Loretto Housing

LORETTO HOUSING ASSOCIATION

BOARD MEETING

Monday 21 August 2023 at 2pm
Wheatley House, 25 Cochrane Street, Glasgow

AGENDA

1. Apologies for absence

2. Declarations of interest

3. a) Minute of 15 May 2023 and matters arising
   b) Action list

4. Chair and Managing Director updates

Main business and approvals

5. Refreshed 2021-26 strategy

6. Customer First Centre – Independent Evaluation

7. Homelessness Policy 20221-26 – progress update

8. Repairs update

9. Performance report

10. a) 2022/23 Financial Statements
    b) Annual Internal Audit Report and opinion

Other business

11. Governance report

12. Finance report

13. AOCB

Loretto Housing

Report

To: Loretto Housing Board

By: Laura Henderson, Managing Director

Approved by: Laura Pluck, Group Director of Communities

Subject: Loretto Housing Strategy to 2026

Date of meeting: 21 August 2023

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1. Purpose

1.1 To summarise the key issues considered at the recent strategy workshop and propose for the Board's consideration and approval a revised strategy to 2026.

2. Authorising and strategic context

2.1 Under the Group Standing Orders the Group Board is responsible for the approval of the overarching Group strategy. Under our Terms of Reference, we are responsible for approving our 5-year strategy, within the strategic context of the overarching Group strategy.

2.2 Any changes to Group level targets are subject to Group Board approval. Any such changes require to be considered by this Board so that we can consider the implications for our contribution to any revised target.

2.3 We have completed the first two years of our strategy and have put in place a solid foundation for the remaining three years. As the mid-point of our strategy, the current year will be a key one to focus on delivery, which will be critical in achieving our 2026 objectives.

3. Background

3.1 As part of our strategy renewal and refresh process the Board held a workshop in May. The workshop was focused on reflecting on the current strategy and identifying the key priorities for the refresh of our strategy. As part of this, it agreed on the areas of the strategy that should be updated.

4. Discussion

4.1 Taking into account the changes in the Board's role through the Cube partnership and discussion at the Board strategy workshop we have revised our strategy which is attached as Appendix 1. A copy of the strategy outlining the tracked changes is available should the Board wish to see this.

4.2 The front end of the strategy has included a new section to more clearly narrate that the strategy is subject to annual review and capture the key changes, set out in more detail below, that we made during this renewal of our strategy. A recap of the key changes is set out below.

Delivering exceptional customer experience

4.3 A key change in our operating model since 2021 was the creation of the Customer First Centre ("CFC"). The role of the CFC in providing exceptional customer experience is now set out in the strategy.

4.4 To reflect the significance of the CFC in delivering exceptional service a new KPI for customer satisfaction with the CFC, 90% by 2026, is also included in our strategy.

4.5 Our customer insight consistently identifies the repairs service as our customers' highest priority. This is now reflected in the strategy with a specific section in this chapter covering repairs more widely and repairs being more prominent.

4.6 A final area which is now reflected and more prominent in this chapter is the importance of tenant communication. The strategy now explicitly references the importance of communication and the need for customers to have access to the information they need and that it is consistent and easy to access and understand.

Making the most of our homes and assets

4.7 A key change in this chapter is the new section covering our vision for neighbourhoods, integrated approach and a measure to have neighbourhood plan. We will be working with partner organisations across the Group in developing this, however our own approach will need to reflect the diverse and geographically spread nature of our stock footprint.

4.8 The section also now includes a clearer focus on how we data and technology to support asset management and reflects the Board's request that this recognises damp and mould as a specific area.

4.9 The chapter has also been updated to reflect the advancement of the wider Group sustainability work and the changes in the legislative and policy context in relation to net zero and sustainability.

Changing lives and communities

4.10 Our approach to food security through which we work with partners to develop a more sustainable future model is now reflected in the strategy. We have set out our aim to replicate this type of model, where appropriate, using a small amount of initial funding to support wider and more sustainable food security.

4.11 Our future focus is now continuing to support customers and communities following the Covid-19 pandemic and cost of living crisis. Supporting our customers and communities is an area already well reflected in our strategy as a key objective.

Developing our shared capability

4.12 The key change in this chapter relates to the Community Academy section and is to reflect both our Community Hub approach and the appetite we have seen from tenants to engage with us digitally. This will see our focus primarily be on our Community Academy being delivered digitally.

4.13 The strategy also now explicitly references that in developing our Community Academy approach we will consider the use of and signposting to local partners. This is to avoid duplication and to ensure that we make the best use of existing organisations before creating any new offerings.

Enabling our ambitions

4.14 The digital-related elements of this section have been updated to reflect the need to prioritise areas that we know are priorities for customers such as online repairs, our website and digital contact channels.

4.15 It also reflects our wider focus on leveraging digital to enable efficiencies as well as having a focus on efficiency more widely to support keeping rents affordable for tenants.

Summary

4.16 The strategy has been renewed to reflect Board feedback, which was driven by customer insight we have collected. Customer priorities such as repairs, the CFC and neighbourhoods are now much more prominent within our strategy.

4.17 The strategy also reflects our progress to date, changes in our operating context and more explicitly references the updates we have made as part of its renewal this year.

4.18 Our focus going forward will also continue to reflect the area the Board indicated are key implementation considerations, including:

- Maintaining strong relationships with Local Authorities, particularly in relation to development;
- Ensuring nobody is left behind and our digital approach also seeks to engage those not currently digitally enabled and;
- Maximising customer insight which is brought to the Board to ensure we maintain a focus on customer priorities and any shifts in priorities.

5. Customer Engagement

5.1 The strategy workshop focused strongly on customer insight and feedback following customer engagement. These areas are now referenced within our strategy, such as repairs, family homes, communication, and neighbourhoods.

6. Environmental and sustainability implications

6.1 There are no specific environmental or sustainability implications associated with this report. The strategy has been updated to reflect this area in further detail as referenced in the main body of the report.

7. Digital transformation alignment

7.1 As set out in the body of the report.

8. Financial and value for money implications

8.1 There are no financial or value for money implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 There are no legal, regulatory or charitable implications associated with this report.

10. Risk Appetite and assessment

10.1 We have no single risk appetite in relation to strategy. Our risk appetite statements reflect each individual element of our strategy.

11. Equalities implications

11.1 There are no equalities implications associated with this report. Equalities and tailing our services to the diverse needs of customers and communities is a key theme threaded throughout our strategy.

12. Key issues and conclusions

12.1 The refresh to our strategy has been strongly influenced by customer insight and is focused on what we know are tenant priorities. It also reflects the changes in our operating context, the progress we have made in a number of areas and the review of our strategic measures at the last meeting.

13. Recommendations

13.1 The Board is asked to approve the Loretto Housing Strategy to 2026.

LIST OF APPENDICES:
Appendix 1: Loretto Housing strategy to 2026 available here

Loretto Housing

Report

To: Loretto Board

By: Laura Henderson, Managing Director

Approved by: Laura Pluck, Group Director of Communities

Subject: Customer First Centre – Independent Evaluation

Date of Meeting: 21 August 2023

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1. Purpose

1.1 The purpose of this report is to:

- outline the findings of the independent evaluation of the first full year of the Customer First Centre ("CFC") and;
- outline the recommendations highlighted in the evaluation report and the response to these.

2. Authorising and strategic context

2.1 Under our Terms of Reference, our Board is responsible for setting our 5 year strategy and monitoring our performance. The Group Chief Executive is responsible for implementing our strategy. The report provides the findings of the evaluation of the group-wide CFC, which is a strategic project, following its first full year of operation.

2.2 As the first point of contact for our customers the CFC is critical to achieving our strategic aim of; 'Delivering Exceptional Customer Experience' and 90% overall customer satisfaction.

3. Background

3.1 The CFC was created in December 2021 and launched to our customers in April 2022 as a fundamental part of our revised operating model. A key aim of our new operating model was to ensure that our frontline teams were visible and even more present within their local communities by directing everyday interactions with customers to our new specialist and enhanced CFC. The CFC is focused on resolving 90% of all queries and service requests at the first point of contact. The CFC currently offers a service to customers 24/7 across 365 days of the year.

3.2 Prior to the launch of the CFC there was a basic call centre operating across all subsidiaries with a headcount of c60 call handlers. The launch of the CFC saw the headcount of Customer Service Advisors increase to 150 and the creation of two additional specialist support teams within the CFC comprising of Housing Officers and Lowther Agents.

3.3 In establishing the bespoke Advisor and Specialist model it was envisaged that the CFC would be much better equipped to provide an exceptional customer experience while responding to and more importantly resolving customer issues. This would enable housing officers to invest more time in enhancing the face-to-face service offering in customers' homes and communities.

3.4 As the 'front door' for customers to access our wide suite of services, the quality of the CFC operations and performance is of increasing importance in driving overall customer satisfaction.

3.5 An independent evaluation of the CFC following its first full year of operation was approved by the Group Board as part of the strategic delivery plan. In March 2023 we commissioned Ennovate Consultancy to carry out the evaluation. The project brief required Ennovate to:

- Carry out a desktop review of the CFC's performance against targets over the first year of operation;
- Assess the CFC across its functions and role as a Contact Centre and;
- Highlight any opportunities for improvement.

3.6 Ennovate is a consultancy firm operating in all aspects of Contact Centre Operations. The report author is an experienced Contact Centre professional with over 30 years' experience, operating at an Executive level for the last 10 years across both the public and private sectors. Ennovate aims to work with clients to drive sustainable improvements aligned with their specific corporate goals.

4. Discussion

4.1 Ennovate began its review at the end of March 2023. The review was structured and included an assessment of operational data, with multiple interviews and focus groups with a range of CFC staff and senior leaders across the Housing and Property Directorate. The evaluation report contains a wide range of both strategic and detailed operational points, with the key issues summarised in this report. Recommendations for improvement from the evaluation are summarised across each key focus area and are also detailed below. A copy of the full report is available on request.

4.2 Overall, Ennovate assessed that there has been significant progress in developing the CFC in its first 12 months of operations. **'Overall, a very strong first year, implementing and embedding new people, new processes and systems in a relatively short space of time.'**

4.3 The report outlines that robust foundations have been laid that will pave the way for further evolution of the CFC including the significant strengthening of the senior team and investment in the operational leadership team. **'Over the last 6 months the Leadership Team has been strengthened, with key appointments and some strong hires bringing a broad and deep Contact Centre experience, putting the CFC in a position to further maximize the opportunity to continuously improve and develop the CFC offering.'**

4.4 Performance was outlined as having been strong, with marked improvements across all key metrics and in some areas, bucking the national trends for Contact Centres. Nationally Contact Centres are reporting an increase to c9% of calls being abandoned and Average Wait Times increasing to 100 seconds with some organisations reporting Average Wait Times of 350 seconds.

4.5 Since the CFC is a group-wide service, performance is measured at that level. Key group-wide performance highlights include:

- 8% increase on calls being offered and overall, a 23% increase in inbound calls handled;
- 18% increase in the number of calls being answered in 30 seconds;
- c75% reduction in Average Wait Times to <60 seconds and;
- c75% reduction in calls being abandoned to 4.7%.

Metric	2022/23	2021/22
Call volume (inbound)	854,527	793,751
Grade of Service	77%	58%
Average Wait Time	58 seconds	216 seconds
First Contact Resolution	89%	n/a
Average Handle Time	509 seconds	499 seconds
Webchat	15,578	12,196
Headcount	147	68

4.6 The evaluation assessed performance in key focus areas across the CFC functions with relevant recommendations for improvement included in each section. Overall, there are 17 recommendations for improvement, all without exception which are already being addressed or are detailed in the CFC or wider business improvement plans for 2023/24. The key areas in focus are outlined and the findings are summarised below:

- The Operating Model;
- Demand and Capacity Planning;
- Customer Insight and Quality;
- Reporting, Analytics and Metrics and;
- Channels and Self-serve.

The Operating Model

4.7 The new Advisor and Specialist model and increased headcount of advisors was viewed as a real positive change which is making a difference to the CFC's ability to respond to customer demand, resolve customer issues promptly and improve the customer experience. ***'The Specialist Teams, including the addition of the more recent My Repairs Team, has really helped to get more complex customer issues resolved, more quickly.'*** This is not only improving the customer experience and the time taken to resolve their issues but also supporting a reduction in the average time taken to handle a call and as such freeing up advisors to answer calls more quickly.

4.8 Stakeholder feedback was cited as being almost universally positive with senior leaders and frontline staff clear about the benefits the operating model gives while noting that there is an opportunity for further support to be offered to frontline teams as the CFC develops and methodically and systematically drives out waste demand or service inefficiency.

4.9 This section recommended 4 key areas for improvement which centred on:

- Continued investment in staff development;
- Knowledge Management;
- Review of the hybrid working arrangements and;
- Approaches to customer resolution and continuous improvement.

4.10 The report highlighted the high degree of complexity that has arisen from the changes within the Group RSLs and other subsidiaries over time (such as our partnership with Cube), along with the pace of change in the organisation and the scope of service offering, meaning that the breadth of knowledge and skill required to be able to successfully respond and resolve 90% of customer issues is a constant challenge. It is therefore critical that staff are appropriately multi-skilled and supported to continuously develop their knowledge while having robust tools in place to support them in their daily interactions with customers.

4.11 In the last year an enhanced learning and development programme for the CFC teams with dedicated CFC Academy specialists has been introduced, working hand in hand with the leadership team to ensure this continues to develop and flex to meet staff needs. We have commenced work to fully review the end-to-end learning and development programme from induction to exit, across all roles in the CFC to ensure that it is effective and fit for purpose while balancing the need for staff to be available to interact with customers for the majority of their working day.

4.12 Knowledge Management systems across the Contact Centre industry are considered essential in minimising training effort and providing advisors with clear direction on the plethora of customer issues. CFC staff have a number of ways that they access knowledge when interacting with a customer including:

- Knowledge articles on ASTRA;
- The intranet;
- Our website;
- Sharing knowledge and experience through teams;
- Specific project guidance and;
- Written daily briefing by leads.

4.13 While this works in the main, as reflected in Customer Satisfaction with Group CFC interactions at 4.3/5 a Knowledge Management Framework is under development which will set out our approach to managing knowledge within the CFC, including: how it is received and shared from across the business; how we ensure that knowledge can be easily accessible and succinct yet sufficient; and the processes for maintaining and updating this knowledge. The first iteration of the framework will be concluded and implemented in the Autumn with a full review of our approach as we implement our new Contact Centre Platform in 2024 which has specific knowledge functionality within it.

4.14 The CFC (in its previous iteration) successfully worked from home throughout the pandemic with staff appropriately equipped to do their role from their home. As we established the new operating model including the revised CFC, hybrid working was adopted full time. This, along with the suite of terms and conditions, has allowed us to recruit with ease. The approach to hybrid working to date has been on a demand-led basis with staff coming to the office when there is a specific need such as collaboration, training, or staff events. We will review this approach to ensure that the CFC performance is not being hindered in any way.

4.15 The evaluation highlighted the need for further strengthening the resolution pathways that have been established in the first year of operations to ensure that the correct staff are dealing with the most relevant service queries at all times. A review of the guidance outlining what should be handled by different roles within the CFC is currently being carried out and will be revised further following work with Vanguard – expert consultants in business processes and productivity – which is planned during the Summer to review customer journeys within the CFC.

4.16 While our housing and property teams were very positive about the CFC, the evaluation highlighted the opportunities to continue to work together to ensure there is a clearly defined set of joint priority activities to ensure the CFC continues to evolve in the right way. Our senior housing staff work closely with the CFC meeting with them on a monthly basis at a minimum to discuss areas for improvement and agree on priority actions.

4.17 CFC staff, both advisors and specialists, have attended our staff events in recent months to build relationships and gain a deeper understanding of the importance of their respective roles in supporting our ambitions.

<u>Demand and Capacity Planning</u>

4.18 The report highlighted the critical nature of the resource planning functions to the smooth running of any Contact Centre. It is crucial that customer demand is understood across every operating hour so that we can have the right people in the right place at the right time. There are several contributing factors to good resource planning as highlighted in the evaluation including:

- Appropriate resource;
- Skilled planners;
- Appropriate planning processes;
- Robust workforce management systems and;
- Processes for managing and controlling business activity that is likely to create a short-notice influx in demand.

4.19 The report draws attention to the need to develop the resource planning function across all these areas further to allow for a more robust approach to resource planning generally and maximise the efficiency of resources. Allowing for medium to long-term forecasts of service levels whilst resourcing anticipated peaks in demand. In the last 6 months, the resource and planning team has expanded. This includes the appointment of an experienced Head of Resource and Planning which the evaluation acknowledges as a positive move to boost this discipline further within the CFC.

4.20 Within the first weeks of the expansion of the Resource and Planning team they have already made strides towards a more solid approach to resource planning including but not limited to:

- A deep dive into call demand profile and reviewed against staff shift profile making alterations to patterns of work to better reflect demand requirements;
- Developing a performance metric scorecard relating to all channels within the contact centre. This means they are no longer reviewing and talking about just voice, but digital channels also;
- Creating a system that more easily monitors day to day performance, freeing up valuable resources to focus on longer term planning and analysis;
- Setting up a planning process for the team to analyse the previous day's performance and link with operational leads daily on this and any actions required and;
- Identifying development opportunities for the resource and planning team through membership of the Contact Centre Forum.

