually and have a total impact of up to £35m on GDP.
- **Reducing Poverty and Improving Wellbeing** – this will include measuring how we are reducing the cost of running a home and tracking the positive impact our support services are making to both customers' financial circumstances and overall wellbeing and resilience.
- **Improving our Environment and Mitigating Climate Change** – this will include reducing our corporate carbon footprint by 50% (from 2012 baseline), reducing the CO2 emissions in our Wheatley homes by at least 1,000 tonnes and raising the environmental standard of our New Build homes making them more energy efficient and cheaper to run.
- **Strengthening our communities** – this will include increasing customers' social capital, expanding our engagement methods and measuring the positive impact this is making to our customers and our communities. We will also track how our increased community cohesion is helping to make our neighbourhoods more 'peaceful'.

Our values:

- **Excellence** – we raise the bar ...in everything we do
- **Community** – people direct what we do ...and together we build strong communities
- **Ambition** – we push the boundaries in new ways ...so everyone can fulfil their potential
- **Trust** – we inspire customers and staff ...to shape the future.

1. DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE

Excellence is embedded in Loretto Housing's culture and we want to build on this foundation of excellence to deliver even more outstanding services.

Our vision is that services will be easy to access and feel seamless for our customers. We'll have a renewed focus on their overall 'experience' with us, seeking to maintain our existing high levels of customer satisfaction.

Following our past success in achieving top quartile performance, we will work with our customers to define what 'outstanding' service means to them now and what it will mean in future. Understanding what creates value for our customers will help us improve services and track the impact of changes we make.

We will prioritise services which mean most to customers and engage with customer groups who tell us they are less satisfied so we better understand their needs.

We want to offer quick resolutions to issues which affect how satisfied people feel with our services. That's why we'll build engagement channels into the development of services so that we capture and respond to customer feedback.

Analysis shows that families tend to be less satisfied as they struggle to deal with competing demands on their time and money so we will develop a Whole Family Approach to support them through every stage of life.

Our new **Whole Family Approach** is focused on improving outcomes for our families. 80% of our homes are 2 and 3 bedroom properties and almost a quarter of our households have children under 16 years of age. Children and young people will become part of decision-making in our neighbourhoods. In our homes, we'll look to develop more child-friendly features such as better storage for family equipment.

New-build homes will be designed to suit modern family living. Building a variety of mixed tenure development in areas previously agreed by Board to complement existing stock with a focus on flexibility of house layouts to suit a range of family compositions as children grow we will support families with employment and training opportunities through the Wheatley Foundation. Young adult children in our homes will be offered a housing options consultation as they consider setting up their own home.

We will drive **digital transformation to deliver innovative solutions to issues facing Loretto Housing and our customers**, building thriving customer communities online as well as in the real world.

Our digital-based services, such as GoMobile and MyHousing, will continue to help us strengthen our **customer insight**, ensuring we can meet the different needs of customers. We will **work with partners locally and nationally** to **anticipate the profile and demography of our future customers** as well as the issues they will face in 2025 and beyond.

We will re-design the way we engage with customers. Enabling them to have more choices and control to make changes that are important to them. **Co-designing the transformation of our services** with our customers will **ensure no one is left behind**. Loretto Housing's Community Action Group meetings are a vital part of engaging and gaining feedback from customers. Services will be tailored to meet the specific needs of customer groups, whether they are delivered digitally or face to face. We will encourage a diverse range of customers to talk about their experiences and the **issues that matter to them** and will encourage our **customers to challenge our performance** and outcomes.

Our co-design process will focus on the key customer journeys of repairs, allocations, complaints and anti-social behaviour.

We will demonstrate Loretto Housing's progress towards the outcomes under **Delivering exceptional customer experience** through the following key performance indicators and impact measures.

Our key performance indicators:

- Overall customer satisfaction above 90%
- Implement “Rate it” score from book it, track it, rate it repairs approach and aim to improve performance by 10%
- Tenant satisfaction with value for money increased to 85%
- Implement new approach to recording satisfaction with how complaints are handled and improve performance by 10% points
- Overall satisfaction amongst households with children improved to 90%
- 90% tenant satisfaction with opportunities given to participate in the landlord’s decision making process
- 95% of customers actively engaged in shaping services feel they participate in decision making
- Satisfaction with the process of getting my new home is improved by 10% points
- Meet the agreed contributions to accommodation for homeless households in each local authority we operate in.

2. MAKING THE MOST OF OUR HOMES AND ASSETS

Our primary purpose of changing lives through providing quality homes remains unchanged. Building on the unparalleled success of the last five years we have set ourselves another challenging target. We will deliver a minimum of 170 new homes between 2020 and 2025; with the potential for a further 150 subject to agreement from the Group's lenders to support an increased level of private finance and the availability of government grant funding.

Improving our existing customers' homes remains a key strategic priority. We will use our financial strengths to invest a further £8.4m over the next five years in improving, modernising and maintaining homes, in addition to £7.2m on repairs. This will allow us to reduce the levels of emergency, reactive and maintenance repairs which create inconvenience to our customers as well as being poor value for money.

The safety and security of customers will continue to be of paramount importance.

Our **new engagement model will place the customer at the heart of how we plan and design** our improvement programme and new-build developments. We will maximise the use of technology to engage a diverse range of customers across our geographical footprint in both the investment planning process and the development of our new homes. We will help customers to both design and visualise their new kitchen or bathroom. When pre-allocating our new homes customers will be able to decide on kitchen preferences and finishes to interior décor.

We will harness **technology** to make home life more convenient for our customers and to support people to live independently for as long as possible. We will build on our investment in technology through touchscreens, our OK each day service and technology that will improve the cost of running a home and energy efficiencies.

Through to 2025, the transformation of our services will provide scope for us to look at how we organise our office spaces. More **agile working patterns** will be more suited to touch-down points rather than assigned desk spaces. This will enable us to generate new opportunities for supporting entrepreneurship in our communities by providing **flexible spaces that can be shared with customers, social enterprises and new local businesses**. We will replace our current workplace estate and relocate to creative community hubs and workspaces that look and feel very different from traditional office and provide added value for our customers.

We will ensure our people are equipped with the skills and confidence they need to successfully make this transition and will **develop ways of working so that no staff member feels isolated or unsupported** due to more flexible working patterns.

A warm, safe and energy efficient home in the right location is a **life changing experience** for a household that can transform health and well-being, educational attainment and life opportunities. Over the next five years our ambition is to make a giant leap forward on our journey towards our long term aims of becoming carbon neutral and eliminating fuel poverty. We are making great progress; 34% of our stock is less than 10 years old and meets thermal efficiency standards and we also have a number of communal heating schemes covering 241 properties over 9 sites. Our new build programme will continue to deliver highly energy efficient homes with renewable technologies.

The wider social and economic benefits from increased house building activity are well documented and the continuing scale of our programme will deliver significant benefits in employment, training and apprenticeship opportunities for our customers and communities.

Moving through to 2025, we want to **review** empty or underused assets within our communities and, if viable, **deliver innovative restoration projects which bring more homes to existing neighbourhoods**.

Our **Wheatley 24** homes will be highly adaptable and can easily change as the needs of the household evolves. This means homes will support people at all stages of life creating truly 'lifetime homes'.

In addition to the added value this brings to our customers, it will deliver significant business benefits, including reducing tenancy turnover and future-proofing our homes against changing demographics. We will work with innovative development partners to ensure our **house types evolve, and that they are sustainable, connected and intelligent homes for the future. They will be built as efficiently as possible** with the most **limited impact on the environment**.

Our new engagement model will **encourage customers to help shape initial house designs** and offer opportunities to stay connected throughout the project. This approach will place the customer at the heart of how we plan and design our new-build developments. We will adopt the same approach and principles for major improvement programmes.

Tackling fuel poverty, improving energy-efficiency and mitigating increases in energy costs for our customer base continues to be key. We will prioritise solutions for electrically heated homes that **enhance control and cost savings** for customers, and draw on external research to solve long-standing challenges for improving energy efficiency in non-standard construction types.

We will demonstrate Loretto Housing's progress towards the outcomes under **Make the most of our homes and assets** through the following key performance indicators.

Our key performance indicators:

- Develop up to 320 new homes across all tenures
- Invest £30.5m of new public and private finance in new build housing
- 95% of customers satisfied with their new-build home
- Invest £8.4m in improving, modernising and maintaining homes
- Achieve a 60:40 ratio of planned to reactive repairs
- Reduce the volume of emergency repairs by 10%
- Maintain existing tenant satisfaction with the quality of their home at over 90%.

3. CHANGING LIVES AND COMMUNITIES

By 2025, we want our customers and **our communities to be more resilient**. Many of our communities face multiple challenges with many customers experiencing poverty and inequality.

Through the Wheatley Foundation, our Care services and Wheatley 360, we provide a portfolio of wrap-around services and opportunities which help change Loretto Housing tenants and their families' lives and encourage individuals not just to harbour aspirations but also to realise them. The **Wheatley Works** programme will continue to grow, helping customers **into jobs, training or apprenticeships and** our **Wheatley bursaries** programme will support customers to attend higher education.

We will create targeted learning opportunities to prevent homelessness and to support new approaches to housing those households, who are homeless, through **Rapid Rehousing and Housing First**, supporting the Scottish Government and Local Authorities in delivering their 5-year plan. This will help to **strengthen the pathways for homeless people** to ensure that they can access the different types of support they may need, easily and at the time they need it.

