Loretto Housing

**LORETTO HOUSING ASSOCIATION**

**BOARD MEETING**

**Thursday 9 February 2023 at 10am**
**Wheatley House**

**AGENDA**

1. Apologies for absence

2. Declarations of interest

3. a) Minute of meeting held on 10 January 2023
   b) Minute of meeting held on 28 November 2022 and matters arising
   c) Action list

**Main Business Items**

4. Rent and service charges 2023/2024

5. Financial projections 2023/2024

6. [redacted]

7. Five-Year Capital Investment Plan in existing homes

8. Customer insights update

**Other Business**

9. Performance Report

10. Finance Report

11. Governance update

12. Group Sustainability Framework

13. Corporate Risk Register

14. AOCB

Loretto Housing

# Report

**To:** Loretto Housing Board

**By:** Laura Henderson, Managing Director

**Approved by:** Steven Henderson, Group Chief Executive

**Subject:** 2023/24 rent and service charges – consultation outcome

**Date of Meeting:** 9 February 2023

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## 1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2023/24 RSL rent, service and other charges increase; and
- Seeks Board approval for the 2023/24 rent, service and other charges increases.

## 2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board are responsible for agreeing the overarching parameters for rent setting. Thereafter each individual Board agrees their own individual rent increase proposals within the agreed parameters. The Group Board agreed rent setting parameters at their meeting on 26 October 2022.

2.2 At its meeting on 14 December 2022, the Group Board considered the feedback from tenants during the independently facilitated focus groups and individual interviews. The Group Board approved the options for consultation subject to formal agreement by this Board and confirmation by the Scottish Government there would be no rent cap for social landlords.

2.3 At its meeting on 10 January 2023 the Board agreed that an increase of 3.9% should be the basis of consultation with our tenants, with the exception of those who live in ex-Cube homes where a pre-existing rent promise was in place.

2.4 It also agreed that a second and third option, 0.5% and 1% above the 3.9% level should be discussed with tenants, with tenants asked whether they would be prepared to pay these higher levels in return for a lesser impact on investment reduction and services.

2.5 It was also agreed that tenants who live in ex-Cube homes transferred through the stock transfer ballot would be consulted on a 1% increase (the 3-year ballot commitment), as well as additional 1.5% and 2% options.

## 3. Background

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

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

3.2 The Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the November 2022 and January 2023 meetings.

3.3 Our consultation was informed by an extensive programme of advanced customer engagement. This involved more tenants than ever before in our rent setting advanced engagement, comprising of individual interviews with tenants in their homes as well as focus groups. Both were undertaken by independent customer insight and research firm BMG.

3.4 In total BMG talked to 250 of our customers through interviews, as well as more in-depth discussion in a group dynamic through 3 focus groups, involving 16 customers. The feedback from the interviews demonstrated that over 85% of tenants were prepared to support a rent increase and a large proportion, approximately one quarter, were prepared to pay a higher option to reduce the impact on services and investment. The results also firmly confirmed that the majority of tenants do not support a rent freeze.

3.5 The focus groups also demonstrated a clear majority supporting one of the rent increase options; 50% of the focus group attendees supported the 3.9% and the remaining 50% the 4.4% option. The majority of tenants who expressed a view at the focus groups, some 63.5%, also indicated they did not support a rent freeze

## 4. Discussion

4.1. Following our pre-consultation engagement, we formally consulted tenants on our rent setting proposals from the 23 January 2023 until 6 February 2023. Our formal consultation was independently managed by Civica.

4.2. Given the consultation period was shorter than previous years, due to commencing later amidst the uncertainty over the potential rent cap, we extended the means to respond from mail to instantaneous digital methods or by phone via a dedicated code.