4.21 A formal Resource and Planning Strategy is being developed for the CFC with the first draft being prepared now. This will consider the year-round need in the CFC and what approaches can be developed to ensure the CFC can continue to meet demand across all channels when it fluctuates. This will include a cross-divisional approach to managing and monitoring business activity which impacts demand in the CFC. Discussions exploring potential solutions to maximise resources have included options such as annualised contracts, an outsourcing partnership, or the use of other teams within and out with the CFC for periods of exceptional demand. Agreed approaches will be reflected in the strategy.

4.22 The evaluation highlights that the current Workforce Management (WFM) tool currently used by the resource planners is both limited and is approaching the end of life. While the WFM tool works, it is frequently augmented using spreadsheets, has no self-serve function for staff to manage their own work schedule and does not support planning for channels other than telephony. A new Contact Centre Platform is now being procured and over the next 18 months will address all the areas highlighted throughout this section of the report.

Customer Insight and Quality

4.23 In the Contact Centre setting Quality Management (QM) is crucial to delivering consistently high standards of service and supporting staff and the leadership team to identify key learning needs for individuals and as a collective team in addition to evidencing potential issues with processes. A key part of this entails listening to call recordings to review staff performance against clearly set out criteria and expectations. The evaluation report notes that the mechanisms for Quality Management within the CFC have been limited until recently but highlights that progress has been made with agreed Quality Assessment Criteria now set and levels of monitoring agreed and in place.

4.24 Quality Management is the direct responsibility of the 8 Team Coordinators who line manage the Customer Service Advisors and as described above, the process of monitoring quality is manual. Further improvements to Quality Management will be implemented through the introduction of the new Contact Centre Platform. This includes the ability to transcribe call recordings to pull out customer sentiment through the mining of natural language and issuing quality scorecards to ensure advisors hit the same consistently high standards of customer experience. This will mean better reporting on trends and bespoke training and development plans for individual advisors based on the information gathered.

4.25 The evaluation assessed that there has been a significant step forward in customer insight in the CFC since the introduction of My Voice – the customer sentiment tool. After a successful 12-week pilot early in 2023 the tool is routinely being used to survey customers who contact the CFC and gather levels of satisfaction and comments on the service from those customers. A healthy 23 – 25% response rate has remained steady across the wider Group throughout the last 4 months with satisfaction levels a strong 4.3/5. The CFC will continue to build the sentiment dashboards within the tool which will assist them in clearly identifying the overall sentiment of our customers and where we need to target improvements. The dashboards are deemed unreliable until approximately 6,000 individual pieces of feedback have been received. We expect to reach this throughout the second quarter.

4.26 The review highlights the need for clear structures across the organisation as we widen the use of My Voice for collecting customer insight, analysing this, and ensuring it is used routinely to inform service improvements. The approach for analysing and assessing customer insight has been established with business leads identified to take responsibility for turning insight into actionable improvement plans across each pillar of insight. The Customer Experience Team within the CFC have responsibility for the process of coordinating the management of the CFC specific sentiment and feedback. As the tool is expanded across different pillars, they will also have responsibility for overseeing the collection and dissemination of insight across the organisation and for retaining an overview of overall customer sentiment gathered through My Voice.

Reporting Analytics and Metrics

4.27 The evaluation assessed that there is currently a comprehensive suite of reporting tools that are used within the CFC to enable Operational Leads and Team Coordinators to review and understand the performance of the CFC and individual teams within it.

4.28 A number of actions were recommended to improve and enhance reporting including; evolving performance dashboards to include all channels used within the CFC, creating a scorecard that brings all business intelligence together in one place for CFC leads and harnessing opportunities being presented by the replacement of the telephony platform.

4.29 As described earlier in the report the expanded Resource and Planning team have already developed a wider set of reporting to routinely include digital channels. The new platform currently being purchased already has a built in a suite of 40 reports that CFC will be able to use, with an ability to build as many bespoke reports as is required using the data within the platform. As part of the project to replace the current platform we have appointed an additional CFC data analyst to bolster capacity in this area. As we implement the new platform, we intend to revise our CFC Performance Framework overall based on new capabilities within the system.

Channels and Self-serve

4.30 The vast majority of our customers contact into the CFC continues to come via the telephony channel with a relatively small increase in the use of emails, webchat and self-serve throughout the last year. The evaluation report highlights that the time is right to define and agree a target operating model and associated channel strategy for the organisation more clearly. This would focus on providing our customers with choice and helping to drive successful outcomes for both the customer and the business and the need for a robust marketing programme which reflects the agreed strategy.

4.31 Our 2021-2026 strategy already has a suite of targets linked to increasing the use of digital services by 2026 while ensuring none of our customers are left behind, and as such this has been an area of focus for the business over the last 9 months. A number of actions have been taken throughout this time with additional actions planned for the coming 12 months to reflect our agreed targets.

4.32 Key actions taken already include:

- Improvements to the email routing and inboxes available and publicised for customers with dedicated staff managing email to have a more consistent and improved customer experience;
- Review of webform categorisation to direct customers to the most appropriate channel;
- Reintroduction of the use of web self-service for specific service requests including repairs;
- Improved navigation within web self-service for ease of use;
- 2500 Group customers engaged to garner insight and drive priority for improvements across our digital services offering and;
- A small-scale test of change of a dedicated digital team within the CFC has commenced. The impact and outcomes from this will be monitored over the next 12 weeks with a final review at the end of the test period towards the end of October.

4.33 The implementation of the new Contact Centre Platform throughout 2023/24 will pave the way to create opportunities to improve customer contact options and steer our channel strategy as we further develop this.

4.34 As outlined at the start of the report the overall assessment one year on is that the CFC has had a strong start in its first 12-18 months of operations. There are a number of actions recommended that will strengthen and enhance the CFC performance, all of which have already been addressed or are part of the wider CFC annual improvement plan for 2023/24.

4.35 As the CFC matures and evolves the introduction of the new Contact Centre Platform is an opportunity to leverage additional capabilities to realise the full potential of the CFC in offering exceptional customer experience.

5. Customer Engagement

5.1 Customer feedback from our “My Voice” electronic feedback tool informed the findings of the report and helped to demonstrate the current levels of satisfaction with the service offered by the CFC. Customer engagement has been carried out recently on Digital Services and will continue to inform the development of digital services within the CFC.

6. Environmental and sustainability implications

6.1 The CFC is based across Lipton House in Glasgow and Brasswell in Dumfries, with staff working from home and office as part of our hybrid operating model. Vicarious carbon targets of home working are also considered when Planet Mark assesses the carbon footprint of our corporate estate. Overall, the carbon footprint from our corporate estate is on an improving trend.

6.2 Both Brasswell and Lipton House offices have recently been transferred over to 100% renewable energy supplies alongside the remainder of our corporate estate. This has been achieved by working with EDF energy. Four electric vehicle charging outlets have recently been installed at Lipton House.

6.3 The eventual move to a cloud-based telephony platform (Storm) by Q1 of 2024/25 will mean that we will expend less energy by ceasing to operate the current on-premise telephony platform at Lipton House.

7. Digital transformation alignment

7.1 Our Strategy sets a clear direction and is underpinned by digital progression. The CFC currently manage contact with customers across emails, webforms and webchat as part of their daily interactions.

7.2 The evaluation sets out recommendations to leverage digital and self-service interactions through harnessing the opportunities presented by the new CFC Platform and the development of a clear channel strategy for the CFC and the wider organisation.

8. Financial and value for money implications

8.1 The review acknowledges that the investment in staff resources has delivered improved customer metrics such as Grade of Service and Average Handle Time and Average Wait Time. This makes for a quicker and more efficient service to our customers.

8.2 The upcoming Contact Centre Platform will further improve upon these metrics and offer an increasingly personalised, effective, and efficient service.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1 The independent evaluation of the first year of the CFC supports our ambitions across the Strategic Theme of Delivering Exceptional Customer Experience. Our risk appetite in relation to operational delivery for these themes is hungry.

10.2 This means that we encourage innovation and, in some cases a desire to 'break the mould' and challenge current working practices. The findings and suggested areas for further development outlined in the report are consistent with these risk appetites.

10.3 The key risks arising from this report are:

Failure to progress key areas for improvement impacting customer experience and satisfaction. A CFC Improvement Plan has been developed by the leadership team and will be progressed over the next 12 – 15 months. The plan includes action to address any areas for improvement highlighted within the evaluation.

11. Equalities implications

11.1 There are no equalities implications arising directly from this report. As key actions progress, we will consider the need for Equalities Impact Assessment at the appropriate juncture.

12. Key issues and conclusions

12.1 The Customer First Centre was created in December 2021 and launched to customers in April 2022 as a fundamental part of our revised operating model. A key aim of our new operating model was to ensure that our frontline teams were visible and even more present within their local communities by directing everyday interactions with customers to our new specialist and enhanced Customer First Centre ("CFC") with the aim of resolving 90% of all queries and service requests at the first point of contact. The CFC currently offers a service to customers 24/7 across 365 days of the year.

12.2 As the 'front door' for customers to access our wide suite of services, the quality of the CFC operations and performance is of increasing importance in driving overall customer satisfaction.

12.3 An independent evaluation of the CFC was carried out over April and early May. The evaluation outlines that the CFC has had a strong first year with much evidence to support that the new model is helping deliver an improved customer experience across key metrics.

12.4 A number of recommendations were made throughout the report which focus on further evolving and improving the efficiency and effectiveness of the CFC as the first and main point of contact for our 43,000 customers.

12.5 The areas for improvement were already identified by the leadership team responsible for the CFC and as such many actions are already underway or are planned which reflect the report's findings. The progression and evolution of the CFC are critical to improving the customer experience and customer satisfaction.

13. Recommendations

13.1 The Board is asked to note:

1) the findings of the independent evaluation of the first full year of the Customer First Centre and;
2) the recommendations highlighted in the evaluation report and our response to these.

LIST OF APPENDICES:

NONE

Loretto Housing

Report

To: Loretto Housing Board

By: Laura Henderson, Managing Director

Approved by: Laura Pluck, Group Director of Communities

Subject: Homelessness Policy 2021-26 – progress update

Date of Meeting: 21 August 2023

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1. Purpose

1.1 This report provides an update on the progress of our Group Homelessness Policy and highlights our contribution to the recent Scottish Government strategy – *Reducing the Use of Temporary Accommodation*.

2. Authorising and strategic context

2.1 Under our Terms of Reference contained in the Group Standing Orders the Board is responsible for agreeing matters of strategic significance. Our approach to homelessness, and the contribution we will make in terms of social housing provision, are strategic decisions.

2.2 The Board is responsible for operational delivery and the specific targets for its own services in relation to homelessness. Day to day operational work will be delegated to the Group CEO under the Group Standing Orders.

3. Background

3.1 More than 35,000 homeless applications were received across Scotland in 2021-22. Around half of these households have a support need and many are families. Figures for the first half of 22-23 showed a 6% rise in applications compared to the same period in 2021-22. As a result of the numbers, many households spend considerable time in temporary accommodation often with more than one move. Almost 14,500 households were in temporary accommodation in September 2022 across Scotland, with most being single person or single parent households. Over 9,000 children were in temporary accommodation at that date. The increasing pressures on homelessness due in part to the global pandemic, the cost of living crisis and the war in Ukraine make it highly likely that the 2022-2023 homelessness statistics, when published, will show more households in temporary accommodation than in 2021-2022.

3.2 The Scottish Housing Regulator's thematic review on homelessness services in Scotland in February 2023 warned of an emerging risk of systemic failure in homelessness services in some areas. SOLACE Scotland has recently highlighted the unsustainable pressure on local authority housing in their report *Housing in Scotland: Current Context and Preparing for the Future*.

3.3 The Scottish Government have a long-term strategy for tackling homelessness – *Ending Homelessness Together*. Our Group Homelessness Policy which was approved by Group Board in December 2020 and discussed at Loretto Housing Board in February 2021 aligns to these national objectives.

3.4 As a result of the increasing pressures on homelessness and the record numbers of households in temporary accommodation, the Scottish Government published a further strategy on 19 July 2023 specifically on reducing the use of temporary accommodation. The need to reduce both the numbers of households in temporary accommodation and the length of time households spend in temporary accommodation is recognised. They have identified a series of actions to ensure sufficient high quality affordable homes in the areas where they are needed, and to provide targeted support for the local authorities facing greatest pressure.

3.5 The Government has particular concerns over the continued use of unsuitable accommodation in the areas with the greatest temporary accommodation pressures and recognises the detrimental effect this has on the health and wellbeing of homeless households, as do the local authorities operating in these areas. Edinburgh has the highest number of reported breaches in the six months between April and September 2022. Glasgow, West Lothian, East Lothian and Fife also had large numbers of breaches.

3.6 Supporting the alleviation of homelessness is a key strategic objective for us and we provide a significant contribution to this national challenge. Our Group Homelessness Policy already reflects most of the actions identified in the Scottish Government's *Reducing the Use of Temporary Accommodation* strategy, and an update on our progress in relation to these is provided below. The announcement of £60m for a national acquisitions plan as part of the Affordable Housing Supply Programme is a new aspect and our response to this is also discussed below.

4. Discussion

Acquisitions

4.1 The Scottish Government has committed to investing at least £60 million from the Affordable Housing Supply Programme in 2023-2024 to support a national acquisition plan. The intention of this is to enable local authorities and registered social landlords to rapidly acquire properties of the right types and in the right places for use as high quality, affordable, permanent homes. These properties may be purchased from private owners, builders and landlords. Where landlords are choosing to leave the private rented sector with a tenant in situ, the plan can accommodate the purchase of these properties, where this meets a clear strategic purpose and where the tenant is at risk of homelessness. The Government and local authorities are working on further guidance as to how this will work in practice.

4.2 We have had early conversations with our local authority partners as to their intentions regarding the national acquisition plan. West Dunbartonshire operate their own scheme and are open to talks with us. East Dunbartonshire have indicated the potential to support acquisitions. North Lanarkshire are considering an uplift on their existing scheme whilst Falkirk and Renfrewshire have advised that they will not be pursing acquisition and will be focusing on their new build programme.

Housing supply

4.3 Whilst the ringfencing of £60m from the Affordable Housing Supply Programme for acquisitions is welcomed as a short-term measure to increase the social housing stock, increasing the overall housing supply is an essential long-term objective to address issues of homelessness and other pressures on the housing market. The Scottish Government has reiterated its commitment to deliver 110,000 affordable homes by 2032, of which at least 70% will be available for social rent and 10% will be in remote, rural and island communities. Our contribution to this objective is set out in the Loretto Housing 2021-26 strategy *Your Home, Your Community, Your Future* where we commit to deliver 400 new homes by 2026. To date we are on track to meet this commitment with 248 already delivered.

Stock management

4.4 The Scottish Government's *Reducing the Use of Temporary Accommodation* strategy covers a number of areas where they consider how improved stock management by local authorities and registered social landlords, supported by the Government, could maximise the contribution of existing affordable homes to increase housing options for homeless households. These approaches include large scale flipping of tenancies, effective void management and greater allocations of social homes to homeless households, as well as homelessness prevention activity. We are already a very strong contributor and sector leader across all of those aspects, as set out in the Group Homelessness Policy 2021-26.

4.5 **Flipping of tenancies** – this refers to the opportunity to convert or 'flip' temporary accommodation to a permanent home to reduce transitions for homeless households where the property is of the right size and in the right location. We had already identified this opportunity within our Homelessness Policy, setting a target of 500 across Group by 2026. The Group is on track to deliver this with 275 delivered by the end of June 2023.

4.6 **Void management** – effective void management has always been a priority for us and our performance on void turnaround is considerably better than the Scottish average. To date this year, Loretto Housing is achieving 10.85 days to relet a property compared to an average of 56 days for members of the Scottish Housing Network in the 2022/23 ARC return. The Government has accepted the argument, made by ourselves and other housing providers, that delays in the reconnection or resetting of energy meters in void properties are negatively impacting on housing availability for occupation and contributing to the backlog in temporary accommodation. They have committed to bringing utility companies round the table to identify ways to improve this situation and we will continue to stay close to these discussions.

4.7 **Allocations** - the Scottish Government wants to see a greater share of allocations of social rented homes to homeless households in order to reduce the pressure on temporary accommodation. We have always been a sector leader in terms of both the number and percentage of properties which we make available to homeless households. Our Group Homelessness Policy commits to delivering 10,000 homes for homeless households by 2026 and the Group is on track to meet this with 5,430 delivered across Group by the end of June 2023. In Loretto Housing we have committed to delivering 500 homes for homeless households and to date we have delivered 282 of those.

4.8 In addition, during 2022 we undertook a comprehensive review of our allocations policy in conjunction with our customers. This included a review of the process we use to help match homeless households in Glasgow to available homes. The feedback we received from customers and other stakeholders was very positive about the helpfulness of this approach and we have now continued this as a permanent part of our policy. Due to the success, Glasgow City Council have been working with other landlords across the city to adopt the same approach.