We will support our older tenants to be as active and independent as possible. Building on our **Livingwell model** we will work as enablers to allow people to use their skills to support others. Our existing Group services including Care and Wheatley 360 will be maximised to deliver support to older people and also tailored for other households who need this type of support.

Over the last five years we worked with our customers and communities to ensure our **neighbourhoods are peaceful and places customers are proud to live**. Using both online and offline platforms and approaches, we will **support local engagement** and **encourage customers to work together to design local solutions in response to local priorities** building resilience, skills and confidence so people can make things happen for themselves. Our **Community Improvement Partnership** approach will take communities from being merely safe to ones which are improving, peaceful and with high levels of satisfaction. This will be based on building a **confidence cycle** with communities which will support communities to become more resilient through increased confidence to report crimes and other issues. In turn, this will help Loretto Housing and our partners to make customers feel safe in their neighbourhood, and communities stronger and more peaceful. This will be supplemented by our high quality environmental services and our strong focus on best quality fire safety provisions which will help to reduce the incidence of fires.

Building on our Locality Planning approach, we will take a lead role in **influencing** other organisations and agencies in the interests of our customers. This will involve establishing common objectives, agreed and co-ordinated approaches, shared data and common indicators of success.

Loneliness is a real issue for many people in our communities. Our aim will be to put the 'Neighbour' back into our neighbourhoods, creating a modern version of '**Neighbourliness**' as a hallmark of our communities by 2025. We will seek to **co-create** opportunities with a focus on supporting families, young people and overcoming isolation across the generations. **Digital neighbourhoods** will provide a virtual forum where our customers can connect to further support each other and co-create local solutions to improve their local community. Our forum will provide an easy location for people to advertise community events and help increase the use of key community spaces.

We will work with communities to co-create a '**Place Measure**' that reflects the criteria our customers identify as the hallmarks of a successful and resilient community. We have listened to our customer and we recognise the importance of **connectivity** for communities, and we will work to **influence the improvement of transport infrastructure and services** for our communities. We will use **Voice of the Customer real-time digital feedback** to track the impact and progress of all our new developments, when we carry out major investment work, and for Wheatley Foundation activities.

Involving customers in co-designing with us will ensure our services are tailored to meet the needs of particular groups, whether they are delivered digitally or face to face. **Designing our digital services to ensure they feel personal** will be crucial for ensuring our customers continue to feel we care about them and they have a strong connection with us even though engagement is through digital channels.

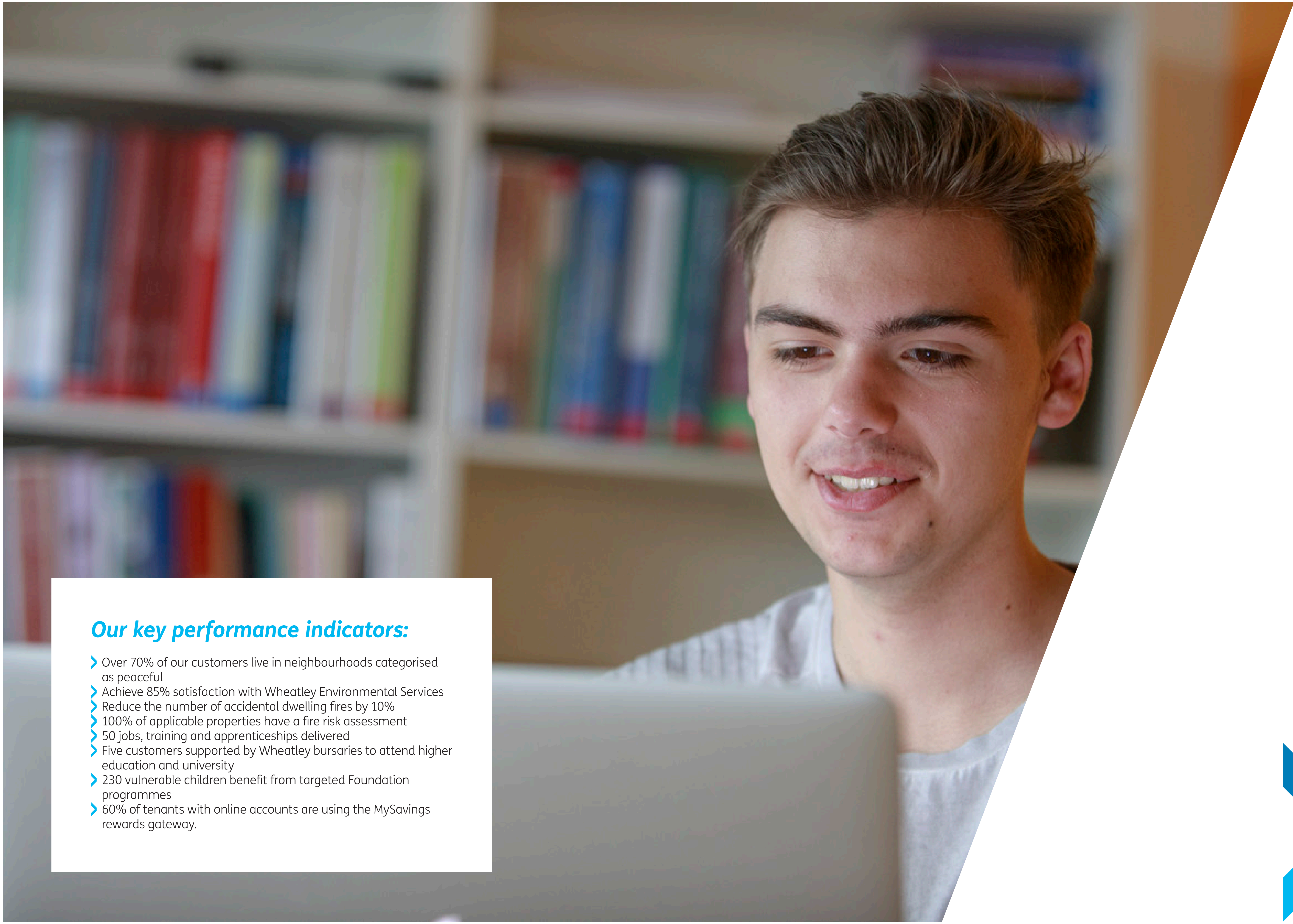
Extending our **Outcomes Star** approach from care into housing will shift the balance of power and control to the customer and ensures the service they experience is personalised based on what is most important to them.

Our new **engagement models** will include an innovative **community led development approach**, involving our customers and wider communities in decision making at all the key stages of our work, whether it be new-build, in existing housing or around service development. As we move through key project milestones we will provide regular opportunities for communities and customers to re-engage, stimulating deeper and richer connection with the communities that we are investing.

Tenant Control of Expenditure – we will be open and transparent about how we are spending customers' money at both an individual and a community level, providing relevant performance information for customers to hold us accountable, and enabling customers to engage more meaningfully in decision making around repairs.

Our refined '**Community Benefit Model**' will involve engaging our customers and communities in identifying and prioritising the type of community benefits they most want to see derived from our investment in existing homes and new-build housing projects. We will continue to use our procurement frameworks to drive wider community benefits with our suppliers in order to expand the '**Wheatley Benefit for Customers**' providing them with a growing range of opportunities through the MySavings rewards gateway to save money and reduce the cost of running their home.

We will demonstrate Loretto Housing's progress towards the outcomes under **Changing lives and communities** through the following key performance indicators and impact measures.



Our key performance indicators:

- Over 70% of our customers live in neighbourhoods categorised as peaceful
- Achieve 85% satisfaction with Wheatley Environmental Services
- Reduce the number of accidental dwelling fires by 10%
- 100% of applicable properties have a fire risk assessment
- 50 jobs, training and apprenticeships delivered
- Five customers supported by Wheatley bursaries to attend higher education and university
- 230 vulnerable children benefit from targeted Foundation programmes
- 60% of tenants with online accounts are using the MySavings rewards gateway.

4. DEVELOPING OUR SHARED CAPABILITY

Our ambition over the next five years is to stimulate innovation and learning in our communities as well as our workforce, enabling them to reach their potential for a brighter future for themselves and their families.

Our unique Think Yes culture inspires staff to develop innovative solutions and build insightful, trusting relationships with customers and communities. By 2025 our culture will have evolved still further under our **W.E. Think** approach so that our customers will increasingly be 'thinking yes' for themselves. As a result of our '**Think Yes Together**' culture, we will transform our culture and our thinking in order to create value for customers in different ways as they increasingly self-serve and do more for themselves.

The success of our transition towards self-directed services will require significant skill and capacity building for both staff and customers: **our shared capability**. As our service offerings change, the skill sets required to deliver them will also change. Investing in our people to ensure they have the exceptional skills, attitude, engagement and influence to deliver our strategic ambition will therefore be fundamental to our success. At the same time, building the capacity of our customers and communities over the next five years will be equally important in bringing about the new empowering relationship we are seeking to establish with them. We will measure both staff and customers on 'distance travelled', linked to our outcomes-based approach and showing the impact our staff make for their customers.

W.E. Create will drive innovation across all aspects of our business and in our communities. Loretto Housing's tenants and communities will benefit from the creation of a **Community Academy**, taking the Academy on the road and into the heart of our communities with both **virtual and physical spaces** for innovation and learning. Creating environments and opportunities for our staff and customers to learn together will re-enforce our Think Yes Together culture. By 2025, our Community Academy will:

- embed customer driven learning, ensuring learning is designed with customer involvement
- focus on building individual capacity to help customers prepare for the world of work
- bring access to Wheatley Scholarships and apprenticeships to our customers' doorstep
- provide opportunities for customers to come into our business and get work experience through a Wheatley Customer Work Experience programme.