4.3. The consultation saw the highest ever response rate on record from tenants, with over 400 valid responses received as detailed below:

*Table 1: Loretto results*

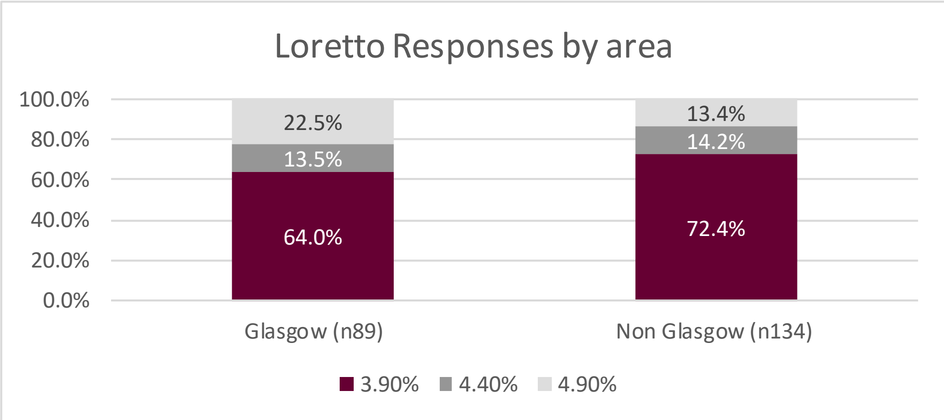
| Rent options | Total |
|---|---|
| **3.9%** | **154 (69.1%)** |
| **4.4%** | **31 (13.9%)** |
| **4.9%** | **38 (17%)** |
| | **223** |

*Table 2: Ex-Cube results*

| Rent options | Total |
|---|---|
| **1%** | **130 (70.7%)** |
| **1.5%** | **32 (17.4%)** |
| **2%** | **22 (11.9%)** |
| | **184** |

4.4. A further breakdown of the results by each of our three areas is set out below:

*Chart 1: Loretto responses (excluding ex-Cube) per area*




4.5. The results show a strong appetite amongst tenants to engage in consultations through digital means, with the majority of responses via the online option.

*Table 2: Response method*

| Customer group | Total | Online | Postal | SMS text | Telephone |
|---|---|---|---|---|---|
| Loretto | **223** | 137 | 75 | 3 | 8 |
| Ex-Cube | **186*** | 113 | 67 | 1 | 5 |

**Civica found two to be invalid and are therefore not included at Table 1 & 2, and Chart 1.*

<u>Qualitative feedback</u>

4.6. We invited respondents to provide feedback on why they elected to choose the option they did. We received feedback from customers regarding the Loretto proposals and ex-Cube proposals.

4.7. The most consistent theme of the feedback received was the continued pressure from the rising cost of living, including inflationary pressures and fuel costs and a lack of wage rises. Only a small proportion of customers who provided feedback suggested they would have preferred we consider a rent freeze or no increase. This low proportion of tenants providing this feedback was consistent with the pre-consultation engagement.

Summary

4.8 The level of tenant engagement and feedback on our rent setting proposals has been extensive and seen a record number of tenants involved. The pre-engagement with over 260 tenants informing our consultation proposals and over 400 responses mean we have had over 660 pieces of feedback from tenants as part of the process.

4.9 Taking into account the feedback from the consultation, it is proposed that we apply a 3.9% rent and service charge increase with the exception of ex-Cube stock which are proposed as 1% in line with the ballot commitment. This is less than half the current rate of inflation, at 10.5%, and well below the anticipated Scottish national average increase of 6.1% for Registered Social Landlords.

4.10 We also expect that our increase will be one of the lowest in the areas we have stock based on the following (publicly confirmed) proposals that tenants of other RSLs/Local Authorities we use in our rent setting comparability analysis were consulted on:

- Sanctuary (Scotland) – 5.9%
- Queens Cross HA – 7% or 9%
- Link Housing – 6%
- West of Scotland – 5.9%
- Thenue Housing – 5%
- NG Homes – 6%, 7% or 8%
- Maryhill HA - 7% or 9%
- Southside HA – 6%
- Glen Oaks HA – 6%, 7% or 9%
- Partick HA – 7%
- Elderpark HA – 6%
- Shettleston HA – 7%
- Govan HA – 6%
- Tollcross HA – 5%
- Parkhead 2.5%
- Clyde Valley – 7%
- West Dunbartonshire Council 4% or 5%

4.11 Our proposed 3.9% increase is therefore likely to be at least 2% below the vast majority of other RSLs within Glasgow. For ex-Cube tenants the ballot commitment of a 1% increase, which was made to make the stock more affordable and comparably lower, will significantly enhance this stock in both respects.