Prevention of homelessness

4.9 Clearly preventing households from becoming homeless and therefore coming into temporary accommodation in the first place is equally as important as moving people from temporary to settled accommodation. Our Group Homelessness Policy has a strong commitment to tenancy sustainment and homelessness prevention. We have already achieved significant progress in this including a redesigned homelessness response to help end the repeat cycle of ASB, evictions and repeat homelessness. This involves early review of cases by our teams to help ensure appropriate support and discussions at tenancy start. It is supported by our commitment to peaceful communities and employment and training opportunities for customers who have been affected by homelessness, as well as our wider approach to improving tenancy sustainment rates. In Loretto Housing our tenancy sustainment rate remains above target at 91.78% this year to date. This improvement has been achieved while accommodating increasing numbers of homeless households. In fact, our tenancy sustainment for homeless households is at 90%.

4.10 Our prevention and solutions approach to anti-social behaviour demonstrates how using the skills of all of our teams helps to provide a successful outcome for some of our most vulnerable customers. The approach is led by our Community Improvement Partnership and ensures that we take time to assess the root cause of issues as well as dealing with the immediate problems. This includes early intervention in cases identified from our new review approach. This approach helps us to identify customers who may need additional supports in place to try to prevent a repeat cycle of homelessness.

4.11 Our award winning Revive project was launched in 2021 and helps to support women fleeing violence. This project helps women to find accommodation and support in a different local authority areas, where they choose this option. The project includes access to funding, furniture and wraparound support to help ensure the move is as easy as possible. This project won the “Excellence in housing innovation” category at last year’s Chartered Institute of Housing Awards.

4.12 Work to expand MyHousing to all Lowther properties will be complete by Autumn. This will help to ensure that customers applying for social rented homes can also see availability of other tenures where that might be suitable for them (particularly those who have no priority under our policy). It also provides an accessible route to ensure that those looking for private or mid-market rent can see everything that is available.

4.13 There are a number of other aspects of work underway. The review of our furnished lets service will ensure that it provides best value for money while meeting customer needs. Across the Group we have a range of nomination and lease agreements with local authorities. During this year these agreements will be reviewed and updated to ensure they provide the best arrangements for the customer, the Group and our partners.

5. Customer Engagement

5.1 The main element of engagement in 2022-23 was around the allocations process, one of the key changes was to consult on a potential change to match homeless customers to properties. This approach had been piloted during the Covid pandemic. We consulted specifically with customers who had been homeless to understand their views. 86% of those customers agreed the matching process in Glasgow was helpful in supporting them to find a home. This approach has now been fully implemented as part of the new policy which was formally launched in March 2023.

5.2 We explored the allocations customer journey during 2022 using an external company and external staff. This evaluated both the general needs customer journey and the homeless customer journey and further demonstrated that the matching process was working. The next stage will be to undertake further mapping with customers.

5.3 The Group tenant scrutiny panel will shortly be undertaking a “spotlight” session on allocations. This will go through the legal requirements of the process, priorities and performance.

5.4 Finally, MyVoice for allocations is due to go live at the end of this month. This will provide real time feedback from customers as they move through the allocations process – applying for and getting their new home.

6. Environmental and sustainability implications

6.1 There are no direct environmental and sustainability implications from this update.

7. Digital transformation alignment

7.1 Our Group allocations service My Housing is our only fully digital customer service, and the roll-out of this to Wheatley Homes South in April 2023 has enabled our newest partner in Group to take advantage of the benefits of this platform for their customers.

8. Financial and value for money implications

8.1 We have identified £6million in the development budget which will be used to support acquisition plans across Group and any necessary investment works.

9. Legal, regulatory and charitable implications

9.1 Registered Social Landlords have a legal duty to assist local authorities in their homelessness duties. We are also required to report on a range of related indicators in the Annual Return on the Charter.

10. Risk Appetite and assessment

10.1 Loretto Housing's risk appetite for service improvement is "open". This means we are prepared to take the risk of adopting the approach that is most likely to result in successful delivery of our service objectives.

11. Equalities implications

11.1 An Equalities Impact Assessment has been carried out for the Homelessness Policy. This assessment reviewed the impact of actions against the protected characteristics identified in equalities legislation. It showed that the Policy will have a positive or neutral impact on all characteristics. The Assessment is currently being updated in preparation for the next review of the policy.

12. Key issues and conclusions

12.1 The Scottish Government has recently published a new strategy *Reducing the Use of Temporary Accommodation* which includes a range of approaches to reduce the number of homeless households in temporary accommodation and also the length of time households spend in temporary accommodation.

12.2 We are a strong contributor to the national objective of alleviating homelessness, and most of the approaches outlined in this strategy also feature within our Group Homelessness Policy. We are on track to deliver the 10,000 homes for homeless households which is a key commitment in the Group 2021-26 strategy *Your Home, Your Community, Your Future*.

12.3 As part of their new strategy, the Government has announced a ringfenced fund within the Affordable Housing Supply Programme of £60million for market acquisitions by local authorities and RSLs for social housing. We have been carrying out early engagement with local authorities to understand how we can access this funding to deliver more social rented homes in our areas.

13. Recommendations

13.1 Board is asked to note this homelessness update and make any comment.

APPENDICES:

NONE

To:	**Loretto Housing Board**
By:	**Danny Lowe, Director of Group Repairs, Investment and Compliance**
Approved by:	**Frank McCafferty, Group Director of Repairs and Assets**
Subject:	**Repairs update**
Date of Meeting:	**21 August 2023**

1. Purpose

1.1 To provide the Board with an update on:

- progress with repairs service enhancements
- ongoing customer engagement to inform future service enhancements
- the key service-related findings from the recent review of City Building (Glasgow) carried out jointly with Glasgow City Council
- the revised repairs budget forecast for 2023/24

2. Authorising and strategic context

2.1 Under its Terms of Reference the Board is responsible for the oversight and scrutiny of service delivery and monitoring of performance. Repairs are a key driver for our overall tenant satisfaction and a key priority for our tenants.

3. Background

3.1 As part of the May Board strategy workshop the Board discussed the work underway to evolve our repairs service based on a wide range of customer insight. This was set within the wider context of Board discussions on how we use customer insight to drive Board discussions and make service changes based on it.

3.2 It was agreed at the workshop that the refined approach and focus responded clearly to the views of tenants, and we should reflect this in our strategy, with strong Board oversight of delivery during this year.

3.3 The most recent analysis by the benchmarking organisation, Housemark, across the UK social housing sector indicates that *"Generally, repairs volumes have increased in recent months – often accompanied by a drop in the proportion of jobs completed within agreed timescales"*.

3.4 The analysis also shows average repairs satisfaction of 77.4% for the first quarter for comparator landlords across the UK.

4. Discussion

Service enhancements

4.1 Tenant feedback has consistently indicated that communication and improving the management of complex repair works (reducing the number of visits to complete a repair) are their key priorities and impact how satisfied they are with the service.

Our response to this focused on three areas:

- introducing a new digital communication tool, “Book It, Track It, Rate It” to improve communication;
- better monitoring of customer experience, to identify areas for improvement;
- and the role of our MyRepairs team to help monitor and manage more complex repairs, to improve first time fix and give the customer a dedicated contact team for information on their repair

Customer communication and satisfaction

4.2 We have now extended Book It, Track It, Rate It to all appointed repairs. The feedback to date on the ‘Track It’ functionality has been positive, with customers indicating that the text message reminders and updates are a positive improvement in communication.

4.3 The ‘Rate it’ element seeks customer feedback on a scale of 1-5 and includes the option for customers to receive a call back. This element went live on 30^{th} May and over June and July we received over c3,600 customer ratings with an average score of 4.5/5, the equivalent of 90%. The response rate has been rising, from 17.6% in June to 19.6% in July.

4.4 While at an early stage, this represents strong satisfaction levels since the introduction of Book It, Track It, Rate It. We are now considering how we can promote Book It, Track It, Rate It with customers to drive up the response rate to provide us with a wider sample size.

4.5 As we bedded in Book It, Track It, Rate It we have continued in parallel to undertake call backs on a random sample of completed repairs via our MyRepairs team through April to July.

4.6 Our Annual Return on the Charter repairs satisfaction levels remain high at 90.15% for the rolling 12-month period, from 325 responses to the end of Q1. Customer feedback on completed repairs tends to be higher than general customer satisfaction on repairs, as the latter includes customers waiting for repairs to be completed. However, the results so far from our Book It, Track It, Rate It model are encouraging.

MyRepairs, City Building collaboration and first time fix

4.7 An area of customer feedback we continue to focus on is the insight from repairs-related complaints. Whilst the number of complaints relating to repairs represents a very small proportion relative to the number of repairs carried out, at 1.49% for the period April-July 2023, they still represent 56.9% of our complaints overall for the year to date.

4.8 Our analysis of repairs complaints has identified areas where we could refine our processes to improve customer communication and prevent complaints from arising or escalating in future. Our MyRepairs team are increasingly using data and reporting functions from the recently upgraded City Building repairs system (Servitor) to identify repairs that require proactive communication with tenants, for example where there may be a delay due to materials needing to be ordered or no access was reported by the trades operative.

4.9 In order to minimise the number of complaints escalating to Stage 2 we are introducing daily meetings alongside City Building to closely and proactively monitor commitments we have made to customers in dealing with Stage 1 complaints.

4.10 Ease of reporting repairs and completion within agreed timescales are key drivers of satisfaction. Our Customer First Centre continues to make reporting repairs on the phone straightforward for tenants and the work referred to above focuses on, amongst other things, improving our completion timescales.

4.11 City Building deliver our repairs service and their role is central to improving tenant satisfaction. Other measures we have taken with City Building include:

- closer monitoring of operative productivity, reducing overtime and using the wider City Building resource pool (including through City Building (Contracts), thereby reducing reliance on sub-contractors – where tenant feedback indicates consistency in service standards can be more variable.

- delivering Customer Service Excellence training to tradespersons to reinforce the “Thinking Yes Together” culture and to build on their skills and experience to deliver excellent customer service every day in their role.

<u>Customer engagement and insight</u>

4.12 Our recently refreshed Group Scrutiny Panel (“the Panel”) has selected repairs as the subject for its first thematic review. The Panel met on 26 July to discuss which aspect of repairs it wished to consider and agreed on communications as the focus. Over the next three months the Panel will scrutinise the end-to-end customer repairs journey, from the initial report through to completion.

4.13 As part of this the Panel has recently visited the Customer First Centre and had the opportunity to meet with call handlers and managers there, as well as the MyRepairs team, and be kept up to date with improvements we are making. Following completion of this field work, the Panel will then meet to agree a final report and make recommendations for how we can continue to improve the service. The recommendations and our response, which will be co-created with the Panel will thereafter be brought back to the Board. The responses will be co-created with the Panel.

Demand and budget position

4.14 Levels of customer demand for repairs remains high; a pattern that is being experienced by most social landlords in the UK as confirmed by the recent Housemark benchmarking analysis. Over 2022/23 reactive repair job numbers were 28.9% higher than the comparative pre-pandemic period in 2019/20. The most recent figures from the first quarter of the 2023/24 financial year shows that demand levels continue to grow compared to the first quarter of 2022/23 and a number of one-off items which were assumed to be connected to the Covid related backlog have become more persistent in nature. This has resulted in repairs spend £134k higher than budget for the period to 30 June 2023.

4.15 Analysis of repairs data over recent years, taking account of the Covid period, shows a growth in the proportion of larger, more complex and replacement/renewal works. Some of the latter category could be better dealt with as part of our capital programme or through repair rather than complete replacement. This is having an effect on both our financial position, and the average timescales to complete non-emergency repairs, which remains over our 7 day target at 10.79 days. In the context of our repairs policy, we aim to deal with routine appointed non-emergency repairs in 15 working days, and the average for the year to date is 6.07 days. For the larger, more complex, often multi-trade type, we aim to complete these within 30 working days, and the average is 18.01 days this year. However, the relative growth in the latter type of jobs is influencing the blended average.

4.16 We have instituted a range of measures, including revised training for staff and splitting of the previous “repair/renewal” ordering codes to make clearer where full component replacement of doors, bathrooms, full replastering, etc should be undertaken and where these works should form part of a managed capital investment programme project. We have also deferred some items in our capital programme to accommodate the extra repairs costs, as well as utilising forecast underspends in other budget lines.

4.17 Efficiencies in City Building also influence our financial position, as we receive a share of its surplus. Measures to improve operative utilisation and productivity, reduce fleet numbers (eg through sharing of vans) and reducing subcontractors have all been put in place.

4.18 On the basis that the higher repairs baseline driven by higher demand and inflation will continue into 2024/25 we will revert with a package of measures to reset our capital investment programme and service model to manage our financial position through the next three years. This will be brought to the November Board meeting in conjunction with discussion on 2024/25 rent setting.

City Building - joint working group with Glasgow City Council

4.19 We are in the final stages of the joint review of City Building (Glasgow) with Glasgow City Council (“GCC”). The review contained five key workstreams: Strategic Agreement and Work programme; Procurement; Legal and Governance; Finance; and People, HR and Engagement.

4.20 The recommendations arising from the review are currently being finalised in partnership with GCC. The majority of the findings relate to operational process improvements and we will provide an update to the next Board meeting on these.

4.21 The key focus from a service perspective is how City Building ensures that it has a longer-term workforce plan to reflect the needs of our customers, has a strong focus on productivity and efficiency, and how it leverages technology to support both service and business improvement as we transition to green technologies and increasingly focus on energy efficiency.

5. Customer Engagement

5.1 We carried out focus groups with customers to understand what kind of communication they would like to see from us in terms of repairs. Their feedback helped to shape the development of the Book It; Track It; Rate It app.

5.2 Following the roll out of this app to customers we have been able to develop our customer insight through direct feedback from customers in rating their experience.

5.3 The Group scrutiny panel identified the repairs service as one of its key priorities and has set up a sub-group to carry out a thematic exploration of our repairs service. Activities will include visiting the CFC; listening to anonymised calls; and carrying out customer journey mapping of the end-to-end repairs service.

6. Environmental and sustainability implications

6.1 There are no environmental or sustainability implications associated with this report.

7. Digital transformation alignment

7.1 Repairs are a key element of our digital transformation programme, ranging from Book It, Track It, Rate It, to our online services and the wider platforms we use to manage and deliver the service.

7.2 Our digital transformation programme is fully aligned and prioritised towards supporting the evolution and improvement of our repairs service.

8. Financial and value for money implications

8.1 The repairs improvement plan includes action to increase the efficiency of the repairs service which in turn will increase value for money across the delivery of repairs to customers.

8.2 The additional £215k provision for repairs in 2023/24 can be contained within the context of the overall RSL borrower group budget following the implementation of a number of mitigating measures including the deferral of core investment projects.

9. Legal, regulatory and charitable implications

9.1 There are no direct legal, regulatory or charitable implications.

10. Risk Appetite and assessment

10.1 Our agreed risk appetite in investing in existing homes and environments is cautious. Ongoing financial strength is crucial to enable us to continue to improve, modernise and maintain our homes. We will revise our well-established investment processes to include more focus on what creates most value for our customers. Value for money will still be the key factor in our decision making, but wider benefits, such as reducing levels of emergency and reactive repairs and customer satisfaction, will also be considered.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

12.1 The repairs service is a key priority for our customers and a key driver of satisfaction.

12.2 Good progress has been made in improving our repairs service in the focus areas identified in the March 2023 report to board. Book it, Track it, Rate it has now implemented improving communication and providing excellent information and feedback. The MyRepairs team have also been established during this period, with the final resources in place this month. These improvements have seen a positive impact on the level of customer service and have increased customer satisfaction.

12.3 We will continue to focus on continually evolving and improving our repairs service, taking into account customer feedback, insight and direct engagement with our Group Scrutiny Panel.

12.4 The demand for repairs, consistent with the wider sector across the UK, remains higher post pandemic.

13. Recommendations

13.1 The Board is asked to note the content of this report.

LIST OF APPENDICES:

None

Loretto Housing

Report

To: **Loretto Housing Board**

By: **Laura Henderson, Managing Director**

Approved by: **Laura Pluck, Group Director of Communities**

Subject: **Performance Report**

Date of Meeting: **21 August 2023**

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1. Purpose

1.1 This report presents an update on performance delivery against targets and strategic projects for 2023/24 as of the end of quarter one.

2. Authorising and strategic context

2.1 Under our Terms of Reference, the Board is responsible for monitoring performance against agreed targets.

2.2 We measure progress with the implementation of our five-year strategy via the Group Performance Management Framework ("PMF") agreed in June 2021. Given the need to remain agile and flexible through the life of the strategy our PMF is subject to annual review. The Group Board agreed an updated programme of strategic projects and performance measures and targets for 2022/23 at its meeting in April 2023. This Board subsequently agreed our own specific performance measures and targets at its meeting on 15 May 2023.

3. Background

3.1 This report outlines our performance against targets and strategic projects for 2023/24. Unless specified otherwise, results for all measures are based on year-to-date figures.

3.2 This includes progress with those measures that will be reportable to the Scottish Housing Regulator as part of the Annual Return on the Charter 2023/24. Complaints performance, including Charter and the Scottish Public Sector Ombudsman ("SPSO"), will be reported bi-annually (at Q2 and Q4).

3.3 This report also now includes the new Customer First Centre ("CFC") measure based on customer satisfaction with calls, the CFC Customer Satisfaction ("CSAT") score which, as with Book It, Track It, Rate It, asks customers to score the CFC on a 1-5 scale.

4. Discussion

Delivering Exceptional Customer Experience

Customer First Centre

4.1 The Customer First Centre ("CFC") is now firmly established as a core part of our operating model and has recorded a strong baseline for customer satisfaction through the newly introduced CSAT score. Year to date results for 2023/24 as at the end of Quarter 1 are presented in Table 1.