W.E. Work will deliver the transformational changes to our roles and operating model required to ensure this Strategy is delivered. For example, by 2025 our customer-facing roles will have evolved to include developing relationships of trust online, building the capacity of customers to do things for themselves, helping communities have a stronger voice, linking people with their neighbours/ into activities and engaging with influence.

We anticipate the workforce of 2025 will be significantly different from the workforce of today; fully digital and increasingly looking for more flexible career models, work arrangements, reward programmes and career development opportunities. We predict that up to 75% of our workforce will no longer work a traditional Monday to Friday pattern by 2025. Our aim is to deliver a gradual and smooth transition towards a new workforce model that is more agile in responding efficiently to changes in customer requirements. We will:

- explore opportunities for **co-designing modern employment terms and conditions and working practices** that appeal to our evolving workforce and ensure maximum flexibility to meet changing needs
- **re-design our work roles**, rationalising and professionalising the number of different roles to reflect the creativity and agility of our staff to deliver our vision
- introduce a new **career marketplace platform**, putting staff in control of managing their own career and encouraging leaders to share talent for the benefit of the business
- value staff who are highly skilled in **building and managing relationships** and have the capacity to lead creative outcomes.

In addition, we will work to improve gender equality.

Our **Future 250** programme will provide a sought-after route for young people to develop their talent, attracting an external talent pipeline for our evolving business requirements. Each year a cohort will be identified and provided with structured opportunities to move around the business to build their skills and experience portfolio, honing their talents and demonstrating their potential. At Loretto Housing we will encourage young people in our communities to engage with this programme and we will provide opportunities for those on the programme. We will demonstrate our progress towards the outcomes under Developing our shaped capability through the following key performance indicators.

Our key performance indicators:

- Over 90% of staff say they feel appreciated for the work they do
- Staff absence is maintained at 3%
- Staff turnover remains at less than 7%
- Over 80% of customer's self-report positive distance travelled towards 'self-reliance'
- Improve gender equality
- 40% of promoted posts filled with internal candidates.

In addition to the above Loretto Housing specific KPIs, Loretto Housing will also contribute to and monitor against the following Group-wide KPIs:

- 50 graduates provided with opportunities to work and gain experience in our sectors
- 250 young people provided with structured opportunities to build their skills within the Group.

5. ENABLING OUR AMBITIONS

The funding platforms we put in place provide a strong basis to **raise the funding to support our ambitions**. However, new facilities will be required in the latter years of the strategy period and we will look to bond, bank and other potential sources to identify the most advantageous options. Access to Scottish Government grant, which was such a vital element of the new-build programme we delivered from 2015-20, will continue to be key to our ambitions.

Our continuing focus on social rented housing, supported by Scottish Government subsidy, will help in our objective to **maintain a strong credit rating and manage financial risks**. We will test our business plan against a set of financial golden rules and ensure we have mitigating actions ready to address a wide range of adverse scenarios and stresses.

By 2025 Loretto Housing's customers and staff will become the **most digitally enabled in Scotland**. Our **evolving digital platforms will help to support our activities and** provide a **rich portal** for customers to draw down services, save money on fuel bills, interact with their community and tap into a host of other benefits. Importantly, the transition that our customers and staff make to self-managed services must be both successful and sustainable as well as being based on offerings that fundamentally **improve services beyond that which is possible in an off-line environment**. To achieve this, we will optimise digital channels for customers to drive positive engagement and give them finger-tip access to the data they need to make informed decisions.

Technology and digital innovation will also **augment the work that is done by people** in the organisation. Creating a **single source of trusted, secure information** for all core front line staff will ensure our decision-making is informed in real time and that our decisions strategically, tactically and operationally are **intelligence led**.

To support our ambitions and ensure that our investments are properly focused on those areas that will realise both customer and business value, we will continue to mature our model for assessing digital investment to consider strategic fit, complexity, risk, people and quality measures as well as financial considerations. We will explore opportunities to measure the progress in our **digital maturity** against others in our sector and beyond.

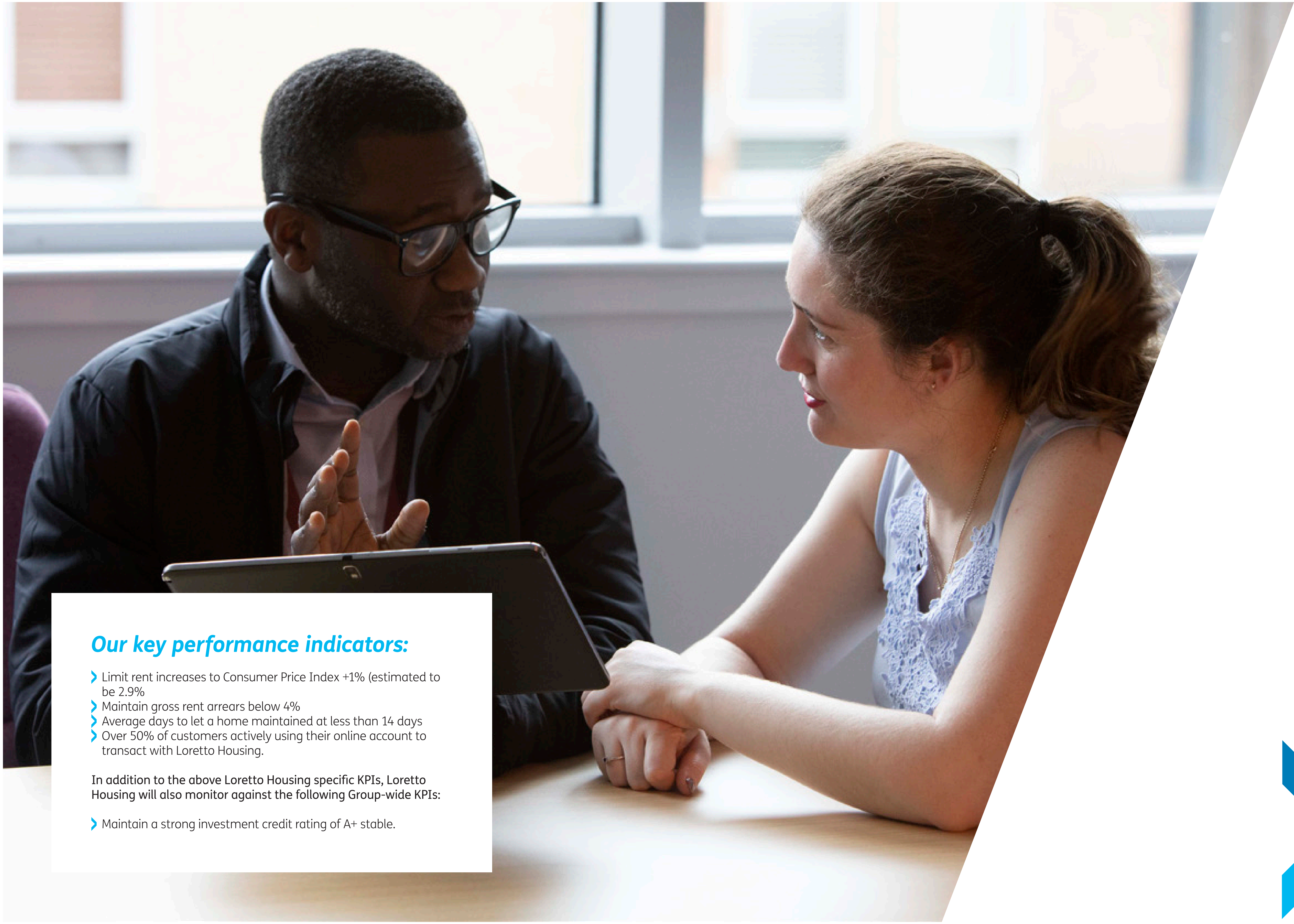
Our success over the last five years has ensured Wheatley has been accepted and recognised as a force for good in Scotland. Building on these strong foundations, Loretto Housing is well positioned to confidently and deliberately take a leading role on the UK and international stage **influencing locally and nationally to benefit our communities**.

Over the next five years will also adopt an **international dimension** to our search for best practice. Identifying and exploring different ways of working and solutions developed across a broader range of contexts will stimulate and inform our thinking. This will **enhance our international profile and reputation** through showcasing our own role-model approaches across the world.

Loretto Housing staff will increasingly be r**ecognised as thought leaders and practice experts** in their particular discipline. Staff will increasingly liaise with, inform and **influence strategic decision makers** in Scotland through membership of committees and advisory groups.

As part of our evolving business intelligence approach we will map and maintain **strategic profiles** across our existing and potential future footprint. This will ensure we systematically identify new opportunities for growth and partnership working to maximum effect.

We will demonstrate Loretto Housing's progress towards the outcomes under **Enabling our ambitions** through the following key performance indicators.



Our key performance indicators:

- Limit rent increases to Consumer Price Index +1% (estimated to be 2.9%
- Maintain gross rent arrears below 4%
- Average days to let a home maintained at less than 14 days
- Over 50% of customers actively using their online account to transact with Loretto Housing.