## 5. Customer Engagement

5.1 The combination of the individual interviews and focus groups has seen the highest ever number of tenants involved in shaping our rent setting proposals. The engagement with tenants throughout the pre-engagement consultation was open and transparent about the challenges we face in maintaining investment and services and explored options and priorities with tenants. This process affirmed that the majority did not support a rent freeze.

5.2 Our formal consultation was equally open and transparent, clearly setting out the impact each option would have on investment and services to allow tenants to make an informed response to the three options we consulted on. The record level of responses affirmed that our consultation approach resonated with tenants.

## 6. Environmental and sustainability implications

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

## 7. Digital transformation alignment

7.1 Our rent pre-consultation engagement, facilitated by BMG, allowed tenants to participate through a wide range of means, both in person and digital. This saw over 250 door to door interviews with tenants and 16 tenants attending focus groups.

7.2 The rent consultation itself was managed by independent provider Civica; a postal copy of the rent brochure was issued, as well as an email/text (depending on contact preference) with a link to an online copy. Tenants were able to participate in the consultation through a wider range of digital means than ever before. Response to the consultation could be provided via post; online; text; or call. This is the most methods of responding to a rent consultation we have ever had and may have been an impact on the high number of returns we have seen.

## 8. Financial and value for money implications

8.1 The level of rent increase proposed during the consultation included detailed analysis in areas such as affordability and comparability. We know that overall rent levels are an element of how tenants perceive value for money. This is however set within the context during a period of pressure on household budgets, the preservation of appropriate levels of investment in our homes, services to tenants and the financial viability of the business.

8.2 To achieve this rent proposal additional cost efficiencies have been required as well as a decision taken on deferment of £0.1m from 23/24 of core investment spend out beyond 2025/26. The rent increase of 3.9% will require us to reduce planned spending in services and investment by £1 million over the next three years. As set out in the separate paper on our financial projections we still have a robust business plan, which maintains our financial viability.

## 9. Legal, regulatory and charitable implications

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

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

## 10. Risk appetite and assessment

10.1 Our risk appetite in relation to business planning assumptions such as rent increases is open, defined as "*willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward".*

10.2 In relation to the statutory requirement in consulting and engaging tenants on any rent increase, our risk appetite is averse, that is "*avoidance of risk and uncertainty is a key organisational objective".*

10.3 The decision on rent increases involves striking a balance between the need to continue our path out of underlying deficit into surplus (as set out in our business plan), continuing to deliver services our customers tell us they want, and keeping rents affordable. Setting rents lower than the assumption in the business plan could – in the absence of mitigating cost savings – risk the financial viability of the Group. However, we are also required under statute to take into account the views of customers before making final decisions on rent levels.

## 11. Equalities implications

11.1 There are no equalities implications associated with this report.

## 12. Key issues and conclusions

12.1 Our rent setting engagement and consultation has been our most extensive ever with the highest response rate on record. Over 660 pieces of feedback/consultation responses from tenants over the pre-consultation engagement and formal consultation has shown that tenant support for a rent increase to maintain services and investment.

12.2 The high response rate by digital means provides us with assurance for future consultations that this is a method tenants are keen to use and one that will be used in future consultations.

## 13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2023/24 RSL rent, service and other charges increase;
2) Approve a 1% rent, service charges and other charges (including garages and lock ups) increase for former Cube homes that transferred to Loretto effective from 28$^{th}$ March 2023;
3) Approve a 3.9% rent, service charges and other charges (including garages and lock ups) for 2023/24 for all other tenants effective from the 1st April 2023; and
4) Agree that we formally write to tenants to confirm this subject to Group Board approval.