Table 1

Measure	2022/23	2023/24		
	Value	Value YTD	Target	Status
Loretto - CSAT score (customer satisfaction)	New	4.1	4.5	
Loretto - % calls answered <30 seconds (Grade of Service)	76.98%	68.64%	Contextual	N/A
Loretto - Average waiting time (seconds)	49.95	58	Contextual	N/A
Loretto - Call abandonment rate	4.29%	5.42%	5%	
Group - % first contact resolution at CFC (Customer Service Advisors)	88.99%	85.79%	90%	
Group – Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution	6.15%	7.07%	<10%	

4.2 We now offer customers calling the CFC, with the exception of repairs calls, the opportunity to provide feedback on their interaction. We must hold a mobile number or email address to issue the survey, with customer satisfaction scored out of 5. The CFC CSAT score for our customers is 4.1 at the end of quarter 1, providing an initial baseline. The CFC has a framework for analysing feedback and implementing initiatives to address any areas that may require improvement, informing progress towards the CSAT target of 4.5/5.

4.3 At the end of the first quarter, the CFC has answered 6,371 calls from our customers with 68.64% of these answered within 30 seconds and the average wait time was 58 seconds. Calls abandoned were only slightly above the 5% target at 5.42% but well below the industry benchmark of c9%.

4.4 While we do not have a set target for 'Grade of Service' we aim to answer 80% of all calls in 30 seconds. There are 3 factors that have impacted the 'Grade of Service' in the first quarter; increase in call demand against forecast at certain periods, an increase in the 'Average Handle Time' for calls and a reduced number of 'call handling' hours available. CFC performance is monitored and reviewed daily by the resource planning and operations leads, creating relevant action plans reflective of performance with a current focus on (1) reducing Average Handle Times by 60 seconds through increased knowledge and skills development and (2) increasing the amount of 'call handling' hours available.

4.5 There are several factors that impact the call handling hours available including but not limited to, time spent on learning and development, team meetings, group-wide collaboration sessions and assistance time required by call handlers either during or after calls to conclude service queries.

4.6 Across the Group, CFC Customer Service Advisors (CSAs) have resolved 85.79% of calls handled at first contact. The My Repairs Team continues to be a valuable asset for the CFC in dealing with more complex repairs' calls. While this means CSAs do not resolve these at first contact, the aim is to ensure customers experience an improved end to end service. In addition, the CFC continue to support Housing and Lowther staff to ensure efficient resolution, passing only approx. one case per Housing Officer each week.

4.7 Following the discussion at the Board's strategy session in March, we have introduced a Digital Team in the CFC to increase our capacity to handle digital interactions and keep customers in digital channels. The purpose of the dedicated team is to improve customer experience across digital channels and determine whether more efficient and effective use of digital channels reduces telephony demand. The role of the test team is to offer and promote webchat services, triage and manage inbound emails and online messages redirecting appropriately where first contact resolution is not possible and encourage customers with Web Self Service (WSS) to make more use of these services. The impact of this team is being monitored and will be formally reviewed at the end of the test period in late October.

Tenancy Sustainment

4.8 We continue to support our customers to sustain their tenancies and to deliver robust performance relative to both the Scottish Housing Regulator's Charter measure and our revised indicator, which excludes deaths and transfers to other homes in the Group. We are exceeding target for both these measures.

Table 2

Tenancy Sustainment	Charter YTD	2023/24 Target	Revised YTD	2023/24 Target
Loretto	91.78%	90%	93.49%	91%

Making the Most of Our Homes and Assets

New Build Programme

4.9 Our target is to deliver 24 new social homes in 2023/24. Year to date to the end of quarter 1 we have completed 13 new homes at Main Street, Maddiston, ahead of schedule. The remaining 11 units are expected to handover in Q3.

Table 3

Sites	Handovers (YTD)	Target (YTD)	Difference in handovers to 30 June
Main Street, Maddiston	13	0	0

Planned to Reactive Spending

4.10 We set a strategic result to achieve a ratio of 60% planned to 40% reactive spend on maintaining our properties over the life of our strategy. The business plan assumes a 53% forecast for planned spend in 2023/24. Spend figures are subject to investment programme profiling throughout the year. Planned Spend includes core capital programmes, cyclical maintenance, and compliance.

4.11 As shown in Table 6, our planned spend ratio is now 31% year to date to the end of quarter 1. This has reduced from the position to the end of the previous year (55.9%). The increase in variance for planned spend compared to full year 2022/23 is the result of prioritisation of reactive repairs and the ongoing high repairs demand and means that we are unlikely to achieve 60% target or 53% forecast by year end.

Table 4

Percentage Spend	2022/23 Planned spend	2023/24 YTD Planned	2023/24 YTD Reactive
Loretto	55.9%	31%	69%

Volume of Emergency Repairs

4.12 The table below shows our position against the strategic result to reduce the volume of emergency repairs by 10% by 2026 compared to the updated baseline year of 2022/23. The target for 2023/24 is a reduction of 3.34%.

4.13 Emergency repair numbers are 17 less than the same point in 2022/23, a variance of -1.88%. While this is below target it is an improvement on +9.75% in 2022/23 as measured against the previous 2021/22 baseline year. While customer demand has an impact on this measure, work is continuing with the CFC to ensure emergency repairs are diagnosed appropriately.

Table 5

Completed emergency repairs	YTD 22/23	YTD 23/24	Variance
Loretto	904	887	-1.88%

Repairs Timescales and Right First Time

4.14 Our average time taken for emergency repairs is 2.51 hours at the end of Q1, well within the 3-hour target. This compares favourably to an average of 3.16 hours in 2022/23.

4.15 The below table also shows the average time taken for non-emergency repairs at 10.79 days, above this year's target of 7 days. While it remains higher than the 2022/23 average of 9.13 days, it has been reducing month on month since the start of the quarter when it was 11.94 days.

Table 6

Repairs completion timescales (Charter)	Emergency (hours)		Non-emergency (days)	
	Target	YTD Value	Target	YTD Value
Loretto	3.00	2.51	7.0	10.79

4.16 The percentage of Repairs Right First Time year to date to the end of Q1, 87.51%, is lower than the position reported last year, 92.58%, and is currently below the 93% target.

Table 7

Percentage of repairs right first time (Charter)	2022/23	2023/24 YTD	Target	
Loretto	92.58%	87.51%	93%	

Repairs Satisfaction (postal returns)

4.17 The target for 2023/24 has been increased from 89% last year to 90% this year. We are meeting target at 90.15%.

4.18 This is based on a rolling 12-month period and consistent with the 2022/23 year end figure of 89.83%. Satisfaction is based on the postcards we issue after repairs, returned via white mail, and have generated 325 survey responses in the 12 months to end of Q1.

Table 8

Repairs Satisfaction	Current value	2023/24 Target	
Loretto	90.15%	90%	

4.19 As previously reported to Board, there is a range of service improvement activities underway which will in turn lead to improved communication with customers and improvements in service performance and, longer term, satisfaction levels with the service.

Rate It

4.20 Our 'Book It, Track It, Rate It' app aims to improve visibility and communication during the repair journey. The 'Rate It' element was launched in June, providing an opportunity for customer feedback on repair appointments.

4.21 In the first month following launch, the Rate It score was 4.5/5 (from 1,865 customer responses, representing 12.24% of the completed appointed repairs undertaken by City Building Glasgow). This provides us with a very strong baseline.

Responsive repairs: Damp and mould

4.22 We continue to strengthen and improve our approach to mould related requests from customers. For every case of mould reported an inspector will categorise it in line with our policy. At 24 July, we had 10 live cases for mould and 0 live damp and rot repairs. A breakdown of the current status of the 10 live mould cases is as follows:

4.23

Table 9

Total Live Mould cases	Category 3	Category 2	Category 1	Scheduled for inspection or being rescheduled due to no access
10	4	0	0	6

4.24 In terms of the cases scheduled for inspection these include instances where the tenant has requested a specific date out with the 48-hour period.

Medical Adaptations

4.25 Time to complete medical adaptations has further improved in the year, with the average days to complete year to date at 20.51 compared to 21.49 for 2022/23. We have completed 35 adaptations, an increase on the 23 in the first quarter last year, and currently have 10 households waiting.

Table 10

Medical Adaptations (Charter)	Current Households Waiting	Number Completed YTD	Average Days to Complete YTD	Target
Loretto	10	35	20.51	25

Gas Safety

4.26 We continue to be 100% compliant position for gas safety, with no expired gas certificates.

Changing Lives and Communities

Peaceful Neighbourhoods

4.27 The strategic measure is that by 2026 over 70% of our customers live in neighbourhoods categorised as peaceful. Peaceful communities are defined as communities where customer reported incidents of antisocial behaviour to Police Scotland are reducing and social deprivation indicators (SIMD) in the associated data zone are improving. The most effective way to achieve this target is by reducing the incidence of customer reported antisocial behaviour to Police Scotland. As at the end of June, 70% of our communities are categorised as 'Peaceful', meeting the target for this year.

Accidental Dwelling Fires

4.28 In 2022/23, we had six accidental dwelling fires. This year we have had one accidental dwelling fire in quarter one, equal to the number in the same period last year.

Table 11

Number of recorded accidental dwelling fires	2023/24 YTD	2022/23
Loretto	1	6

4.29 To support our efforts in this area, there is an additional strategic measure to ensure 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

Table 12

Fire Risk Assessments	2023/24 YTD	Target
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%

Reducing Homelessness

4.30 The Group continues to be a key contributor to providing homes for homeless households nationally. We have made 28 lets to homeless applicants in the year-to-date. Our % of relevant lets made to homeless applicants in the first quarter is high at 76% (relevant let's exclude mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants).

Table 13

RSL	2023/24 Number of lets to homeless applicants (ARC) - YTD	2022/23 Number of lets to homeless applicants (ARC) – full year
Loretto	28	166

Developing our Shared Capability

Sickness Absence

4.31 We are currently outperforming the 3% sickness target at 0.33 % year to date.

Table 14

Sickness Rate	Target	2023/24 YTD	2022/23
Loretto	3%	0.33%	5.65%

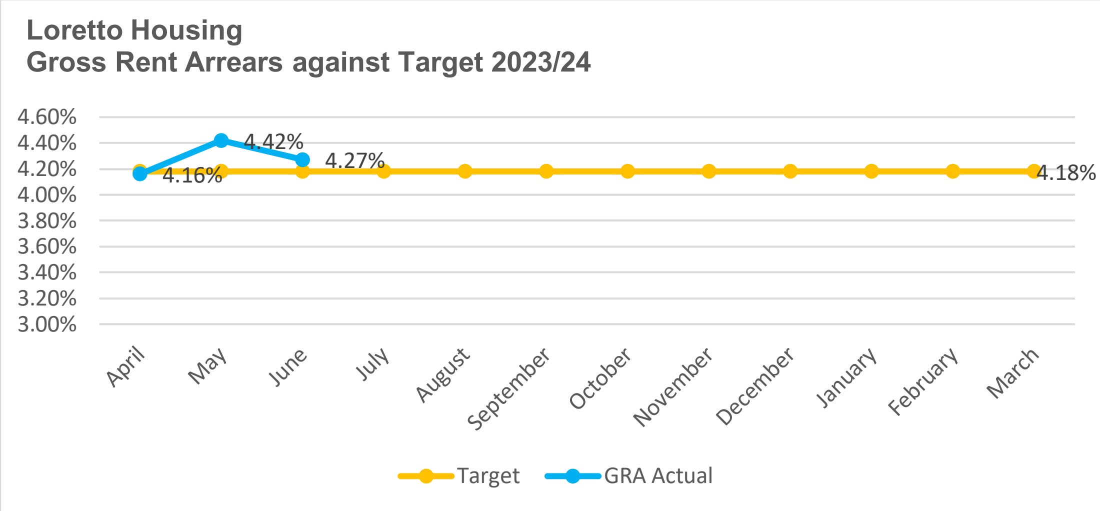
4.32 The Employee Relations team are continuing with the delivery of "HR Essentials" workshop for new, existing, and newly promoted managers. This covers Sickness management, Investigations, Grievance and Disciplinary processes and are designed to support managers dealing with matters such as attendance.

4.33

Enabling our Ambitions

Gross Rent Arrears

Chart 1



4.34 Our gross rent arrears (GRA) ended 2022/23 at 4.28%. With our strategic aim to reduce gross rent arrears to 3.25% by 2026, we have kept our target at 4.18% for 2023/24.

4.35 Our current GRA levels are at 4.27% and we remain the best performing RSL in Group and are in line with yearly projections apart from period 2 where we had a Housing Benefit schedule arrive late. We continue to work with wrap around services to support customers with housing officers continuing to use mobile devices to support income approaches when out in communities.

4.36 We also continue to compare favourably to GRA averages nationally, with the Scottish Housing Network (SHN) publishing an interim ARC 2022/23 average result of 7.29% for SHN members. Full ARC results will be published by the Regulator on 31 August 2023.

Average Days to Re-Let (Charter)

4.37 Our average re-letting time in 2022/23 was 15.98 days. Letting time this year to Q1 has significantly improved to 10.85 days against the 16-day target. Improved letting times has a positive impact on lost rent. With our think yes together approach, we have been holding regular void meetings with City Building colleagues in person at Wheatley and City Building office spaces which ensures good void management and identifies areas for improvement.

Table 15

Average days to re-let (Charter)	2023/24 YTD		2023/24 Target	2022/23 Results
Loretto	10.85		16	15.98

Summary of Strategic Project Delivery

4.35 A full update on progress with strategic projects is attached at Appendix 2. The following table summarises the current status of projects.

Table 16

Complete	On track	Slippage	Overdue
0	4	3	0

4.36 The following projects are currently slipping:

- **Group wide implementation of Roll out Book it, Track it, Rate it** - Full implementation in the West and WHE pilot has commenced, however, the WHS pilot is delayed due to a Civica network change blockage. Progress has been made during July and launch of the WHS pilot is anticipated in August;
- **My Voice – real time customer feedback reporting** – While the CFC pilot for My Voice has been concluded, work continues on finalising the operational framework. The team are currently working on structuring the reporting approach, identifying the key audiences, and defining the appropriate sharing frequency. We do not foresee any issues meeting commitments to on-board key service pillars by November and;
- **Interest cover covenant revision** - All WFL1 lenders have been requested to make the change, however, slippage has been experienced due to the external interdependency related to this project.

5. Customer engagement

5.1 Several strategic projects facilitate opportunity for customer engagement, as do new customer feedback channels such as MyVoice and Book It, Track It, Rate It. This will directly impact the way we deliver services, the way they can be drawn down by customers and how customers can share their views on these services. In Quarter 1 we held 10 successful community activities with 78 customers attending which included a meet your neighbour's event at our new builds in Falkirk, customer open day at Westcliff promoting our wrap around services and a Coronation tea afternoon at Partickhill.

6. Environmental and sustainability implications

6.1 One of our strategic projects for 2023/24 focuses on implementation of the Group sustainability framework. This includes a refined sustainability performance framework and delivery plan which is overseen by the Wheatley Solutions Board.

7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2023/24 have been developed and prioritised with I.T., digital and data interdependencies a key factor.

8. Financial and value for money implications

8.1 The measures, targets and projects included in this report were agreed as part of the PMF and Delivery Plan for 2023/24. They focus on the most strategically important areas, making sure that financial and other resources are aligned with these priorities. They can be summarised under three broad areas:

- Customer satisfaction, feedback and insight – reinforced as at the heart of our strategy and performance framework;
- Repairs – reaffirmed as customers' top priority;
- Development, regeneration and sustainable neighbourhoods – a continued focus on regenerating and building new and sustainable communities.

8.2 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 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in quarterly performance reporting. RSL Subsidiary Boards approve the returns, and the figures are included in the year-end performance report to the Board.

9.2 RSLs are also required to involve tenants in the scrutiny of performance, which the Group does through its Tenant Scrutiny Panel, and to report to tenants on performance by October each year.

10. Risk appetite and assessment

10.1 This report covers performance across each of our strategic themes and as such there is no single agreed risk appetite. Having a strong performance management culture will in particular support our progression from excellence to outstanding for which we have an open risk appetite in relation to operational delivery with cautious appetite in relation to compliance with law and regulation.

11. Equalities implications

11.1 Project monitoring and evaluations consider equalities information and Equalities Impact Assessments are undertaken at the outset of new programmes to ensure compliance with equality legislation, where applicable.

11.2 Our equality, diversity and inclusion policy – revised in 2022/23 – provides a stronger basis on which we can advance our ambitions. The expansion of our Customer Voices, Scrutiny Panel and collation of monitoring information support co-creation and influence which is based on a more diverse range of perspectives.

12. Key issues and conclusions

12.1 Our new apex performance measure for the CFC is now in place and has provided a baseline CSAT score of 4.1 out of 5 at the end of quarter 1.
The CFC continue to focus on improvements to resource planning, helping to ensure call handlers are available during peak periods of demand. Actions such as this will support progress towards the CSAT target of 4.5.

12.2 We are the best performing RSL within group for gross rent arrears at 4.27% and continue to compare favourably to available comparators.

12.3 We also continue to have strong performance in several key areas; days to let, lets to homeless, tenancy sustainment, turnover, new build handovers, emergency repair timescales, adaptation completion timescales and sickness absence. Non-emergency repair timescales remain in focus.