In addition to the above Loretto Housing specific KPIs, Loretto Housing will also monitor against the following Group-wide KPIs:

- Maintain a strong investment credit rating of A+ stable.

www.lorettoha.co.uk

Our values are what unites everyone at Wheatley

Wheatley Group

www.wheatley-group.com

Wheatley Group, Wheatley House
25 Cochrane street, GLASGOW G1 1HL

Loretto Housing

Report

To: **Loretto Housing Association Board**

By: **Stuart Johnstone, Development Manager**

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

Subject: **Five Year Development Programme**

Date of Meeting: **10 February 2020**

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1. Purpose

1.1 To seek Board approval of the proposed Loretto Housing Association five year development programme.

1.2 A presentation on the five year programme will be made at the meeting.

2. Authorising context

2.1 The overall strategic direction and associated priorities of the Group are reserved to the Wheatley Housing Group Board. In relation to the development programme, this includes the geographical areas in which we operate.

2.2 The responsibility governance oversight of the Group development programme and the approval of new projects now rest with the Group Development Committee, in line with the Committee's terms of reference approved by the Wheatley Housing Group Board. This is in the context of the Loretto Board's approval of the five year development programme.

2.3 A copy of the Group wide five year development programme will be presented to the Wheatley Housing Group Board in February 2020.

3. Risk appetite and assessment

3.1 The Board's risk appetite in respect of the new build development programme is "open", which 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*".

3.2 Our future strategic direction envisages an ongoing development programme, beyond the assumptions in our current strategy. At Group level this is in the order of 650 units per annum. Our development programme represents a significant element of the Group's expenditure, in the form of borrowing to fund construction. We currently spend c. £100m every year across the Group on development-related activity.

3.3 The income from the construction of new homes represents a correspondingly significant element to increasing rental income to continue to service borrowing. Additionally, the development programme plays a key role in reducing unit management costs for developing RSLs, as overheads are spread over a greater number of units.

3.4 A key risk is that we do not identify a pipeline of development opportunities to realise our assumed development programme at Loretto and Group level. This could lead to us not constructing enough units to repay our borrowing levels or achieve assumed reductions in management cost levels. A further headline risk is Grant availability beyond March 2021. This is a major focus across all developing RSLs and local authorities. It is likely to be later this calendar year (summer 2020) before there is housing budget certainty for 2021/22.

4. Background

4.1 Since joining the Group, we have completed 370 new affordable homes. Our current Group business plan assumes we will complete over 170 units of affordable housing new supply units over the five financial years from 2020/21.

4.2 Table 1 below sets out the Loretto programme by year.

Table 1 – Loretto Programme by Year

RSL	20/21	21/22	22/23	23/24	24/25	Total
Loretto	0	90	56	30	0	176

4.3 Other opportunities continue to be both sought by us and brought to our attention through our network of contractors, developers, consultants, agents and local authorities. As potential sites arise discussions take place with relevant parties and investigations are undertaken to test the viability of the opportunity. This allows us to explore increasing the scale of the Loretto Housing programme and means that the programme will most likely evolve as the programme develops through time.

5. Discussion

Development Footprint

5.1 An important consideration for our future pipeline is understanding the areas where opportunities may emerge. For Loretto this will be driven by the respective local authority housing strategies and the Strategic Housing Investment Programmes that flow from them. We will ensure our new build programme is maximised through being agile and working with local authorities on a variety of consideration such as all property types.

5.2 The Wheatley Group Board in April 2019 agreed that:

- Cube and **Loretto** should extend their development footprint to include: Falkirk, Renfrewshire, East Dunbartonshire and South Lanarkshire council areas;
- Dunedin Canmore Housing to continue to be the principal developer in Edinburgh and Lothians;
- West Lothian Housing Partnership should retain its development footprint in West Lothian only; and
- GHA will be our principal developer for the City of Glasgow, and over time will consider development in Greater Glasgow.

5.3 In totality our footprint covers the local authority areas the Board agreed in May 2019, namely:

- East Dunbartonshire;
- West Dunbartonshire;
- Glasgow (no longer developing in this area);
- North Lanarkshire;
- South Lanarkshire;
- Falkirk; and
- Renfrewshire.

5.4 The planning of our development programme involves discussions with the respective local authorities in their role as strategic housing and planning authorities and the Scottish Government as grant funders. This is in addition to our work with a network of private sector developer contacts. A presentation on the five year development programme and the key strategic housing drivers will be made at the Board meeting.

Development appraisal criteria

5.5 The Board in May 2019 approved the criteria that forms the basis for assessing new development opportunities for inclusion in Loretto's five year development programme:

Criteria	Measure/Test
Local Housing Strategy	Contribute to the Local Housing Strategy (LHS) of the respective local authority. The project appraisal should detail which of the LHS outcome(s) the project will contribute.
Building and strengthening strategic partnerships/ relationships	Contribute to strengthening our relationship with local authorities and developers. The appraisal will identify the strategic partnerships and/or relationships to which the project will contribute.
Improving customer choice	The housing mix will be developed in consultation with Loretto Housing Management and respond to known and anticipated housing need for social rented housing and in conjunction with Lowther Homes for our future mid-market rent programme if applicable.
Housing Market Areas	Within the agreed local authority areas unless otherwise agreed with the Group Board and Loretto Housing Board.
Internal Rate of Return	The Internal Rate of Return shall be a minimum of 6.2%
Debt	Borrowing required would not exceed total assets.
Borrowing	Borrowing will be repaid within 30 years.
Valuation Growth	Projects will be valuation positive on our balance sheet and assumed to deliver valuation growth within 3 years.

5.6 Where any of these criteria are not met the project may be referred by the Group Development Committee, where it considers there to be an exceptional reason for proceeding, to the Loretto Housing Board for consideration. If new opportunities arise in year that do not feature in the Loretto approved five year development programme then those proposed projects will in the first instance be presented to the Loretto Housing Board for consideration.

<u>5 Year Development Programme</u>

5.7 Attached for consideration at Appendix 1 is Loretto's draft five year Development Programme. All Group RSL Boards will consider their own programmes during the February cycle of meetings.

5.8 One of the planned projects in the programme, Hallrule Drive, Glasgow (32 units of social housing) was previously reported to the Board at site acquisition stage. The remaining 144 units are all partnership projects with private developers. In these projects developers are seeking to partner with Loretto to deliver the affordable housing component of a wider scheme linked to the respective Planning consent and the Strategic Housing Investment Programme for that local authority. All the proposed projects are within the proposed Loretto development footprint, with the exception of the site under consideration at Finlaystone Road, Kilmacolm, Inverclyde. We know this to be a strong housing market area and the Group Development Committee were briefed on 23 January 2020 on this potential development.

5.9 The programme timing is indicative and may be further influenced by a number of factors such as:

- levels of Scottish Government grant;
- statutory consents processes;
- the timing of partners acquiring development sites; and
- new opportunities arising.

6. Key issues and conclusions

6.1 Our five year development programme sets out an ambitious programme that would continue to see Loretto as a key delivery partner for Scottish Government in the provision of new supply affordable housing.

6.2 There remains uncertainty on the likely scale of funding for affordable housing beyond 2021. We will continue to stay closely engaged with senior Scottish Government officials in monitoring this position and will report back to the Board as future grant funding arrangements become clearer across each of our local authority areas.

7. Value for money implications

7.1 Value for money will continue as a key focus in the programme. This can be achieved via both our use of Group and external contractor frameworks and our consultant frameworks, combined with seeking to extend developer partnerships giving rise to more development opportunities.

7.2 This combination will allow us to achieve tangible benefits for tenants as increased efficiency can enable us to deliver better value for money.

8. Impact on financial projections

8.1 Our business plan assumes £30.5m gross development spend over the next five years. The successful delivery of the development programme helps us realise the wider assumptions within our financial projections. The summary of development costs and grant over the next five years is presented in the below table:

New Build Programme	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Development Costs	10,810	11,351	3,468	1,389	3,489	30,507
Grant Income (cash received)	8,817	3,558	1,149	717	1,510	15,751
Net Cost	**1,993**	**7,793**	**2,319**	**672**	**1,979**	**14,756**
Completions	0	90	56	30	0	176

9. Legal, regulatory and charitable implications

9.1 On a regular basis details of the Group and RSL development programme are shared with the Scottish Housing Regulator.

9.2 The Property Legal Team, with support from external legal teams as required, provides legal advice on projects included in the five year development programme. Typically, this involves advice and guidance on due diligence on titles, land acquisition and construction contracts.

10. Partnership implications

10.1 We have a number of key strategic partners in the delivery of the development programme: Scottish Government More Homes Division and the local authorities in our operating areas. Regular programming meetings take place with Scottish Government and the local authorities to assist with future programming and monitoring. In addition, we have a number of important relationships with developers, housebuilders and various land agents.

10.2 For some of our newer geographies we continue to build relationships with local authorities and identify potential opportunities to increase the number of tangible opportunities we can consider for Loretto's future programme.

11. Equalities impact

11.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1) with the inclusion of wheelchair units on a number of sites being a standard funding requirement.

12. Recommendations

12.1 The Board is asked to:

1) approve Loretto Housing Association's five year development programme as summarised in this report; and
2) note that the five year development programme will be reviewed annually and presented for approval to the Loretto Housing Board, in conjunction with the presentation of the Group Business Plan.

List of Appendices

Appendix 1 – Draft five year development programme

Appendix 1

Loretto Housing

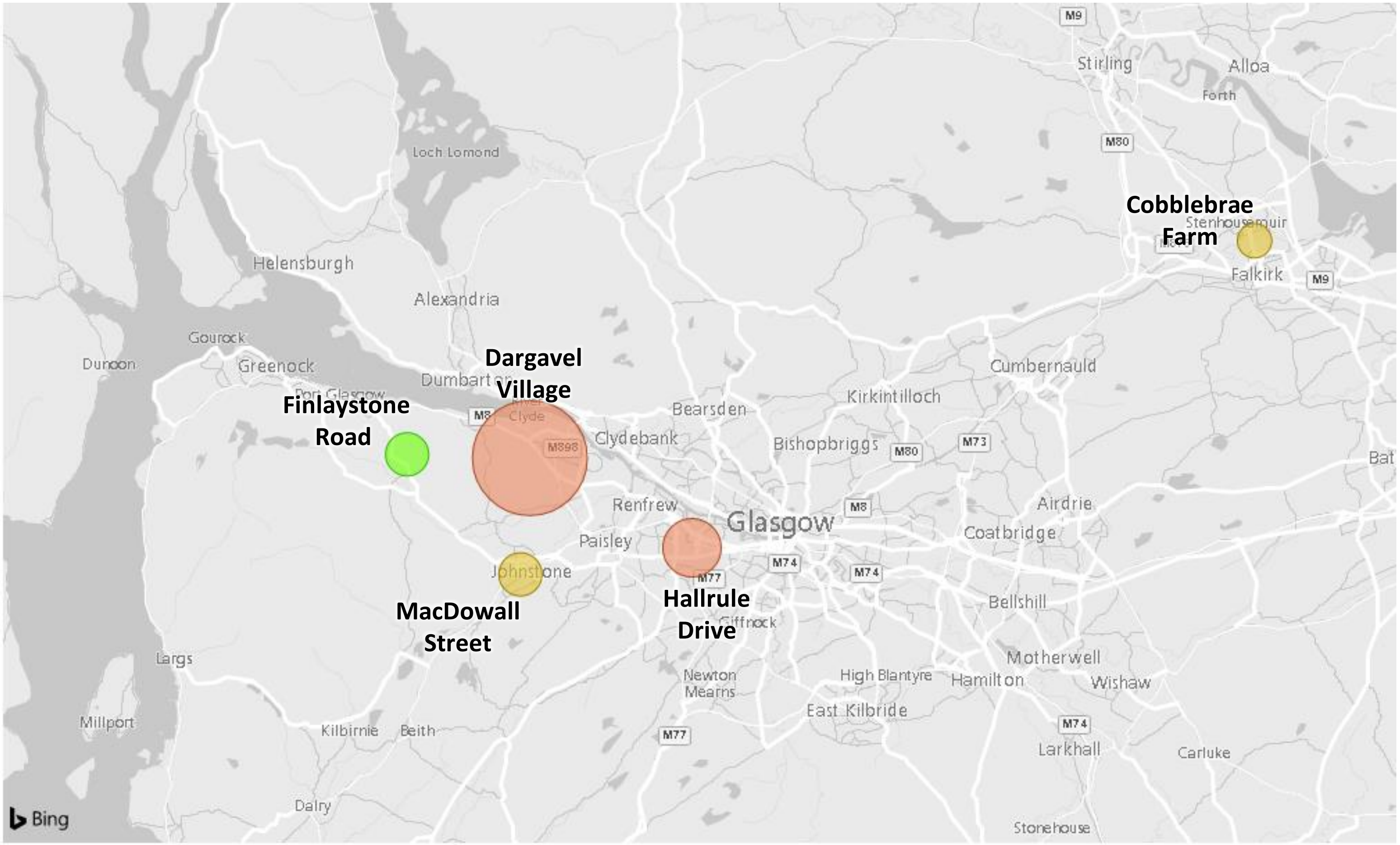
Five Year Development Programme

Loretto Housing Board
10 February 2020
Stuart Johnstone

Five Year Development Programme

Loretto Housing

	20/21	21/22	22/23	23/24	24/25	
Dargavel Village		58				**58**
Hallrule Drive		32				**32**
Cobblebrae Farm			21			**21**
MacDowall Street			35			**35**
Finlaystone Road				30		**30**
		90	**56**	**30**		**176**



Year of Completion ● 2021/2022 ● 2022/2023 ● 2023/2024

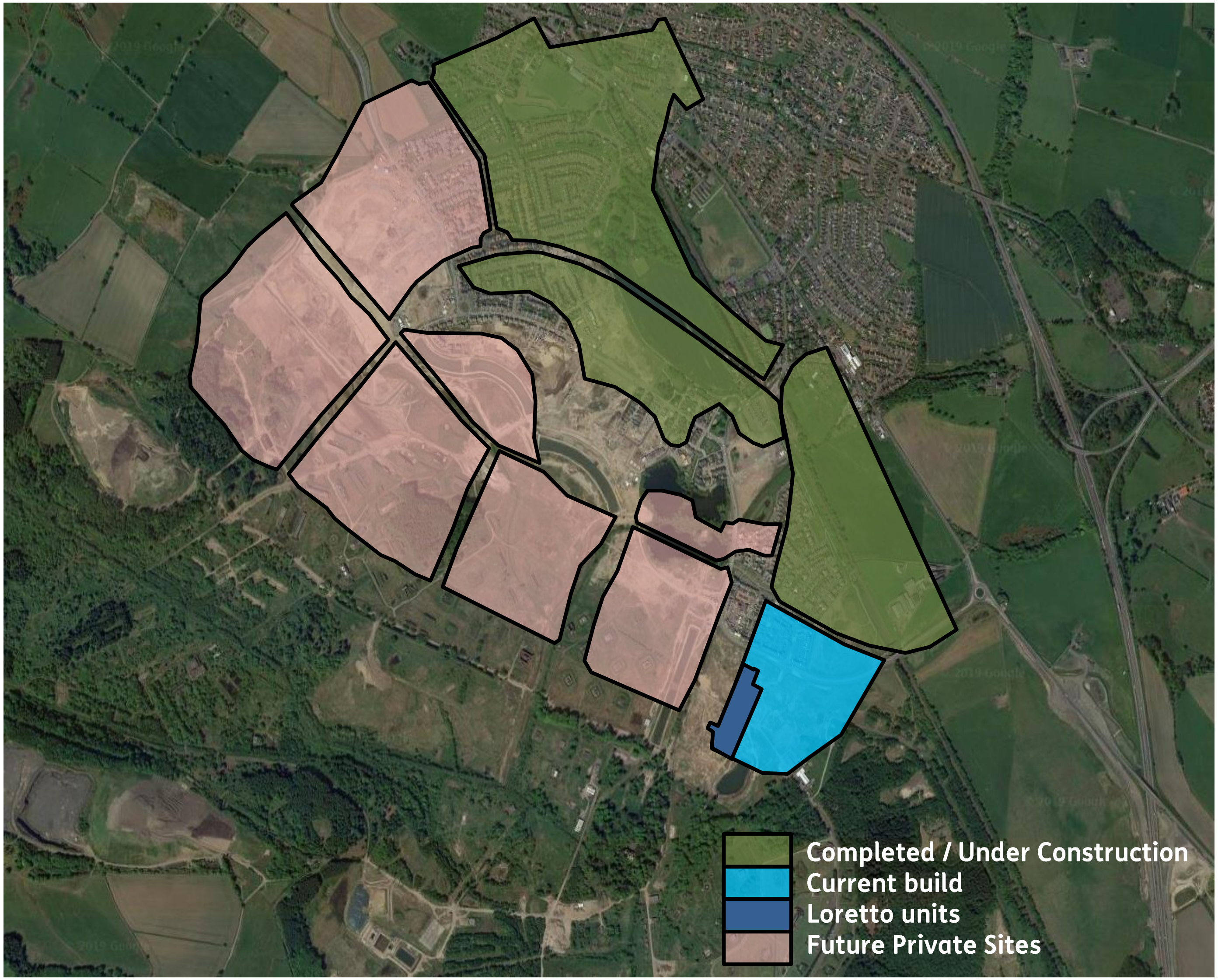
Hallrule Drive, Glasgow

Loretto Housing

Hallrule Drive, Glasgow

Loretto Housing

Dargavel, Bishopton



Dargavel, Bishopton

Loretto Housing

FRONT ELEVATION
FACING BRICK

FRONT ELEVATION
FACING BRICK

Cobblebrae Farm, Falkirk

Loretto Housing

Classified as Internal

McDowall Street, Johnstone

Loretto Housing

Finlaystone Road, Kilmacolm

Loretto Housing

Classified as Internal

Loretto Housing

Report

To:	**Loretto Housing Association Board**
By:	**Gillian Ogilvie, Finance Manager**
Approved by:	**Steven Henderson, Group Director of Finance**
Subject:	**Finance Report for the period to 31 December 2019**
Date of Meeting:	**10 February 2020**

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1. Purpose

1.1 To provide the Board with an overview of the management accounts for the period to 31 December 2019.

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 Loretto 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 in Loretto's 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 approved by the Loretto Board on 25 March 2019.

4.2 The full year budget for Loretto has a statutory surplus of £549k, which is driven by the recognition, upon completion, of £2,466k of grant income for new build properties in the Operating Statement. Surpluses and deficits reported are extremely sensitive to the timing of grant recognition.

4.3 The appendices provide more detail on the financial results.

5. Discussion

Finance Report for Period to 31 December 2019

5.1 Loretto has reported a statutory surplus of £3,707k for the 9-month period to 31 December 2019, which is £2,730k favourable to budget. When interest payable, depreciation (EBITDA) and grants are removed the reported surplus is £78k favourable to budget.

5.2 Key points to note:

- The completion of new build units at Muiryhall in May have resulted in a significant favourable variance in grant income being reported as the budget assumed that this site would complete in 2018/19.
- TSS employee costs continue to be below budget, however, this is offset by a related reduction in income received from the RSLs (reported in other income).
- Direct running costs reports a variance of £64k unfavourable to budget following notification from GCC of an increase in Duke St council tax charges on our void properties, and the available exemptions having been exhausted, in addition to an agreed increase in service charge income passed to Loretto Care after the business plan for 2019/20 was finalised.
- Although total repairs and maintenance spend to 31 December reports a variance of £73k favourable to budget, mainly as result of the timing of cyclical spend, we expect a third of this saving to be utilised by the end of the financial year.