12.4 Good progress has been made with several strategic projects during quarter 1.

13. Recommendations

13.1 The Board is asked to note the contents of this report.

LIST OF APPENDICES:

Appendix 1 - Strategic Results Dashboard
Appendix 2 - Strategic Projects Dashboard

Appendix 1 - Loretto Housing Board - Delivery Plan 22/23 - Strategic Measures

1. Delivering Exceptional Customer Experience

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
Loretto – CSAT Score (customer satisfaction)	New	4.1	4.5	
Group - % of first contact resolution at CFC	88.99%	85.79%	90%	
Group - Call abandonment rate	4.72%	5.87%	7%	
Loretto Housing - Call abandonment rate	4.29%	5.42%	7%	
Group - % calls answered <30 seconds (Grade of Service)	76.79%	67.50%	80%	
Loretto Housing - % calls answered <30 seconds (Grade of Service)	76.93%	68.64%	80%	
Group - Average waiting time (seconds)	57.64	64.91	30	
Loretto Housing - Average waiting time (seconds)	49.95	58	30	
% new tenancies sustained for more than a year - overall	92.23%	91.78%	90%	

2. Making the Most of Our Homes and Assets

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
Reduce the volume of emergency repairs by 10% by 2025/26 (target -3.34% for 2023/24)	Apr-Jun 22/23 904	Apr-Jun 23/24 887	-1.88%	
Average time taken to complete emergency repairs (hours) – make safe	3.16	2.51	3	
Average time taken to complete non-emergency repairs (working days)	9.13	10.79	7	
% reactive repairs completed right first time	92.58%	87.51%	93%	
Number of gas safety checks not met	0	0	0	
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service	89.83%	90.15%	90%	
Average time to complete approved applications for medical adaptations (calendar days)	21.49	20.51	25	
% Planned repair spending	55.9%	31%	60%	
% Reactive repair spending	44.1%	69%	40%	
Number of HSE or LA environmental team interventions	0	0	0	
Number of accidental fires in workplace	0	0	0	
Group - Number of open employee liability claims	13	15	Contextual	
Group - Number of days lost due to work related accidents	464	90.5	Contextual	
Number of new employee liability claims received	0	0	0	

3. Changing Lives and Communities

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
% ASB resolved	100%	100%	98%	
% Lets Homeless Applicants - overall (ARC)	4346%	70%	Contextual	
% Relevant lets to Homeless Applicants	45.85%	76%	Contextual	
Number of lets to homeless applicants (10,000 for Group by 2025/26)	166	28	Contextual	
Total number of jobs, training places or apprenticeships created including Wheatley Pledge	1	0	0	
Group - % of Communities Classified as Peaceful in period	69.4%	70%	70%	
Group - 100% of relevant properties have a current fire risk assessment in place	100%	100%	100%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue	6	1	Contextual	

4. Developing Our Shared Capacity

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
Sickness Rate	5.65%	0.33%	3%	

5. Enabling Our Ambitions

	2022/23	YTD 2023/24		
Measure	Value	Value	Target	Status
% lettable houses that became vacant	6.17%	5.44%	8%	
% court actions initiated which resulted in eviction - overall	18.75%	50%	Contextual	
Average time to re-let properties	15.98	10.85	16	
Loretto A - Gross rent arrears (all tenants) as a % of rent due	4.58%	4.61%	Contextual	
Loretto B - Gross rent arrears (all tenants) as a % of rent due	3.92%	3.84%	Contextual	
Loretto C - Gross rent arrears (all tenants) as a % of rent due	4.28%	4.27%	4.18%	

Appendix 2 - Loretto Housing Board - Delivery Plan 23/24 - Strategic Projects

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
Repairs technical enhancement programme	31-Mar-2024		0%	01. Programme of research and engagement with customers on online repairs service to further refine functionality and usability	30-Sep-2023	No	First milestone due end of September.
				02. CBG IT integration – Boxi reporting system implementation	31-Oct-2023	No	
				03. WHS DRS upgrade	31-Oct-2023	No	
				04. CBG DRS upgrade	31-Oct-2023	No	
				05. Servitor and DRS fully implemented in WHE	31-Mar-2024	No	
Group wide implementation of Roll out Book it, Track it, Rate it	31-Aug-2023		50%	01. Pilot commencement in Wheatley Homes East	30-Apr-2023	Yes	Full implementation in the West and WHE pilot commenced, however, WHS pilot delayed due to Civica network change blockage. Progress has been made during July and launch of the WHS pilot is anticipated by the end of August
				02. Pilot finalised in with City Building delivered repairs	31-May-2023	Yes	
				03. Pilot commencement in Wheatley Homes South	31-May-2023	No	
				04. Pilot evaluation, including customer feedback, and agreement to go live - City Building	30-Jun-2023	Yes	
				05. Pilot evaluation, including customer feedback, and agreement to go live - Wheatley Homes East	31-Jul-2023	No	
				06. Pilot evaluation, including customer feedback, and agreement to go live -	31-Aug-2023	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				Wheatley Homes South			
My Voice – real time customer feedback reporting	31-Mar-2024		40%	01. MY Voice CFC pilot concluded	30-Apr-2023	Yes	The CFC workflow for MyVoice is now fully operational, with the build continuing for the remaining priority pillars. Although there has been some slippage in the project we do not foresee any issues meeting our commitments to on-board these key service pillars by November. To finalise the operational framework, the team are currently working on structuring the reporting approach, identifying the key audiences, and defining the appropriate sharing frequency.
				02. CFC customer insight operational framework implemented	31-May-2023	No	
				03. Implementation plan for key service pillars developed and approved by ET	31-May-2023	Yes	
				04. On-board key service pillars to MY Voice customer insight platform	30-Nov-2023	No	
				05. Implement operational frameworks	31-Mar-2024	No	
Migration to new cloud telephony platform	31-Mar-2024		40%	01. Group Board approval of contract award	30-Apr-2023	Yes	Contract award approved by Group Board on 26 April 2023 and contact award signed on 14 June 2023.
				02. Vendor Contract Award	31-May-2023	Yes	
				03. Full project delivery plan developed and commenced	31-Jul-2023	No	
				04. Phase 1 launch	31-Dec-2023	No	
				05. Phase 2 launch	31-Mar-2024	No	
Implement Group sustainability framework	31-Dec-2023		80%	01. Sustainability delivery workshop with nominated group leads	30-Apr-2023	Yes	Delivery Plan developed and quarterly sustainability update provided to ET.
				02. Refine sustainability performance monitoring framework	31-May-2023	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
				03. Develop sustainability delivery plan	30-Jun-2023	Yes	
				04. Quarterly sustainability updates to ET	30-Jun-2023	Yes	
				05. Annual sustainability progress report via PNAG to Group Board	31-Dec-2023	No	
Develop a new, integrated Neighbourhood Planning Approach	28-Feb-2024		33%	01. Deliver workshop with key people involved in Neighbourhood tools and scoring mechanisms to map out roles and remit	31-May-2023	Yes	Integrated neighbourhood planning approach workshop held on 22 May 2023. Work on draft guidance underway.
				02. Develop a technical guidance document around application of tools and the scoring mechanisms within the neighbourhood assessment	30-Jun-2023	Yes	
				03. Trial and test the neighbourhood assessment, including customer engagement, in one neighbourhood within WHG	31-Jul-2023	No	
				04. Based on the neighbourhood assessment, propose an example neighbourhood plan	30-Sep-2023	No	
				05. Provide worked example to WHG Board to review and agree as a model going forward	30-Sep-2023	No	
				06. Draft Neighbourhood approach for wider group to RSL Boards	28-Feb-2024	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Note
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Loretto Housing

Report

To: Loretto Housing Association Board

By: Lyndsay Brown, Director of Financial Reporting

Approved by: Pauline Turnock, Group Director of Finance

Subject: 2022/23 Financial Statements

Date of Meeting: 21 August 2023

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1. Purpose

1.1 The purpose of this paper is:

- to provide the Board with an overview of the 2022/23 audited financial statements.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between Loretto Housing and the Wheatley Group and this Board's Terms of Reference, the Loretto Board is responsible for the on-going monitoring of performance against agreed targets. This includes the on-going performance of its finances and the approval of the statutory financial statements.

3. Background

3.1 Financial performance

The financial statements are now complete and have been audited. The financial results are summarised below.

	Year Ended	
	31 March 2023 £k	**31 March 2022 £k**
Turnover	36,174	20,474
Operating Expenditure	(15,086)	(14,612)
Other (losses)/gains	(40)	17,156
Operating surplus	**21,048**	**23,018**
Finance income	3	-
Finance charges	(2,767)	(1,965)
Increase in valuation of office properties	17	92
Decrease in valuation of housing properties	(5,555)	(2,442)
Surplus for year	**12,746**	**18,703**
Actuarial (loss)/gain in respect of pension schemes	(1,186)	2,458
Total comprehensive income for the year	**11,560**	**21,161**

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

4. Discussion

4.1 *Adjustments from 31 March management accounts*

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

	Income & Expenditure £k	Net Assets £k
March management accounts	**16,601**	**61,724**
Revaluation of properties - Housing	(5,555)	(5,555)
Revaluation of properties - Offices	17	17
Revaluation of properties - Investment	(40)	(40)
SHAPS pension adjustments	(1,185)	(1,185)
Depreciation	1,027	1,027
Other	695	695
Statutory accounts	**11,560**	**56,683**

4.2 Revaluation of properties: Housing, office and investment properties have all been revalued at the year-end by Jones Lang Lasalle ("JLL"). Our social housing properties decreased in value by £5,555k, our office properties increased by £17k and our investment properties decreased by £40k. Social housing properties are initially recognised on the balance sheet at cost of construction, then are written down to existing use for social housing value on completion. The non-cash write-down is, however, offset by the grant received to subsidise their construction, with £19.9m of grant income recognised this year through the income statement.

4.3 SHAPS pension adjustment: The annual actuarial valuation for the SHAPs Defined Benefit pension scheme was updated in the financial statements at 31 March 2023.

The 2022/23 valuation resulted in a credit to operating costs of £13k, due to administration costs of £33k being lower than assumed in the management accounts, £12k interest costs, and an actuarial loss of £1,186k. The pension liability increased from £383k at March 2022 to £1,758k at March 2023 on the Statement of Financial Position.

Per the July 2023 update received from The Pensions Trust, as at June 2023, the estimated deficit of the overall scheme stood at £64m, with a funding level of 91%. There are no current plans to re-introduce the deficit contributions, however, this will be reviewed once 2024 actuarial valuation has been undertaken, the results of which are expected to be available in Q3 2025.

4.4 Depreciation adjustment: As part of our year end work depreciation charges were calculated at individual component level. This resulted in a decrease in the operating cost reported of £1,027k.

4.5 Other: These adjustments are mainly for finalisation of capitalised interest and year-end accruals as a result of final amounts being confirmed after the completion of the management accounts.

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

4.7 During the course of the audit no material adjustments were identified.

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

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

4.10 The accounts will be signed following the approval of the Wheatley Group accounts at the Group Board meeting on 30 August 2023. A copy of KPMG's audit highlights report will be uploaded to Admincontrol once received.

5. Customer Engagement

5.1 This report relates to our financial reporting and therefore there are no direct customer implications arising from this report.

6. Environmental and sustainability implications

6.1 There are no environmental and sustainability implications arising from this report.

7. Digital transformation alignment

7.1 There are no digital transformation alignment implications arising from this report.

8. Financial and value for money implications

8.1 Loretto's balance sheet continues to strengthen, with net assets increasing by £11,560k.

8.2 The adjusted operating surplus from core social housing activities after deducting accounting adjustments for grant income on new build completions, depreciation, investment property gains, and the one-off gain relating to the business combination and the legal settlement received increased from £5,844k to £7,501k.

This reflects the strong level of trading in our core operations and the benefit of a full year of Cube properties in Loretto (the prior year included only 8 months).

8.3 After including interest costs and capital expenditure on our existing properties, an underlying surplus of £2,921k is reported, demonstrating that operating surplus is sufficient to meet interest and investment in existing homes.

	2023 £k	**2022 £k**
Operating surplus	**21,048**	**23,018**
Adjusted for:		
Depreciation	6,293	4,997
Investment property valuation movements	40	(20)
New build grant income	(19,880)	(2,540)
Gain on business combination	-	(17,136)
Legal settlement	-	(2,475)
Adjusted operating surplus	**7,501**	**5,844**
Less:		
Interest costs	(2,750)	(1,914)
Investment in existing social homes	(1,830)	(2,858)
Underlying (deficit)/surplus	**2,921**	**1,072**

9. Legal, regulatory and charitable implications

9.1 There are no direct legal, regulatory and charitable implications arising from the management accounts.

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for governance is "cautious". This level of risk tolerance is defined as "preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward".

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the financial performance position for the year end statutory accounts.

13. Recommendations

13.1 The Board is requested to:

1) Approve the 2022/23 financial statements;
2) Confirm the preparation of the financial statements using the going concern basis;
3) Delegate authority to the Chair and Group Director of Finance to approve any non-material changes to the accounts; and
4) Approve the letter of representation from the auditors and note the related letter of representation from management.

LIST OF APPENDICES:

Appendix 1: [redacted]
Appendix 2: [redacted]
Appendix 3: [redacted]

All appendices available here

Loretto Housing

Report

To: Loretto Housing Board

By: Ranald Brown, Director of Assurance

Subject: Internal Audit Annual Report and Opinion 2022/23

Date of Meeting: 21st August 2023

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1. Purpose

1.1. This report provides the Loretto Housing Board (the Board) with an update for noting of the Internal Audit Annual Report and Opinion 2022/23, previously reported to the May 2023 Group Audit Committee.

2. Authorising and strategic context

2.1. Under its Terms of Reference, the Group Audit Committee is responsible for monitoring the Group's assurance activities, including results as presented in the internal audit annual report and opinion. The 2022/23 Internal Audit Annual Report and Opinion was approved by the Group Audit Committee on 3 May 2023.

2.2. Under our Terms of Reference, our Board is responsible for managing and monitoring its compliance arrangements and operational performance. The activities undertaken by the Assurance Team provide the Board with independent assurance to support the Board in this role.

3. Background

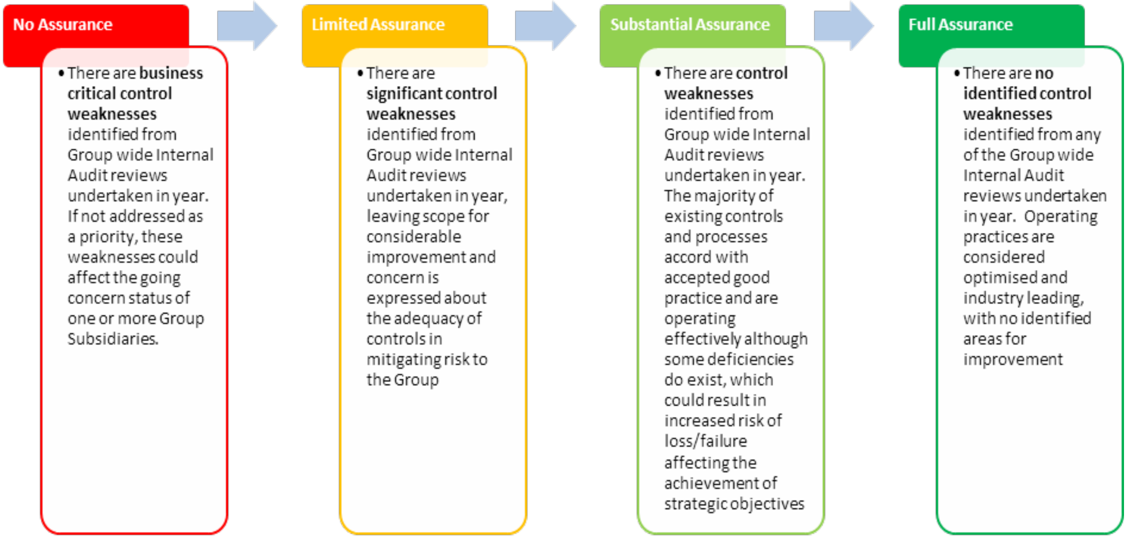
3.1. The Group's Internal Audit team operates in accordance with the Chartered Institute of Internal Auditors' International Professional Practices Framework ("IPPF"), which includes the International Standards for the Professional Practice of Internal Auditing ("the Standards").

3.2. The Group's Internal Audit methodology was assessed against these standards during 2022/23, during an External Quality Assessment overseen by the Group Audit Committee. The approach was found to be "Generally Conformant", which is the highest level of conformance available. Further detail is included within Appendix 1.

3.3. In line with the requirements of the Standards, Internal Audit provides the Board with an Annual Report and Opinion, which summarises the results of the Internal Audit team's work during the financial year and provides an opinion on the Group's internal control, governance, and risk management framework.

4. Discussion

4.1. A copy of the Annual Report and Opinion has been included at **Appendix 1** for the Board's information. The table below shows the different types of Internal Audit Opinion which may be given:



4.2. Following completion of our approved Internal Audit Plan, we can confirm that sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2022/23. In giving this opinion, it should be noted that assurance can never be absolute.

4.3. Section 3 of the Annual Report at Appendix 1 outlines the Internal Audit work performed on a Group-wide basis, along with subsidiary-specific elements.

4.4. During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk except for weaknesses in City Building Glasgow (CBG) processes and controls in relation to governance and compliance matters. The status of all audit actions will continue to be reported regularly to the Board and Group Audit Committee.

Internal Audit Opinion 2022/23

*Based on our Group-wide work undertaken in 2022/23 a **substantial level of assurance** can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives, except for weaknesses in City Building Glasgow processes and controls in relation to governance and compliance matters. The CBG Partnership Oversight Board has been established by the Wheatley Group and Glasgow City Council Chief Executives to review these areas.*

Management has agreed to the improvements to the Group wide control environment arising from our annual work and the progress of implementing these additional controls will be reported to the Group Audit Committee.

5. Customer Engagement

5.1. There are no customer engagement implications arising directly from this report although action owners may engage with customers to inform decision-making arising in the course of completing assigned actions.

6. Environmental and sustainability implications

6.1. There are no environmental or sustainability implications arising directly from this report.

7. Digital transformation alignment

7.1. There are no digital transformation alignment implications arising directly from this report.

8. Financial and value for money implications

8.1. There are no financial or value for money implications arising directly from this report.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

10.1. This report summarises the internal audit work performed during 2022/23. The nature of the risks arising from each piece of work varies depending on the review and the agreed management actions are designed to help management to mitigate the identified risks.

10.2. Where management considers the risks identified through an internal audit review are sufficiently material to be included in the Group's risk profile, the risk is aligned to a Strategic Outcome and a risk appetite category assigned. This allows management to confirm whether the risk is being managed within risk appetite or if further improvement action is required.

11. Equalities implications

11.1. This report does not require an equalities impact assessment.

12. Key issues and conclusions

12.1. The Internal Audit team has completed its planned work for 2022/23 and the Director of Assurance has issued his annual opinion, as outlined at paragraph 4.3.

13. Recommendations

13.1. The Board is asked to note contents of this report, including the Annual Internal Audit opinion detailed in Section 4.

LIST OF APPENDICES:

Appendix 1 – Internal Audit Annual Report and Opinion 2022/23

Wheatley Group

Making homes and lives better
wheatley-group.com

Internal Audit Annual Report and Opinion 2022/23

1. Introduction

The purpose of this report is to provide our view on the adequacy and effectiveness of the Wheatley Group's ("the Group") system of governance, risk management and internal control, as assessed through delivery of our rolling Internal Audit Plan during 2022/23.

The Internal Audit Plan is reviewed and approved by the Group Audit Committee ("the Committee") each quarter and progress against this plan has been reported to the Committee throughout the financial year.

Our detailed findings from specific reviews have been reported to Management during the year, with a summary of these findings reported to the Committee at each of its 2022/23 meetings. Summary findings have also been reported to Subsidiary Boards and the Group Board where appropriate.

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

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

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

Group Assurance Mission Statement

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

2. Annual Internal Audit Opinion

Wheatley Group

Scope

In line with the International Standards for the Professional Practice of Internal Auditing ("the Standards"), Internal Audit provides the Group Board, Audit Committee and Subsidiary Boards with an Annual Internal Audit Opinion, as a result of the work completed during 2022/23.

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

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

- the results of all Internal Audit work undertaken (including any upheld instances of fraud or whistleblowing) during the year ended 31 March 2023;
- in accordance with the Wheatley Group City Building Glasgow Assurance approach, we have placed reliance on the internal audit work done by the Glasgow City Council's Chief Internal Auditor in relation to City Building Glasgow;
- the effects of any material changes in the Group's objectives, activities or regulatory environment; and
- whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the Group's Internal Audit needs.

Basis of Opinion

Sufficient work has been undertaken to enable us to provide an opinion on the adequacy and effectiveness of the internal control environment in operation during 2022/23. In giving this opinion, it should be noted that assurance can never be absolute.

During the delivery of our Internal Audit plan, we identified no critical weaknesses in the governance, risk management, or internal control arrangements which would put the achievement of Group objectives at risk *except for weaknesses in City Building Glasgow processes and controls in relation to governance and compliance matters. The CBG Partnership Oversight Board has been established by the Wheatley Group and Glasgow City Council Chief Executives to review these areas.* As reported to the Group Audit Committee.

Internal Audit Opinion 2022/23

Based on our Group-wide work undertaken in 2022/23 a ***substantial level of assurance**** *can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives, except for weaknesses in City Building Glasgow processes and controls in relation to governance and compliance matters. The CBG Partnership Oversight Board has been established by the Wheatley Group and Glasgow City Council Chief Executives to review these areas.*

Management has agreed to the improvements to the Group wide control environment arising from our annual work and the progress of implementing these additional controls will be reported to the Group Audit Committee.

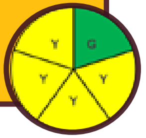
***** See Appendix 2 for definition of levels of assurance.

3. Summary of Work Performed

This section summarises the results of Internal Audit advisory reviews completed during 2022/23. Each of these reviews included an assessment of the extent to which the control objectives set out in the Terms of Reference were achieved*, as reflected in the charts below.

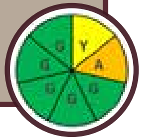
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Cyber security



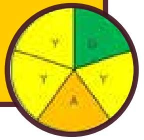
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH – East
- WH- Glasgow
- WH - South
- Wheatley Solutions

IT General Controls



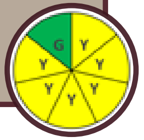
- Wheatley Care

Medication Handling Protocols



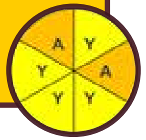
- Loretto Housing
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Scottish Government Net Zero Grant Requirements



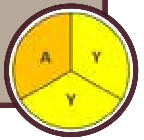
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Digital Strategy Delivery



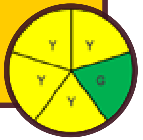
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Digital Maturity Assessment



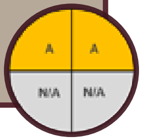
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Lone Working



- Loretto Housing
- WH-East
- WH-Glasgow
- WH-South

RSL Records Management



** See Appendix 2 for control objective ratings.*

3. Summary of Work Performed

The Internal Audit team has completed the following advisory and consultancy reviews, which did not include an assessment of the achievement of control objectives, due to the nature of the work performed.

Cost of Living-wraparound services
- Loretto Housing
- Lowther
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

SHR Assurance Statement
- Loretto Housing
- Lowther
- Wheatley Care
- Wheatley Development Scotland
- Wheatley Foundation
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Lowther Follow Up
- Lowther

Repairs Follow Up
- Loretto Housing
- Lowther
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

Damp and Mould
- Loretto Housing
- Lowther
- WH-East
- WH-Glasgow
- WH-South
- Wheatley Solutions

In addition, the Internal Audit team has developed and embedded routine data analytics in the following areas.

Payroll – *Payroll exception reporting*

- Loretto Housing
- Wheatley Development Scotland
- WH-Glasgow
- Lowther
- Wheatley Foundation
- Wheatley Solutions
- Wheatley Care
- WH-East
- WH - South

Accounts Payable – *Review of purchase card and faster payment transactions*

- Loretto Housing
- Wheatley Development Scotland
- WH-Glasgow
- Lowther
- Wheatley Foundation
- Wheatley Solutions
- Wheatley Care
- WH-East
- WH - South

“Line 2” support – *Development of reporting to support local management assurance checks*

- SSSC Registration checks: Wheatley Care
- Here for You Fund checks: Wheatley Foundation, Wheatley Solutions

Summaries of the findings of all reviews conducted during 2022/23 have previously been reported to the Group Audit Committee and to Subsidiary Boards.

3. Summary of Work Performed

The Internal Audit team has facilitated an exercise to map legislative compliance requirements in different business areas across the Group throughout 2022/23. Within each business area, the team has worked with management to identify legislative requirements and any detective controls in place that would confirm compliance with those requirements.

The Internal Audit team has used a "show me" approach to confirm control descriptions, for example completing one walkthrough / viewing one instance of a report to confirm understanding of control. This work did not assess i) whether the control is adequately designed to mitigate the identified risk or ii) operating effectively. The purpose of this mapping is to help management determine where additional detective controls may be needed, or reflect on the purpose and value of control activity across lower risk areas. The output of each exercise is a “map”, as shown below.

	Controls in place to detect a compliance breach	Controls to detect a compliance breach are planned but not yet operating	No controls in place to detect a compliance breach
High consequence from compliance failure	*Maintain controls*	*Consider prioritising implementation of controls*	*Consider whether additional controls are required*
Medium consequence from compliance failure	*Maintain controls*	*Rollout controls as planned*	*Consider whether additional controls are required*
Low consequence from compliance failure	*Consider whether controls are required*	*Consider whether planned controls are required*	*Consider whether current position is acceptable*

The business areas mapped during 2022/23 are:

- Housing
- Care
- Technical
- Lowther
- CFC
- NETS
- Repairs
- Development
- W360
- Foundation
- Assurance

Work will continue during 2023/24 to map remaining business areas.

3. Follow Up of Management Actions

Internal Audit completes follow up activity to verify that management have implemented actions as agreed in our internal audit reports. The follow up activity is undertaken quarterly, with the results reported to each meeting of the Group Audit Committee.

The information below is a summary of all actions followed up during the course of 2022/23.

Our assessment has included review of each action to determine whether:

a) The action has been completed during 2022/23;

b) The action is no longer relevant or has been superseded;

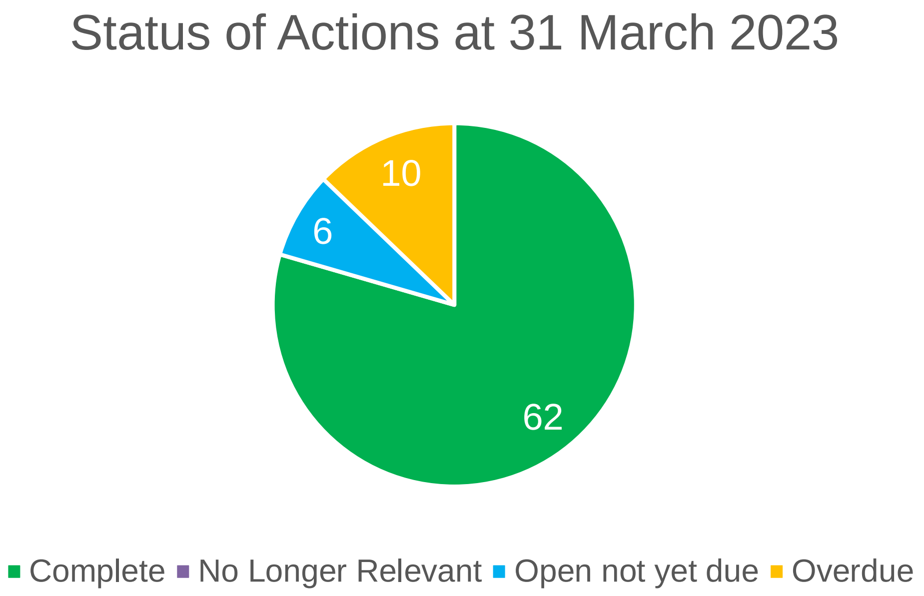
c) The action is not yet due for completion; or

d) The action is overdue for completion.

For the 10 overdue actions, we have discussed the current status with management and identified revised timescales for completion of the original actions. In 8 instances, this is due to the actions being incorporated into projects to be delivered as part of the 2022/23 Delivery Plan. In each case, we are satisfied that the action is in progress and we will continue to monitor full implementation of these actions.

Status	Actions
Actions brought forward from 1 April 2022	17
New actions agreed during 2022/23	61
Total Actions followed up during 2022/23	78

The chart below summarises our assessment of the status of the 78 actions followed up during 2022/23.



4. Internal Audit Team Performance 2022/23

The Internal Audit team's performance against its agreed KPIs for 2022/23 is set out below:

KPI	Target	Actual
Customer Satisfaction: consultation and engagement	*Target Average score: 8 out of 10*	*Actual Average score: 9.7 out of 10*
Customer Satisfaction: delivery of review	*Target Average score: 8 out of 10*	*Actual Average score: 9.3 out of 10*
Customer Satisfaction: Added value of actions	*Target Average score: 8 out of 10*	*Actual Average score: 9.1 out of 10*
Team utilisation on IA activities (based on 200 days)	*Target: 100% utilisation*	*Actual: 100%*
Team operates to IIA Standards	*Target: "Generally Conforms" rating*	*Actual: "Generally Conforms" rating*
CPD/ training requirements met	*Target: 100% of team*	*Actual: 100% of team*
Annual workplan: completed to budget & time	*Target: 100% of audits*	*Actual: 100% of audits*
Annual Report available for Annual Accounts signing	*Target: August GAC*	*Actual: May GAC*

The customer satisfaction measures are based on feedback forms completed by auditees following each review. Performance against target is allocated a Red, Amber or Green rating, as follows:

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

4. Internal Audit Team Performance 2022/23

The customer satisfaction measures are based on feedback forms completed by auditees following each review. Positive comments received from our customers included the following:

"I have always found the audit team to be very proactive in advising of the scope and timing of any reviews and also on any follow up actions."

"Communication with the team is always great and they are always happy to receive feedback."

"The team are fantastic, approachable and always more than willing to dedicate time to supporting improvement."

"Engagement with internal audit is always positive and comes from the starting point of business improvement and which as an approach should always lead to improvements in efficiency and/or effectiveness."

The responses also highlighted the following opportunities which have been added to our Internal Audit Improvement Plan.

We will explore opportunities for the team to gain more specialist/technical knowledge (eg shadowing services) in areas which would add demonstrable value to the Group Internal Audit process.	***We will offer different methods of agreeing audit actions to best meet management's individual needs. For example, we could facilitate workshops or cross-departmental meetings to share ideas and identify practical solutions.***
• "There have been occasions when further explanation has been required for team to fully understand the service area, however they are always keen to take on board feedback and upskill where required."	• "Sometimes recommendations can be made that don't fully consider the operational impact, ownership and accountability of all parties involved." • "Actions are focused on the solutions being resourced by the RSLs when we don't have any admin staff anymore and our operating model has changed."

5. IA Compliance with Standards

Internal Audit compliance with professional standards

The Internal Audit team employs a risk-based approach to determine the audit needs of the Group at the start of each year, which is reviewed on a rolling three-month basis throughout the year. The team uses a risk-based methodology to plan and conduct our work, and all Internal Audit activity is performed in line with the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct (including Code of Ethics) promoted by the Chartered Institute of Internal Auditors.

Internal Audit independence

Each member of the Internal Audit team is required to confirm their independence annually. The Independence Statements were last collected in September 2022 and the exercise will be repeated in September 2023.

Conflicts of Interest

The Internal Audit team is led by the Director of Assurance, who reports to the Group Director of Finance and meets regularly with the Chair of the Group Audit Committee.

The Director of Assurance has other operational responsibilities. Consequently, the Group Audit Committee assesses the controls in place to maintain the Director's independence on an annual basis.

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

6. IA Quality Assurance and Improvement Programme

As part of the IA Team's Quality Assurance and Improvement Programme, we completed our internal quality assurance during 2022/23, comprising:

Ongoing monitoring	• Day-to-day supervision and review of IA team's work • Key Performance Indicators (KPIs) monitoring and reporting
Annual CPE Completion	• Each IA team member completes training to meet the annual CPE requirement of their professional institute.
Annual self-assessment	• Completed using guidance issued by the CIIA • Results reported within the Annual Report and Opinion

Annual Self-Assessment

The Internal Audit team updated the quality assessment template produced by the Chartered Institute of Internal Auditors (CIIA) in September 2022, in advance of an External Quality Assessment. The internal self-assessment rated performance as:

Generally Conforms

- The evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects.

The results of the External Quality Assessment are set out on the next slide.

6. IA Quality Assurance and Improvement Programme

External Quality Assessment (EQA)

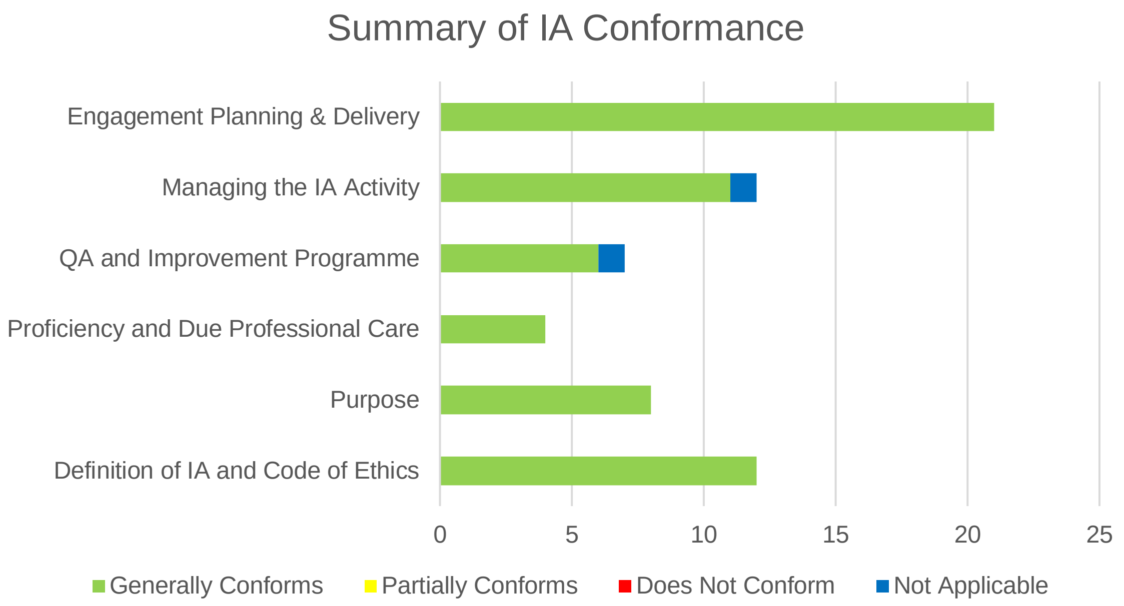
As required by the Group's Internal Audit Charter, the Internal Audit team was subject to an External Quality Assessment during 2022/23. The Group Audit Committee oversaw the appointment of the external assessor, who conducted an independent validation of the team's self-assessment and interviewed a number of the team's stakeholders.