5.3 Loretto has reported net capital expenditure of £3,790k for the 9-month period to 31 December 2019, which is £1,109k higher than budget.

Key points to note:

- New build expenditure currently reports spend £958k lower than budget. This mainly results from:

- No spend being recorded against the financial provision for unspecified units due to complete in 2020/21. This is partially offset by the acquisition of land for Dargavel, costs at Hallrule Drive and higher spend on schemes that were already on site at 1 April, following lower spend than anticipated in the previous financial year.
- Capital grant income is £2,190k less than budget due to no claims being made on the unspecified 2020/21 sites.
- Overall, investment programme spend is £50k lower than budget, mainly as a result of a delay earlier in the year in commencing Loretto’s capital compliance programme.

Forecast for Year

5.4 A statutory surplus of £3,231k is forecast, which is £2,682k favourable to budget. The key driver is £2,654k of unbudgeted grant income in relation to the completion of the Muiryhall site, which was anticipated to have completed in 2018/19. No further grant income will be recognised for the rest of the year as no further completions are forecast. When interest payable, depreciation and grants are removed the reported underlying surplus (EBITDA) of £3,202k is £28k favourable to budget.

5.5 Forecast net capital expenditure is £5,477k, which is £1,595k lower than budget. The overspend is driven by reduced capital investment income of £70k against a budget of £3,015k; the £70k reflecting the year to date position with no further income expected in Q4. New build spend is still forecast to come in at £930k lower than budget due to reduced spend overall on unspecified units.

6. Funding update

6.1 At its meeting on 7 October 2019 the Board received an update on the development of the single care vehicle. As part of this, the Board considered and approved the consent and amendment letters to our funding agreements. These were required to (i) allow the activities of Barony Housing Association to be consolidated elsewhere within group so that (ii) Barony could thereafter be dissolved. Some of the amendments were required in order to reflect the factual position following the re-organisation, including a change to arrangements for Loretto Care's working capital facility.

6.2 At present, Loretto Care and Loretto Housing Association have a £1m on-lend agreement, allowing Loretto Housing Association to lend Loretto Care up to £1m from funds obtained via WFL1 (note that this facility has never been used). While the arrangement is currently directly between Loretto Housing Association and Loretto Care, the RSLs share the potential exposure to Loretto Care via the cross-collateral agreement in the WFL1 Limited facilities.

6.3 Following the creation of the new single care vehicle, the £1m on-lend agreement will no longer be a direct relationship between Loretto Housing Association and the single care vehicle. Instead, a new intra-group on-lend agreement would permit the new care vehicle to access a maximum amount of £1m from any of the RSLs. A copy of the agreement is attached at appendix 2. The exposure to WFL1 Limited remains unchanged; a maximum of £1m on-lending is permitted. Following the previous approval, it is our recommendation that the Board accept the current proposal presented.

6.4 As Barony Housing Association is also a guarantor for Syndicate and HSBC facilities, a letter of resignation will also be sent to each funder to request acceptance of the resignation from the facility agreement.

7. Value for money implications

7.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. Loretto has reported a statutory surplus, excluding interest payable, depreciation and grants to December of £2,405k, £78k higher than the surplus of £2,327k which was budgeted.

8. Impact on financial projections

8.1 The 2019/20 Business Plan was approved by the Board at the February 2019 meeting. No material changes have been noted since this date.

9. Legal, regulatory and charitable implications

9.1 No implications.

10. Equalities impact

10.1 Not applicable.

11. Recommendations

11.1 The Board is requested to:

1) note the Finance Report for the period to 31 December 2019; and
2) Approve the intra-group facility agreement and delegate authority to the Chair, any Board member, Group Chief Executive, Group Director of Finance, Director of Treasury or Group Company Secretary to execute.

List of Appendices

Appendix 1: Period 9 – 31 December 2019, Finance Report
Appendix 2: Loretto Care Intra-Group Facility Agreement [redacted]

Loretto Housing

Report

To:- **Loretto Housing Association Board**

By:- **Chris Walker, Head of Housing**

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

Subject:- **Performance Report - YTD 2019/20 (Quarter 3)**

Date of Meeting:- **10 February 2020**

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1. Purpose

1.1 This report outlines progress against the 2019/20 Delivery Plan. It shows performance against key indicators and progress towards completion of the agreed key strategic projects. The Board is asked to note the performance and actions outlined.

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 Loretto Board is responsible for the on-going monitoring of performance against agreed targets. In the case of Loretto Housing, this includes the on-going performance of its services.

2.2 In addition, the Group Authorising Framework states that the Loretto Housing Board is responsible for approving any changes to their Service Delivery Model or arrangements which it may consider necessary in order to deliver the level of performance to achieve agreed targets.

3. Risk appetite and assessment

3.1 The Board agreed risk appetite for performance is *open.* Whilst considering any potential inherent risk, the application in this instance means there is a preference to be innovative and progressive in our delivery to achieve sector leading performance.

3.2 This report provides the Board with an update of performance in Quarter 3, year 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 during Quarter 3 (Appendix 1: April to December 2019) against the key indicators which are to be reported to the Scottish Housing Regulator as part of the Annual Return on the Charter.

4.2 Loretto Housing staff review performance weekly at our Digital Visual Measures Board to ensure we successfully deploy 'Investing in Our Futures' strategic measures and deliver excellent personalised services to our customers.

5. Loretto performance summary

5.1 We are meeting 8 of the charter indicators in Quarter 3. The detail on these indicators is provided in the body of the report.

5.2 Average time to complete emergency repairs (hours) is 3 hours against a target of 3 hours. The performance exceeds Top Quartile of 4.04 hours. We have continued to work closely with our colleagues in City Building to ensure performance is sustained and that we are focused on customer experience within emergency repairs, whilst performing beyond that of our sector peers.

5.3 Average time to complete non- emergency repairs (working days) we have continued to exceed target in this indicator achieving 4.34 days against a 2019/20 target of 5.5 days and continue to surpass Top Quartile of 8.49 days. Utilising My Repairs, we will be continuing to focus on improvements we can make for our customers and repairs performance indicators.

5.4 % reactive repairs completed right first time is continuing to achieve 98.47% this quarter against our target of 97%. This indicator is based on 2543 repairs YTD completed by City Building who continue to analyse all repairs not met first time to ensure we support best practice, identify improvements and maintain high standards.

5.5 % Tenants satisfied with repairs or maintenance carried out in the last 12 months at the end of quarter 3 was 90.67% this quarter against our target of 93%. 175 tenants from 193 surveys completed have said they were satisfied with repairs that were carried out. We have worked with City Building this quarter to re-emphasise the importance of quality as part of the new my repairs model and we are focusing on increasing surveys carried out in quarter 4 to ensure target is met in 2019/20.

5.6 % repairs appointments kept 100% of appointments have been kept against a target of 98.02%. We are also meeting a Top Quartile target of 98.02% for % of repairs appointments kept. 3351 repairs appointments have been completed out of 3351 made in quarter 3.

5.7 % properties requiring a gas safety record which had gas safety check by anniversary date are 99.91% compliant. We identified one property in April that was serviced in 368 days which has reduced the overall %. The Head of Housing has now identified and implemented key process changes to ensure that all properties with a gas supply have valid Landlord Gas Safety Record (LGSR). All gas certificates are matched to completion reports in the interests of technical compliance on a monthly basis. It is expected that performance will return to 100% in period 1 2020 with new processes in place.

5.8 % of lettable houses that become vacant is now 8.38% this period against a target of 8.00%. We had 116 tenancies ended from a property count of 1385. This is a higher than average number of give ups from 2018/19 of 107. The main reasons for end of tenancy identified for this quarter is tenants deceased, ill health and a successful rehousing of customer with changing needs. With the number of tenancies, we could only allow 110 give up's this year – an average of 9 per month making target difficult to achieve before year end.

5.9 % complaints responded to in full within SPSO timescales has continued to Improve in performance in quarter 3 reporting 97.27% towards a 96% target set. We are achieving Top Quartile performance of 95.5%. The change in process in Quarter 1 has ensured that all complaints raised are resolved on timescale. We have now achieved 100% for all complaints resolved within timescale in quarter 2 and 3.

YTD Complaints Analysis:

Loretto Complaints - Total	Stage 1		Stage 2		Total No. of By Type
	Upheld	Not Upheld	Upheld	Not Upheld	
Anti-Social Behaviour	0	0	0	0	0
Debt Recovery	1	0	0	0	1
Estate Services	2	0	0	0	2
Improvement/Investment Work	0	0	0	0	0
Insurance	0	0	0	0	0
Account Issues)	0	0	0	0	0
Other	2	0	0	1	3
Rent and Service Charges (Account Issues)	1	1	0	0	2
Repairs and Maintenance	14	4	0	0	18
Re-Sale	0	0	0	0	0
Staff	2	10	0	0	12
Tenancy Management (inc Allocations)	0	0	0	0	0
Total	22	15	0	1	38

5.10 Year to date, we received 110 complaints. 49 complaints have been upheld, this equates to 68% of all complaints upheld. The identifiable trends appear to be within the repairs and maintenance service which has been a large focus of the new My Repairs model to improve customer satisfaction and communication. Housing Officers are also maximising repairs information for their patch, to work closely with City Building to ensure works are completed on time and to a standard customers expect.

5.11 % Anti-Social Behaviour cases resolved within locally agreed targets reports YTD performance continues to achieve target at 98% against a target of 93.87%. We have received 58 Streetwise cases YTD and 57 cases have been completed in timescale. This is an average of 6.5 anti-social behaviour cases logged and requiring action from Loretto Housing per month.

5.12 Ongoing trends and performance monitoring is carried out monthly with Housing Officers to ensure cases are resolved on time and to customer's satisfaction.

5.13 Tenancy Sustainment at end of Quarter 3 has increased this quarter from 88.5% in quarter 2 to 88.98% this quarter against a target of 93.87% - Tenancy sustainment is calculated by the number of tenancies started and failed within a rolling year.

5.14 We have sustained 113 tenancies from 127 new tenancies. Ongoing reviews are carried out monthly to identify trends. We have seen 17 sustained tenancies not met in the same period last year against 14 this year, however the number of eligible new tenancies from this year is only 127 against 167 last year. The reduction in new tenancies has made the target difficult to achieve in 2019/2020.

5.15 Analysis has shown a variety of sustainment reasons but ill health, medical reasons and family responsibility continue to be the main reason for termination.

5.16 Housing staff are continuing to ensure that they have a person centred approach to identify customers who may require additional support to remain in their tenancies to improve sustainment and customer's wellbeing. Housing staff identify where wrap around services can assist with customers in early intervention to prevent loss of tenancy. Wrap around services such as Welfare Benefit Officer, My Great Start, Tenancy Support Services, Housing Options, Helping Hands Fund, My Savings, Fuel Advice and provision of food parcels have been key contributors to this performance measure.

5.17 % Tenants satisfied with their home when moving in is reporting 98.18% against a target of 94%. This performance indicator is made up of 110 surveys completed after sign up for new Loretto Housing customers YTD of whom are satisfied with the high standard of their homes when moving in. We have only 2 customers not satisfied at time of moving.

5.18 Average time to complete approved Medical Adaptations for Loretto housing have now completed all Medical Adaptions in 15.61 days against a target of 25 days. Loretto Housing have now completed 36 medical adaptions YTD and continue to achieve this target.

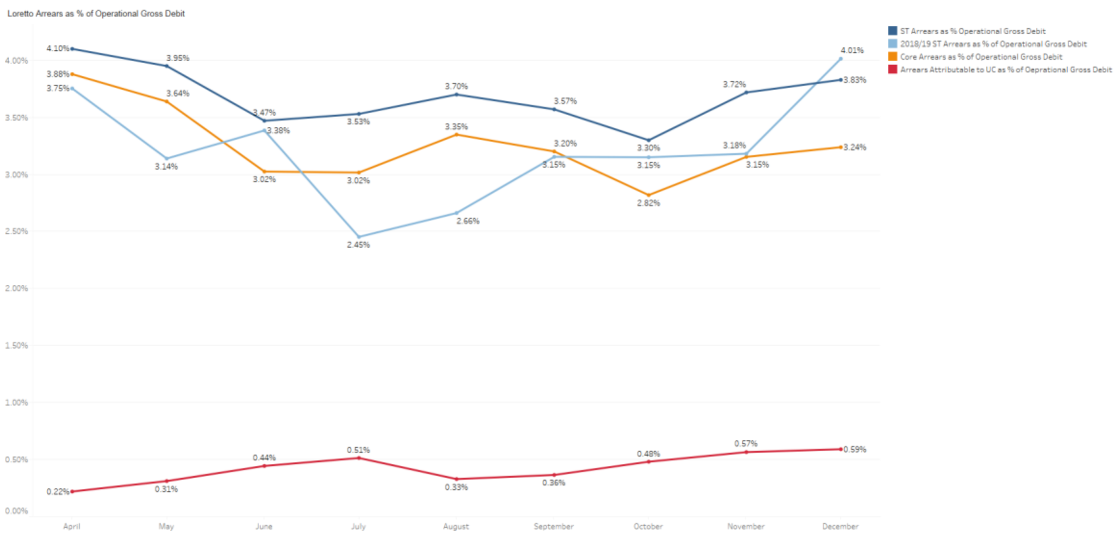
5.19 Gross rent arrears as a % of rent due is reporting an increase in quarter 3 as now 4.88% against a target of 4.6%. Our projected performance in quarter 3 was 4.93% due to the festive period and an increase of Universal Credit customers and Housing Benefits technical arrears. This is an increase from 4.72% in Quarter 2. This is our best quarter 3 performance in recent years, Gross rest arrears as a percentage or rent due were 5% in 2017 and 4.89% in 2018. All our Housing officers are aiming to meet target for 2019/20 with a double Housing Benefit payment from South Lanarkshire due in March and the focus on case escalation as part of the rent campaign.

5.20 For the purposes of Universal Credit monitoring we focus on Sitting Tenant (ST) arrears. ST arrears for Loretto have reduced by 0.27% from the beginning of the financial year to the end of Quarter 3, from 4.10% to 3.83% of Operational Gross. We can split this down to:

- **Arrears attributable to UC** which have increased by 0.37%. The cash value of this increase is slower than expectations at £28,994.

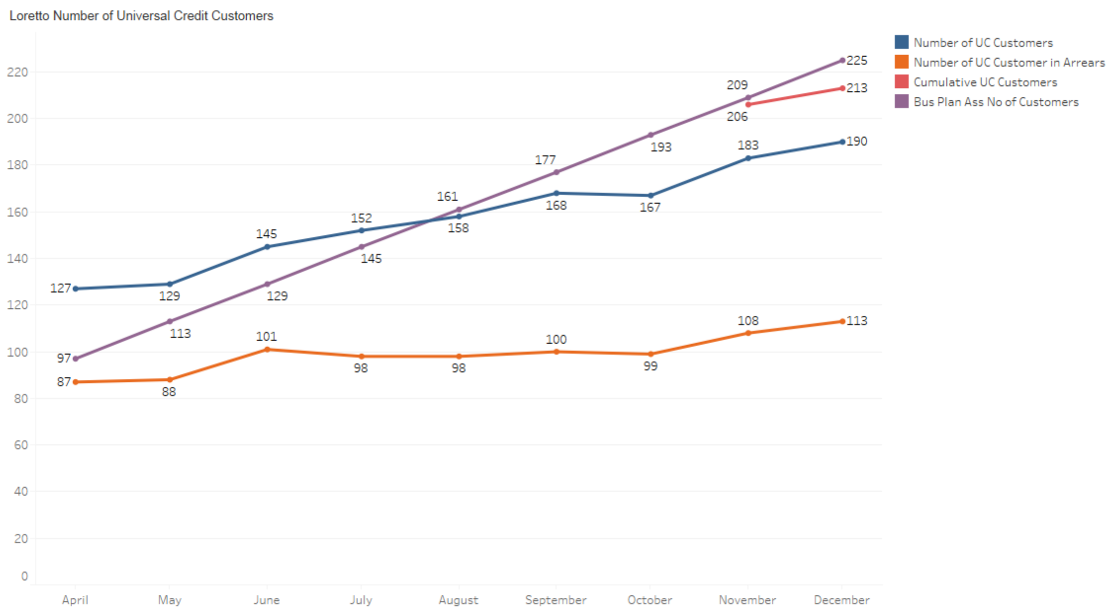
- **Core arrears (arrears not attributable to UC)** have improved by 0.64%, from 3.88% to 3.24% from the start of this financial year. This is the customary trend for Loretto in Quarter 3 due to the timings of the Housing Benefit payments. Loretto is focussed on maintaining core arrears at or below the level of the previous year to mitigate the impact of UC.

CHART 1: Sitting Tenant Arrears as a percentage of operational gross debt split by core arrears and arrears attributable to Universal Credit



5.21 The rate of customers moving onto UC has been slightly slower than the Business Plan had assumed for 2019/20. The assumption was that 225 customers would be on UC by the end of Quarter 3, in reality we now have a cumulative total of 213 UC tagged customers. We expect to have approximately 215 customers on Universal Credit by the end of the financial year.

CHART 2: Number of Universal Credit Customers – Loretto Housing



5.22 Links with DWP allow us to identify customers moving onto Universal Credit to offer support as required. The key actions for staff to support customers on UC are to establish early contact, secure a direct debit or other formal payment arrangements, make appropriate referrals to Wheatley 360 wrap around services and ensure customers understand the importance of keeping their Universal Credit information up to date.

5.23 The use of Expected Payment Plans (EPPs) for UC customers has increased by 34% since Quarter 2. The number of UC customers on a managed payment from DWP has also increased by 3%. 97% of EPPs are maintained and this has remained steady since Quarter 2.

5.24 We are currently seeing an average increase of 12 new UC customers each month this year, with housing officers now supporting around 24 UC customers per patch. 59% of UC customers are in arrears. The percentage of customers in arrears has remained steady throughout the year despite an increase in the number of customers in UC of almost 4%.

5.25 Average time to re-let properties this quarter is 14.56 against the target of 14 days but achieving upper quartile of 17.31 days. This was due to an increase in lets this quarter with a number of works required.

5.26 This was addressed with the Housing Officers in December and achieved 13.44 days in December and they are focusing on utilising weekly VMB meetings with colleagues in City Building to discuss each void and how we can ensure quick turnaround and high standard expected for new customer moving in.

6. Strategic Projects

Strategic projects – progress at Quarter 3

6.1 Appendix 2 outlines progress on the strategic projects in the Delivery Plan at the end of Quarter 3.

6.2 This section provides an update on project progress to the end of December 2019:

- **Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations** – this project will move into 2020/21 to align with GCC and the Scottish Government who are reviewing their approach to adaptations.