The overall conclusion was:

GENERALLY CONFORMS	THE WHEATLEY HOUSING GROUP INTERNAL AUDIT FUNCTION GENERALLY CONFORMS WITH THE INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK

This is the highest level of conformance with the Standards, reported by the assessor as being "***an excellent result***".

In total, the assessment reviewed the team's performance against the 64 fundamental principles that make up the Standards.



The two areas marked as not applicable relate to: i) disclosure of non-conformance, which has not occurred and ii) arrangements where an external service provides the internal audit function.

The report contained no formal recommendations for improvement but did set out four areas for future consideration to further enhance the function. Actions to address these areas have been reported to the Group Audit Committee, which will monitor their completion.

Appendix 1: Limitations and responsibilities

Limitations Inherent to the Internal Auditor's Work

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

Opinion

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

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

Internal Control

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

Responsibilities of Management and Internal Audit

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

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

Appendix 2: Assurance Opinion definitions

Annual Assurance Opinion Definitions

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

No Assurance

- There are **business critical control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. If not addressed as a priority, these weaknesses could affect the going concern status of one or more Group Subsidiaries.

Limited Assurance

- There are **significant control weaknesses** identified from Group wide Internal Audit reviews undertaken in year, leaving scope for considerable improvement and concern is expressed about the adequacy of controls in mitigating risk to the Group

Substantial Assurance

- There are **control weaknesses** identified from Group wide Internal Audit reviews undertaken in year. The majority of existing controls and processes accord with accepted good practice and are operating effectively although some deficiencies do exist, which could result in increased risk of loss/failure affecting the achievement of strategic objectives

Full Assurance

- There are **no identified control weaknesses** identified from any of the Group wide Internal Audit reviews undertaken in year. Operating practices are considered optimised and industry leading, with no identified areas for improvement

Control Objective Classification

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

Red

- Control objective not achieved. Control weaknesses identified could have a significant and immediate impact on the risks to achievement of the organisation's objectives

Amber

- Control objective not achieved. Control weaknesses identified could have a moderate impact on the risks to achievement of the organisation's objectives

Yellow

- Control objective achieved. Control weaknesses identified could have a minor impact on the risks to the achievement of the organisation's objectives

Green

- Control objective achieved. Any control weaknesses identified could have very limited impact on the risks to the achievement of the organisation's objectives

Loretto Housing

Report

To:	**Loretto Housing Board**
By:	**Stephen Wright, Director of Governance**
Approved by:	**Anthony Allison, Group Director of Governance and Business Solutions**
Subject:	**Governance report**
Date of Meeting:	**21 August 2023**

---

1. Purpose

1.1 To update the Board and, where applicable, seek Board approval on the following governance related matters which are reported to the Board annually in August:

- Final schedule of meetings for the remainder of the 2023 calendar year, including the Annual General Meeting (“AGM”);
- Annual Secretary Report and;
- Board appraisal.

2. Authorising and strategic context

2.1 The Board is responsible for calling meetings, including General Meetings and ordinary Board meetings throughout the course of the year. All Board member appointments / re-appointments at the AGM require approval by the Parent under the Rules of the Association.

2.2 In relation to Board appraisals, under the Group Standing Orders the Group RAAG Committee is responsible for determining the approach each year and agreed to the approach used this year.

3. Background

3.2 The matters in this report form part of our annual governance reporting, which precedes the AGM each year.

4. Discussion

Remaining 2023 meetings

4.1 We have two further Board meetings scheduled for this calendar year which will take us to the minimum requirement of 6 scheduled meetings for the calendar year (in addition to the additional meeting that was held in January this year):

- Post AGM on Tuesday 19 September and;
- Monday 20 November at 2pm.

4.2 It is proposed that we call our AGM for 2pm on 19 September 2022. The meeting and business thereof will be called in line with the requirements of our Rules. This will be followed by the Board meeting at approximately 2.30pm.

4.3 We also have our annual Group Governance Christmas lunch planned for Wednesday 20 December at 1pm to which all governing body members across the group are invited to attend.

Secretary's report

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

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

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

Rule	Secretary report
62	Minutes are up to date and are signed digitally via DocuSign
63	The seal is not routinely used. It is kept at the registered office.
64 and 65	All registers have been checked and maintained throughout the year and are held at our registered office.
66	Our registered name has been displayed at our registered office and at every office where our business is carried out throughout the year (these displays are being updated to reflect our new name) Our name is clearly marked on business letters, notices, adverts, official publications and financial documents.
67	Our books of account, registers, securities and other documents are kept at our registered office.

Board appraisal

4.8 The Group RAAG committee is expected to approve the appraisal process for this year at its next meeting. The appraisals are expected to take place across September and October and given they will be reported back post AGM be undertaken by the incoming Chair. As soon as the process is agreed by the RAAG Committee members will receive a briefing and update on the timing.

5. Customer engagement

5.1 The content of the report is reserved to the Board and is of an internal focus and as such no customer engagement has been appropriate.

6. Environmental and sustainability implications

6.1 There are no environmental or sustainability implications arising from this report.

7. Digital transformation alignment

7.1 There are no links to digital transformation associated with this report.

8. Financial and value for money implications

8.1 There are no finance and value for money implications contained within this report.

9. Legal, regulatory and charitable implications

9.1 This report provides the Board with the Secretary's report, in advance of the Annual General Meeting. This is a requirement under our Rules.

10. Risk appetite and assessment

10.1 Our governance arrangements support delivery across each of our strategic themes. Across each of our strategic themes we have a cautious or minimal approach to our legal and regulatory compliance. The matters and recommendations in this report are consistent with this approach.

11. Equalities implications

11.1 There are no direct equalities implications in regard to this report.

12. Key issues and conclusions

12.1 The report covers key standing processes within our governance arrangements.

13. Recommendations

13.1 The Board is asked to:

1) Instruct the Secretary to call the Annual General Meeting for Tuesday 19 September at 2pm;
2) Note the Secretary's Report under Rule 68 and;
3) Note the Board appraisal approach following feedback from the RAAG Committee.

LIST OF APPENDICES:

None

Loretto Housing

Report

To:	**Loretto Housing Association Board**
By:	**Lyndsay Brown, Director of Financial Reporting**
Approved by:	**Pauline Turnock, Group Director of Finance**
Subject:	**Finance report**
Date of Meeting:	**21 August 2023**

---

1. Purpose

1.1 The purpose of this paper is:

- to provide the Board with an overview of the financial results for the period to 30 June 2023;
- an update on the review of new build appraisal target return rate and seek agreement this be updated on the new build approval criteria for Loretto project approvals by Wheatley Developments Scotland and;
- seek approval of the proposed new £[redacted] debt facility with [redacted]

2. Authorising and strategic context

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

2.2 The Group Board and the Wheatley Funding No.1 Limited ("WFL1") Board will be asked to approve the proposed [redacted] loan in their meetings on 30 August 2023.

3. Background

3.1 Financial performance

The results for the period to 30 June 2023 are summarised below.

	Year to Date (Period 3)		
£000	**Actual**	**Budget**	**Variance**
Turnover	5,211	3,891	1,320
Operating expenditure	(3,934)	(3,912)	(22)
Operating surplus	**1,277**	**(21)**	**1,298**
Net interest payable	(897)	(897)	(0)
Surplus/(Deficit)	**380**	**(918)**	**1,298**
Net Capital Expenditure	**1,265**	**894**	**(371)**

4. Discussion

4.1 *Period to 30 June 2023*

A statutory surplus of £380k has been reported for the period to 30 June 2023, which is £1,298k favourable to budget. The key driver of the variance is recognition of new build grant income for units that were completed ahead of the budgeted date of March 2024.

Key variances against budget include:

- Net rental income of £3,902k is £54k higher than budget at 30 June 2023, due void performance being favourable to budget with a year to date void rate of 1.17% compared to the budgeted rate of 2.88%.
- Grant income is £1,204k favourable to budget and relates to 13 units at Maddiston, which were completed ahead of the budgeted date of March 2024.
- In operating expenditure, total costs are £22k unfavourable to budget driven by higher spend in revenue repairs and minvetaintenance.
    - Revenue repairs and maintenance spend is £134k higher than budget. The variance primarily relates to a higher than budgeted spend across responsive repairs; linked to higher demand for repairs (12.6% ytd increase in job numbers vs ytd 2022/23) Higher repairs volumes experienced in the first quarter of 2022/23 which were expected to be one off in nature linked to a covid backlog have proved to be persistent in nature and;
    - This is offset by lower running and bad debt costs.
- Net capital expenditure is £371k higher than budget, mainly to variations in the timing of new build spend and related grant claims.

4.2 *Q1 Forecast out-turn*

The forecast reports a statutory deficit of £1,440k for the full year out-turn to March 2024, which is £292k unfavourable to budget. The Q1 forecast has been prepared on a prudent basis and allows for an increase in the repairs spend linked to higher demand levels. Activity levels which were previously linked to covid backlog have proved more persistent and an improvement plan has been put in place by the My Repairs team identifying a number of mitigating actions to ensure full year spend remains within the additional capacity provided.

Key variances to budget include:

- Total income is forecast to be £138k unfavourable to budget resulting from a decrease in gift aid income of £308k from Wheatley Developments Scotland, linked to the lower forecast new build spend, partially offset by a lower void loss;
- Total expenditure is forecast to be £84k unfavourable to budget:
  - Repair costs have been forecast at £215k higher than budget linked the higher levels of customer demand experienced, noting that additional capacity has been provided by the reprofiling of the core investment projects into 2023/24 and;
  - Bad debt costs have been forecast £120k lower, while still maintaining a conservative approach.
- Net capital expenditure is forecast to be £5,947k lower than budget, with the investment programme forecast to be £988k lower than budget, resulting from a deferral of works planned in Q4 into Q1 2024/25. New build £6,590k lower than budget due to the timing of developments and;
- The forecast variations to budget are managed within the overall parameters of the RSL Borrower Group budget for 2023/24 of which Loretto is part. The RSL borrower group continues to remain within the overall 2023/24 budgetary provision and financial Golden Rules.

4.3 *Review of new build appraisal target return rate*

- The new build appraisal target return rate was reviewed in October 2022 in response to the uncertainty caused by the emergency rent legislation announcement and a period of volatility in financial markets in September 2022. At that time, we increased the rates to [redacted]% for social rent and [redacted]% for mid-market rent properties. More detail on this background is available in the November 2022 board paper;
- Inflation has remained stubbornly high inflation and since the last return rate review the market outlook for peak interest rates has risen from 4.50% to and expectation of a peak around 6.00% with rates also remaining higher for a longer period. The Bank of England’s most recent increase of 0.50% took rates up to 5.25% in August;
- While the majority ([redacted]%) of the Group’s drawn debt is arranged on a fixed rate basis, we have several loans on a floating rate basis, including our Revolving Credit Facilities, and future fixed rate funding will be drawn at higher prevailing rates. As such, we need to increase our minimum appraisal rates for social and mid-market developments to ensure new build activity is not being cross subsidised by existing tenants;
- The Chief Executive approved the following minimum rates in early July 2023, and Group Board will be asked to ratify this decision in their August 2023 meeting.

Any new build projects which do not have full board approval (including grant awards in principle) are now subject to these new rates with immediate effect:

Wheatley Subsidiary	Tenure	New Appraisal Rate	Previous Appraisal Rate	Appraisal period
WH-Glasgow Loretto WH-East	Social	[redacted]	[redacted]	[redacted]
	Mid-Market	[redacted]	[redacted]	[redacted]
WH-South	Social	[redacted]	[redacted]	[redacted]
	Mid-Market	[redacted]	[redacted]	[redacted]
Lowther Homes	Mid-Market	[redacted]	[redacted]	[redacted]

- The actual impact will depend on property size, rental income and other scheme specific factors but as an indication, to meet the proposed target IRR of [redacted]% social rent developments will require an additional £[redacted] of grant per unit and for a target of [redacted]% on MMR schemes, an additional £[redacted] per unit.

4.4 *New [redcated] funding*

- We most recently arranged a £[redacted] loan with [redacted] with funds drawn in February 2023 in the name of Wheatley Funding No.1 Limited ("WFL1"), the treasury funding vehicle for the Group RSLs. [redacted] provides financing to the Scottish social housing sector, acting as an intermediary for the Scottish Government's 'charitable bond' programme to fund the construction of affordable homes. Loans are arranged on a fixed rate basis plus margin;
- A funding update paper was presented to Group Board in June 2023. This set out the RSL Borrower Group's requirement to raise additional funding to support the delivery of our new build programme. [redacted] debt is provided on an unsecured basis with interest payments deferred until maturity, conferring a cashflow benefit during the term of the loan;
- Group Board will be asked to approve an additional £[redacted] to be drawn under the £[redacted] Master Facility Agreement with [redacted] in their Board Meeting on 30 August 2023. The interest rate and term of the loan will be subject to agreement by Group Board and is linked to the forward 10 year gilt yield. Current indicative rates are [redacted]%, inclusive of margin, for a 10-year term and;
- As a Guarantor to the WFL1 facilities, this Board is requested to approve the proposed loan facility. The associated loan documentation is appended to this paper. This includes a copy of the Master Facility Agreement from February 2023, a specimen board minute and officer certificate.

5. Customer Engagement

5.1 This report relates to our financial reporting and therefore there are no direct customer implications arising from this report.

6. Environmental and sustainability implications

6.1 There are no environmental or sustainability implications arising from this report.

7. Digital transformation alignment

7.1 There are no digital transformation alignment implications arising from this report.

8. Financial and value for money implications

8.1 The statutory surplus for the period to 30 June 2023 is £1,298k favourable to budget, which is linked to higher grant income and in addition to lower void losses. Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying result for the period to 30 June 2023 are £66k favourable to budget ensuring that these efficiency targets are met.

8.2 The forecast underlying statutory surplus for the year to 31 March 2024 after adjusting the for new build grant income and group gift aid, depreciation and capital expenditure in our properties, is £1,004k favourable to budget due to reprofiling of the Investment programme and recognition of operational efficiencies.

9. Legal, regulatory and charitable implications

9.1 There are no direct legal, regulatory and charitable implications arising from this report.

10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

10.2 Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors.

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the financial performance position for the period to 30 June 2023.

13. Recommendations

13.1 The Board is requested to:

1) Note the management accounts for the year ended 30 June 2023 at Appendix 1;
2) Note the revision to the target return rate for new build social and mid-market rent developments and agree the criteria for Wheatley Development Scotland approving projects on our behalf is updated to reflect this and;
3) Approve the new £[redacted] facility to fund new affordable homes.

LIST OF APPENDICES:

Appendix 1: Period 3 – 30 June 2023 Finance Report
Appendix 2: [redacted]
Appendix 3: [redacted]
Appendix 4: [redacted]

Loretto Housing

Period to 30 June 2023
Finance Report

Wheatley Group

1a. Operating Statement – Period to 30 June 2023

Loretto Housing

	Period To 30 June 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INCOME				
Rental Income	3,948	3,962	(14)	15,859
Void Losses	(46)	(114)	68	(456)
Net Rental Income	**3,902**	**3,848**	**54**	**15,403**
Grant Income	**1,204**	**0**	**1,204**	**2,223**
Other Grant Income	**86**	**17**	**69**	**116**
Other Income	**19**	**26**	**(7)**	**876**
Total Income	**5,211**	**3,891**	**1,320**	**18,618**
EXPENDITURE				
Employee Costs - Direct	345	345	0	1,382
Employee Costs - Group Services	214	220	6	881
ER / VR	27	27	0	210
Direct Running Costs	422	470	48	1,813
Running Costs - Group Services	113	117	3	469
Revenue Repairs and Maintenance	883	749	(134)	3,198
Bad debts	47	101	54	407
Depreciation	1,883	1,883	0	7,627
TOTAL EXPENDITURE	**3,934**	**3,912**	**(22)**	**15,987**
OPERATING SURPLUS / (DEFICIT)	**1,277**	**(21)**	**1,298**	**2,631**
Interest Payable	(897)	(897)	0	(3,779)
STATUTORY SURPLUS / (DEFICIT)	**380**	**(918)**	**1,298**	**(1,148)**

	Period To 30 June 2023			Full Year
	Actual £k	Budget £k	Variance £k	Budget £k
INVESTMENT				
Total Capital Investment Income	**460**	**3,948**	**(3,488)**	**11,196**
Investment Programme	363	335	(28)	2,514
New Build Programme	1,311	4,401	3,090	22,048
Other Capital Expenditure	51	106	55	422
TOTAL CAPITAL EXPENDITURE	**1,725**	**4,842**	**3,117**	**24,984**
NET CAPITAL EXPENDITURE	**1,265**	**894**	**(371)**	**13,788**

Income and Expenditure account – key points

Net operating surplus of £1,277k is £1,298k favourable to budget. Statutory surplus for the, year is £380k, £1,298k favourable to budget. The main driver of the favourable variance is the recognition of new build grant income on completions earlier than budgeted.