- **Develop 2020-2025 Group workforce development plan** – linked to the Group People Strategy, workforce plan development will complete following approval of this Strategy and timescales will now move into 2020/21.

6.3 All other projects are on track to deliver either on time or by the end of the financial year.

7. Key issues and conclusions

7.1 We will continue to address and monitor gross % of rent arrears, tenancy sustainment, Average days to let, lettable properties that become vacant and % of properties with a gas safety check to bring these business critical areas in line with targeted performance. In addition, continued emphasis on the 6 customer satisfaction areas will remain a focus of the Housing team to achieve upper quartile target of 80%. BMG are currently completing a tenant satisfaction survey following an increased engagement within communities in 2019 and continuation of the Community Action Group which meets quarterly.

7.2 Measures on track include emergency and non-emergency repair timescales, reactive repairs completed right first time, anti-social behaviour cases resolved within timescale, Complaints resolved on timescale and tenants satisfied with standard of home when moving in, medical adaptation completion timescales.

8. Impact on financial projections

8.1 There are no direct financial implications arising from this report. Any financial requirements related to actions and projects within the report are subject to separate reporting and agreement.

9. Legal, regulatory and charitable implications

9.1 Registered Social Landlords are required to provide an Annual return on the Charter to the Scottish Housing Regulator. The key indicators within this return are included in monthly performance reporting. RSLs are also required to involve tenants in the scrutiny of performance (this is done through our Tenant Scrutiny Panel) and to report to tenants annually by October. We produced the ‘Annual Report to Tenants’ which was circulated within target timescale.

10. Partnership implications

10.1 The performance report is used to identify areas where partnerships need to be strengthened or amended to help Wheatley achieve its strategic vision.

10.2 It also informs the on-going liaison work needed by staff with internal and external partners.

11. Implementation and deployment

11.1 Our focus on performance is regularly reviewed at our weekly visual measures board meetings, monthly 1-2-1’s and quarterly leader’s forum events.

11.2 The introduction of additional training delivered in conjunction with our colleagues in the Academy will ensure Housing staff as discussed at My Contribution 1-1’s continue to develop and refine core skills and competencies which equip them to deliver on our strategic aims and objectives with particular focus on customer satisfaction related ARC measures.

12. Equalities impact

12.1 There is no direct equalities impact from this report.

13. Recommendations

13.1 The Board is asked to:

1) Note the performance report and actions to improve performance; and
2) Provide comment on the report content.

List of Appendices

Appendix 1 - Strategic Measure Dashboard – Quarter 3 (2019/20)
Appendix 2 - Strategic Projects Dashboard – Quarter 3 (2019/20)

Appendix 1 - Loretto Housing Board - Delivery Plan 19/20 - Strategic Measures

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% All complaints responded to in full within SPSO timescales (includes YP)	96.64%	97.27%	96%	✓
Average time taken to complete emergency repairs (hours) – make safe	2.97	3	3	✓
Average time taken to complete non-emergency repairs (working days)	4.11	4.34	5.5	✓
% reactive repairs completed right first time	96.44%	98.47%	97%	✓
% repairs appointments kept	100%	100%	98%	✓
% properties requiring a gas safety record which had gas safety check by anniversary date	100%	99.91%	100%	⚠
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service (monthly)	91.37%	90.67%	93%	⚠
% tenancy offers refused during the year	29.73%	25.69%	21%	●
% anti-social behaviour cases resolved within locally agreed targets	98.39%	98%	93.87%	✓
% new tenancies sustained for more than a year - overall	90.85%	88.98%	92.5%	⚠
% lettable houses that became vacant	8.2%	8.38%	8%	⚠
% Tenants satisfied with the standard of their home when moving in	98.36%	98.18%	94%	✓
Average time to complete approved applications for medical adaptations (calendar days)	18.5	15.61	25	✓
Gross rent arrears (all tenants) as a % of rent due	4.98%	4.88%	4.6%	⚠
Average time to re-let properties	12.55	14.56	14	⚠
% lets to homeless applicants		13.07%		

	2018/19	2019/20		
Measure	2018	2019		
	Value	Value	Target	Status
% lets to other nominations – non homeless		35.23%		
% avoidable contact	10.63%	13.08%	18%	
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	91.64%	86.97%	96%	
Loretto Housing - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	6	7	3	
New build completions - Social Housing	86	56	28	
Sickness Rate	5.15%	6.08%	3%	

Appendix 2 - Loretto Housing Board - Delivery Plan 2019/20 - Strategic Projects

Strategic Project	Delivery Date	Status	% Progress
Develop and implement governance monitoring arrangements for the renewal of core strategies policies and frameworks	31-Oct-2019		100%
Review approach to service charges	31-Oct-2019		100%
Develop LivingWell specification for new build	31-Oct-2019		70%
Work with Police Scotland to develop a Group wide Antisocial Behaviour and Crime Prevention and Mitigation Framework	30-Nov-2019		70%
Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations	31-Dec-2019		0%
Develop Group Asset Strategy for Housing, Commercial and Care	29-Feb-2020		95%
Development Framework	29-Feb-2020		80%
Develop Group Homelessness Framework including rapid rehousing	29-Feb-2020		70%
Implement repairs improvement project phase 1	30-Mar-2020		70%
New Wheatley Graduate Development programme in place	31-Mar-2020		75%
Develop 2020-2025 Group workforce development plan	31-Mar-2020		0%
Leadership and development framework implemented	31-Mar-2020		75%
Tenancy sustainment innovation - virtual home development (phase 3)	31-Mar-2020		50%
Mechanical & Electrical service contract procurement plan agreed and implemented	31-Mar-2020		100%
Co-create our new engagement approach	31-Mar-2020		80%
Implement tenancy Star - Phase 2 (Group wide project)	31-Mar-2020		60%

Report

To: Loretto Housing Association Board

By: Anthony Allison, Secretary

Subject: Board Appraisal

Date of Meeting: 10 February 2020

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1. Purpose

1.1 To provide the Board with feedback from the 2019 Board appraisal process.

2. Authorising context

2.1 Under the Group authorising framework, the Group Board is responsible for our overall governance framework. This is also reflected in the Regulatory Framework, which places responsibility on the Parent for the overall governance arrangements across the Group.

2.2 Board recruitment and succession planning is the responsibility of individual Boards, with the Group Remuneration, Appointments and Appraisals ("RAAG") Committee having an oversight and ratification role.

3. Risk appetite and assessment

3.1 Our risk appetite in relation to governance is cautious, which is defined as "Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.2 The Group strategic risk register recognises the risk associated with our governance structure, that is, the risk of a service or financial failure if our governance "is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively".

3.3 We mitigate this risk by having clearly defined documentation in place as well as undertaking a formal annual Board and individual member appraisal process. As part of this review we are taking into account the Scottish Housing Regulator ("SHR") Regulatory Framework ("the Framework") and associated statutory guidance.

4. Background

4.1 Board appraisals are an important part of ensuring that the Board members have the opportunity to review their contributions, both individually and collectively.

5. Discussion

5.1 The 2019 Board appraisal process has now been completed. The process was based on 3 key elements:

1) Assessment of Board performance against the agreed question set;
2) Individual self-assessment against the agreed question set; and
3) Individual interviews with the Chair of the Board.

Board appraisal

5.2 The mode/median scoring of the Board against the agreed question set is set out at Appendix 1. The scoring was reflected in the discussions with the Chair, in part reflecting the additional comfort the Board have received through the recent recruitment.

5.3 Scoring was generally positive. The following issues were identified:

- There was a strong view that information presented to the Board is clear, concise and pertinent, and meetings have an appropriate balance between strategic operation and governance issues. The individual discussions did however suggest there remains some scope to reduce the size of the papers.

- The median score for the questions relating to (i) appropriate balance of skills on the Board and (ii) appropriateness of industry knowledge was 3. There were two primary reasons for this. Firstly, there was an unfilled vacancy identified for an individual with finance skills and the Board identified having no specialist knowledge in this are as a risk. We subsequently recruited an additional member with finance skills. The second theme identified related to diversity and the requirement to ensure that analysis be undertaken to ensure the Board reflects customer population.

- In relation to the timing of, and attendance at, Board meetings, the purpose of these question was to give the Board an opportunity to review its current arrangements. The initial feedback indicated there was no specific limitations for members based on the current timing.

Individual appraisals

5.4 Each member was appraised individually by the Chair in relation to their own performance. As part of the individual discussions, two elements in particular were considered: Continuous Professional Development (“CPD”) and succession planning.

5.5 Each member’s feedback in relation to CPD is now being developed into our programme for the year. This will allow us to develop the overall capability of the Board as well as individuals.

6. Key issues and conclusions

6.1 The feedback from the appraisal confirms that the Board considers itself to be effective and embraces the potential to continuously improve.

7. Value for money implications

7.1 There are no direct value for money implications arising from 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 As an RSL, we are required to comply with the Scottish Housing Regulator's Regulatory Framework. Regulatory Standard six sets out specific requirements in relation to succession planning, board appraisals and continually considering the skills and experience the board needs.

9.2 The proposals within the report support and strengthen our ability to demonstrate compliance with the Regulatory Standards.

10. Partnership implications

10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

11.1 There are no implications.

12. Recommendation

12.1 The Board is asked to note the feedback from the Board appraisal process and the actions being taken in response.

List of Appendices

Appendix 1 - Appraisal scoring [redacted]