- Gross rental income of £3,948k is £14k unfavourable to budget due to changes in the service charges applied to a small number of rent accounts.
- Void losses in the year to date are 1.17% against a budget of 2.88%.
- Grant income relates to 13 units at Maddiston, which completed ahead of the budgeted date of March 2024.
- Other grant income relates to medical adaptations.
- Other income is £7k unfavourable to budget following a revision of the Dargavel L&D damages claim, which resulted in a reduction for the damages received.
- Direct employee costs are in line with budget. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff are currently £6k favourable.
- Total running costs are £51k favourable to budget. Direct running costs are £48k favourable to budget with most budget categories showing underspends, partly linked to the timing of spend.
- Revenue repairs and maintenance is £134k unfavourable to budget with responsive repairs spend £170k higher than budget, partially offset by cyclical and compliance spend £36k lower than budget. Completed responsive repair jobs YTD 12.8% higher than the same period last year, reflecting a continued increase in customer demand. An improvement plan has been put in place to monitor the drivers of repairs costs, improve efficiency and keep repairs spend within the forecast spend.
- Bad debts are £54k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable represents interest due on the loans due to Wheatley Funding No.1 Ltd.

Net capital expenditure of £1,265k is £371k unfavourable to budget.

- Capital investment income (grant) is £3,488k lower than budget mainly due to East Lane and Dargavel Ph 3 site starts being delayed, in addition to the full grant for Main St Maddiston being claimed in 2022/23.
- New build spend is £3,090k lower than budget resulting from the delays and phasing of project spend. East Lane (budget £2,412k) only recently started on site and Dargavel Ph 3 (budget £1,401k) has not yet started.
- Investment programme expenditure of £363k relates to core programme works, capitalised repairs and voids. The variance to budget is mainly due to additional funded adaptations.
- Other capital expenditure of £51k relates to the Loretto contribution to Wheatley Group IT costs.

1b. Underlying surplus – Period to 30 June 2023

Key comments:

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, including capital expenditure on our existing properties.
- In the period to the end of June 2023, an underlying surplus of £696k has been generated, £66k favourable to budget. The variance is primarily driven by lower void losses and higher other grant income. The full year budget reflects an underlying surplus of £1,742k.

Loretto Underlying Surplus/(Deficit) - June 2023				
	YTD Actual £k	YTD Budget £k	YTD Variance £k	FY Budget £k
Net operating surplus	1,277	(21)	1,298	2,631
add back:				
Depreciation	1,883	1,883	0	7,627
less:				
Grant income	(1,204)	0	(1,204)	(2,223)
Net interest payable	(897)	(897)	0	(3,779)
Total expenditure on Investment Programme	(363)	(335)	(28)	(2,514)
Underlying surplus/(deficit)	**696**	**630**	**66**	**1,742**

Operating Statement – June 2023

Loretto Housing

	Period June 2023		
	Actual £k	Budget £k	Variance £k
INCOME			
Rental Income	1,318	1,321	(2)
Void Losses	(17)	(38)	21
Net Rental Income	**1,301**	**1,283**	**19**
Grant Income	**741**	**0**	**741**
Other Grant Income	**2**	**6**	**(4)**
Other Income	**1**	**8**	**(7)**
Total Income	**2,044**	**1,291**	**752**
EXPENDITURE			
Employee Costs - Direct	110	115	5
Employee Costs - Group Services	68	73	5
ER / VR	27	27	0
Direct Running Costs	150	157	7
Running Costs - Group Services	39	39	0
Revenue Repairs and Maintenance	341	267	(74)
Bad debts	26	33	7
Depreciation	629	629	0
TOTAL EXPENDITURE	**1,390**	**1,340**	**(50)**
OPERATING SURPLUS / (DEFICIT)	**654**	**(49)**	**703**
Interest Payable	(299)	(299)	(0)
STATUTORY SURPLUS / (DEFICIT)	**354**	**(348)**	**703**

	Period June 2023		
	Actual £k	Budget £k	Variance £k
INVESTMENT			
Total Capital Investment Income	**376**	**1,423**	**1,047**
Investment Works	93	132	39
New Build	312	1,658	1,346
Other Capital Expenditure	23	36	13
TOTAL CAPITAL EXPENDITURE	**427**	**1,825**	**1,398**
NET CAPITAL EXPENDITURE	**51**	**402**	**351**

Income and Expenditure account – key points

Net operating surplus of £654k is £703k favourable to budget. Statutory surplus for the month is £354k, £703k favourable to budget. The main driver of the favourable variance is the recognition of Maddison's new build grant income earlier than expected.

- Gross rental income is £2k unfavourable to budget due to due to changes in the service charges applied to a small number of rent accounts.
- The favourable variance on void losses in the month reflects on YTD performance.
- Grant income relates to 8 units at Maddiston, which were completed ahead of the budgeted date of March 2024.
- Direct employee costs report a small favourable variances to budget following staff reallocations; there are no vacant posts. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff.
- Running costs (direct and group services) are £7k favourable to budget mainly due to small underspends across most budget categories.
- Revenue repairs and maintenance expenditure is £74k unfavourable to budget due a higher number of completed responsive repair jobs.
- Bad debts are £7k favourable to budget reflecting YTD performance.
- Gross interest payable of £299k represents interest due on the loans due to Wheatley Funding Ltd 1.

The net capital position of £51k is £351k favourable to budget, linked to the timing of the East Lane and Dargavel Ph 3 new build projects.

2a. Repairs & Investment Programme – YTD June 2023

Repairs & Maintenance Expenditure	1 April 2023 - 30 June 2023 Actual £k	Budget £k	Variance £k	2023/24 Budget £k
Responsive repairs	526	356	(170)	1,485
Cyclical property maintenance	-	7	7	87
Compliance	357	386	29	1,626
Total	**883**	**749**	**(134)**	**3,198**

Investment Programme	1 April 2023- 30 June 2023 Actual £k	Budget £k	Variance £k	2023/24 Budget £k
Investment Programme Grant Income				
Adaptations	86	17	69	116
Total	**86**	**17**	**69**	**116**
Investment Programme Expenditure				
Adaptations	86	17	(69)	116
Core programme	63	130	67	1,630
Capitalised repairs	78	89	11	370
Capitalised staff	66	31	(35)	123
Void repairs	70	68	(2)	275
Total	**363**	**335**	**(28)**	**2,514**

Repairs and maintenance

- Revenue repairs and maintenance spend of £883k is £134k unfavourable to budget.
- Responsive repairs are £170k unfavourable to budget, due to an on-going increase in customer demand, with a 12.6% increase in completed jobs YTD compared to the same period in 2022/23.
- Cyclical repairs report a small favourable variance due to the timing of the works.
- Overall compliance expenditure is £29k favourable to budget driven by lower communal utilities and compliance costs. The underspend on compliance costs is linked to the timing of the programme.
- To address the continued increase in demand for repairs an improvement plan has been put in place which identifies several mitigating actions to control repairs spend within the forecast spend.

Investment Programme

- Investment Programme expenditure of £363k YTD is £28k unfavourable to the budget, mainly due to the higher adaptations and capitalised staff spend.
- The cost of adaptations year to date is fully offset by grant income from GCC and Scottish Government.
- Core programme works are £67k lower than budget due to the reprofiling and timing of the programme.

2b. New Build Programme – Period to 30 June 2023

Loretto Housing

			Year To Date			Full Year
	*Status	Contractor	Actual	Budget	Variance	Budget
Main St-Maddiston	On site	Miller Homes	732	300	(432)	1,928
East Lane	On site	JR Group	427	2,412	1,985	8,129
Dargavel Ph3	Feasibility	Stewart Milne	3	1,401	1,398	5,898
Duke St	TBC	TBC	0	117	117	2,629
Croy	Feasibility	Miller Homes	0	23	23	2,164
Crofthead	TBC	TBC	0	0	0	1
Barrhill	Feasibility	Cala West	0	0	0	3
Prior year schemes	-	-	5	0	(5)	513
Total social Rent			**1,167**	**4,253**	**3,086**	**21,265**
Land Acquisition	-	-	0	0	0	100
Capitalised Interest	-	-	0	0	0	88
Capitalised Staff Costs	-	-	145	149	4	595
Total New Build Investment			**1,311**	**4,401**	**3,090**	**22,048**
Grant Income			**374**	**3,931**	**(3,557)**	**11,080**
Net New Build Costs			**937**	**470**	**(467)**	**10,968**
Grant Income Completions (Recognised in OPS)			**1,204**	**0**	**1,204**	**0**

Capital Investment Income
Grant income reported within the capital budget represents the cash received in the YTD and outstanding claims accrued.

New Build Programme Expenditure
Maddiston Fire Station: s75 with Miller Homes for 24 social rent units. Tender approval was obtained March 2022 and the project started on site in June 2022. All grant has now been fully claimed. Unit completions are phased up to September 2023, with the first 13 completions in May and June.

East Lane, Paisley: 48 units social rent. Board Approval was received in November and an above benchmark grant submission to the Scottish Government has been agreed. The project started on site in May 2023.

Dargavel Phase 3: . Phase 3A is 46 units and 3B is 16 units, all social rent. Talks are ongoing with Stewart Milne and Renfrewshire Council in relation to the interpretation of the s75 requirements on land value and the project is delayed while the Council prepare legal briefing for Stewart Milne.

Duke Street: The procurement strategy has been agreed, with works targeted to start on site in October 2023.

Croy: 15 units social rent. Project is being progressed with original partner developer, Miller Homes, who have confirmed our site portion will not be used for the site compound allowing our work to progress early in the project.

Forfar Avenue: 30 units for Livingwell. Pre-Planning/Cost plan submission made to GCC in December. The design was updated following feedback and the revised Building Warrant and Pre-Planning applications made in January and February 2023. The project team are working to submit a Planning application in mid July.

Future Developments
South Crosshill Rd, Bishopbriggs:. s75 project with Barratt Homes for 44 social rent units. The offer to sell was received from the developer in June.

Crofthead Rd, Bishopbriggs: Project will not go forward as developer partner has been unable to agree terms with the landowner, who is targeting another developer.

Barrhill: s75 project with Cala (West) for 18 social units. Developer changed site layout to account for tree survey information and feedback from Planning over a secondary access. Planning Pre Application Notification was submitted at the end of May and the initial planning consultation took place in June with feedback currently being reviewed by Cala.

3. Balance Sheet

Loretto Housing

	30 June 2023 £k	31 March 2023 £k
Tangible Fixed Assets		
Housing Properties	144,810	144,956
Investment Properties	1,260	1,260
Other Assets	1,288	1,299
	147,358	147,515
Current Assets		
Rent and service charge arrears	727	597
less: Provision for rent arrears	(406)	(364)
Prepayments and accrued income	135	6
Intercompany balances	184	99
Other debtors	1,974	1,918
	2,614	2,256
Cash at Bank and in Hand	1,179	2,062
	3,793	4,318
Short Term Creditors		
Trade creditors	(439)	(53)
Accruals	(1,875)	(2,331)
Deferred income	(2,495)	(2,226)
Rent and service charges in advance	(1,141)	(1,060)
Intercompany balances	(4,109)	(3,360)
Other creditors	(544)	(535)
	(10,603)	(9,565)
Net Current Assets	(6,810)	(5,247)
Long Term Creditors		
Amounts due after one year	(81,425)	(82,425)
Deferred Income	(302)	(1,402)
Pension Liability	(1,758)	(1,758)
Net Assets	**57,063**	**56,683**
Capital and Reserves		
Share Capital	-	-
Revenue Reserve - b/fwd	58,441	46,881
Current year surplus/(deficit)	380	11,560
Pension Reserves	(1,758)	(1,758)
Association's Funds	**57,063**	**56,683**

Comments

The balance sheet reported reflects the 31 March 2023 year end statutory accounts position. This includes the revaluation of both housing and investment properties, and actuarial valuation of the defined benefit pension scheme.

- **Fixed Assets e**xpenditure is capitalised in accordance with our accounting policy.
- **Investment Properties** are the Barclay Street Mid Market Rent properties, leased to Lowther Homes.
- **Current assets (excluding cash)** are £358k higher than the March 2023 position, due to increases across all categories, linked to timing.
- **Cash at Bank t**he change from the year end principally reflects the timing of the supplier payments and loan drawdowns.
- **Short term creditors** due within one year are £1,038k higher than the March 2023 position linked to the timing of trade creditor and intercompany payments, in addition to the timing of the release of new build grants from deferred income.
- **Long-Term Creditors** includes £82.5m of loans due to Wheatley Funding No 1 Ltd, excluding deferred loan fees.

4a. Q1 2023/24 Forecast

Loretto Housing

	Full Year 2023/24		
	Forecast £k	Budget £k	Variance £k
INCOME			
Rental Income	15,859	15,859	0
Void Losses	(256)	(456)	200
Net Rental Income	**15,603**	**15,403**	**200**
Grant Income	**2,223**	**2,223**	**0**
Other Grant Income	**86**	**116**	**(30)**
Other Income	**568**	**876**	**(308)**
Total Income	**18,480**	**18,618**	**(138)**
EXPENDITURE			
Employee Costs - Direct	1,382	1,382	0
Employee Costs - Group Services	870	881	11
ER / VR	210	210	0
Direct Running Costs	1,813	1,813	0
Running Costs - Group Services	469	469	0
Revenue Repairs and Maintenance	3,413	3,198	(215)
Bad debts	287	407	120
Depreciation	7,627	7,627	0
TOTAL EXPENDITURE	**16,071**	**15,987**	**(84)**
OPERATING SURPLUS / (DEFICIT)	**2,409**	**2,631**	**(222)**
Interest Payable	(3,849)	(3,779)	(70)
STATUTORY SURPLUS / (DEFICIT)	**(1,440)**	**(1,148)**	**(292)**

	Full Year 2023/24		
	Forecast £k	Budget £k	Variance £k
INVESTMENT			
Total Capital Investment Income	**9,565**	**11,196**	**(1,631)**
Investment Programme	1,526	2,514	988
New Build	15,458	22,048	6,590
Other Capital Expenditure	422	422	0
TOTAL CAPITAL EXPENDITURE	**17,406**	**24,984**	**7,578**
NET CAPITAL EXPENDITURE	**7,841**	**13,788**	**5,947**

Comments:

The forecast operating surplus of £2,409k is £222k unfavourable to budget. After taking account of financing costs, the statutory deficit of £1,440k is £292k unfavourable to budget.

Total income forecast of £18,480k is £138k lower than budget.

- Void losses are forecast to be £200k lower than budget with the forecast taking a conservative approach to future performance.
- Other grant income is £30k lower than budget following confirmation of 2023/24 medical adaptation grant awards from GCC and Scottish Government.
- Other income is £308k lower than budget due a decrease in gift aid income from Wheatley Developments Scotland, linked to the lower forecast new build spend.

Total expenditure forecast of £16,071k is £84k higher than budget:

- Employee cost group recharges are forecast to be £11k favourable to budget reflecting structure changes from budget setting.
- The forecast out-turn for repairs and maintenance costs has been prepared on a prudent basis and provision has been made for a £215k increase linked the higher levels of customer demand experienced YTD, noting that this is partially offset by a reprofiling of the core investment programme.
- Bad debts are £120k lower than budget with the forecast taking a conservative approach to future performance.
- Interest is forecast to be £70k higher than budget linked to higher variable interest rates.

Net capital expenditure is forecast at £7,841k and is £5,947k lower than budget.

- Investment programme is forecast to be £988k lower than budget due to a deferral of works planned in Q4 into Q1 in 2024/25.
- New build investment expenditure is forecast to be £6,590k lower than budget. This is largely due to later than anticipated site starts at East Lane and Dargavel Ph 3.
- Capital investment income is forecast £1,631k lower than budget linked to the timing of spend at East Lane and Dargavel Ph 3.

4b. Underlying surplus – Q1 forecast

Key comments:

- As with the year to date results to 30 June 2023, the Q1 Forecast full year out-turn Operating Statement (Income and Expenditure Account) on page 8 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).

- An underlying surplus of £1,975k is expected for the full year as shown in the chart below after adjusting to exclude the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties to reflect the underlying cash surplus/deficit on our letting activity.

- The forecast underlying surplus is £1,004k higher than the budgeted full year surplus and reflects the reprofiling of the investment programme and the recognition of operational efficiencies, which provides capacity for the additional £215k of financial provision for repairs.

Loretto Underlying Surplus/(Deficit) - Q1 forecast 23/24			
	Forecast Actual £k	Forecast Budget £k	Forecast Variance £k
Net operating surplus	2,409	2,631	(222)
add back:			
Depreciation	7,627	7,627	0
less:			
Grant income	(2,223)	(2,223)	0
WDS gift aid income	(463)	(771)	308
Net interest payable	(3,849)	(3,779)	(70)
Total expenditure on Investment Programme	(1,526)	(2,514)	988
Underlying surplus/(deficit)	**1,975**	**971**	**1,004**