Loretto Housing

# Report

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Sarah Stocks, Finance Manager** |
| **Approved by:** | **Pauline Turnock, Group Director of Finance** |
| **Subject:** | **Financial Projections 2023/24** |
| **Date of Meeting:** | **09 February 2023** |

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## 1. Purpose

1.1 The purpose of this report is:

- to set out the updated projections for investment in assets and services over the period to 2028, in support of our strategy, *Your Home, Your Community, Your Future*; and

- to ask for the Board's approval of these updated financial projections, of which the first year will form the budget for 2023/24.

## 2. Authorising and strategic context

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

2.2 The key themes and aims of the 2021-26 Strategy *"Your Home, Your Community, Your Future"* set the context for the preparation of the financial projections.

## 3. Background

3.1 Throughout 2022/23 the economic outlook in the UK has remained challenging with inflation, driven by fuel and energy costs initially and flowing through to higher food prices, increasing to a 40 year high in October 2022 to over 11% and interest rates being raised by the Bank of England. Inflation has fallen back slightly over recent months to 10.5% at December 2022 and is projected to fall to c5% by the end of 2023 in response to monetary policy actions and prices stabilising in the key inflation drivers of fuel and utilities. Thereafter inflation is predicted to fall below the policy target of 2% by the end of 2023/24.

3.2 Inflationary pressures are having a significant impact on the business and our customers. Efficiencies that we have realised to date are valuable and a focus on value for money remains important particularly in times of cost pressures. We recognise these economic factors will also put pressure on our tenants with rising inflation impacting customers' ability to keep their rent accounts up to date; the financial projections have been aligned to focus activities to benefit our customers most in need with the funding for key wrap around services maintained and funding within the Wheatley Foundation for the continuation of the Here For You Fund across Group.

3.3 In response, updated cost inflation assumptions have been provided in the earlier years of the projections. Operating cost efficiencies linked to improved working practices, asset growth and collaboration with service providers continue our focus on value for money savings in the projections. We have retained our provision for a higher number of tenants moving onto Universal Credit and an increase in rent arrears balances.

3.4 Our Customer First Centre allows us to deliver services using a blended approach of face to face and virtual engagement with our customers and frees up housing staff to spend more time with tenants. Feedback from our customers on the Customer First Centre has been overwhelmingly positive, and building on this success, early in 2023 we launched our new MyRepairs team, which further strengthens our repairs delivery and extends our collaborative working with City Building Glasgow.

3.5 The increase in the debt per unit covenant agreed in 2021/22 and the addition of Wheatley Homes South to the RSL Borrower Group in 2022/23 has allowed us to grow our development programme to 10 years and increase the number of new homes delivered. 9,760 new units are assumed to be completed by the RSL Borrower Group over 10 years with 77% of these for social rent. This goes some way towards delivering on our long-term strategic objective of 12,500 units and allows us to meet commitments to tenants with Loretto developing up to 1,275 of these.

## 4. Discussion

4.1 More detail of the financial projections are provided in the appendix. Our strategy for 2021-2026, *Your Home, Your Community, Your Future*, forms the basis of these financial projections and address how the 5 key themes of the strategy will be achieved.

4.2 Included in the projections is provision for the continuation of investment in our services and assets:

- Over the five-year period the business plan includes provision for investment of £15.0m in our existing housing stock.
- Our new build programme includes gross development spend of £111.0m projected over the five-year period and the completion of 551 social rent properties.
- Management and overhead costs decrease over the five-year period from £2,756 per unit in 2023/24 to £2,380 in 2027/28. These efficiencies create capacity within Loretto to fund the debt required to meet our new build ambitions and invest in services for our customers.

The financial highlights under each theme of our strategy are set out below.

***Delivering Exceptional Customer Experience***

4.3 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. These projections include funding to support a contribution of £1.5m over the next five years towards the Group's IT capital programme, which is aligned to 5 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms. The workstreams are:

- Digital Workplace, including technology in hubs and support of the hybrid working model.
- Customer Self Service, including the review and replacement of our current customer self service platforms.
- Housing and Care, supporting the new housing operating model through ongoing investment in staff mobile applications and services .
- Digital Repairs, includes an review and redevelopment of online repairs services for customers, aligned to ongoing improvement to support the evolution of 'Book-it, Track-it, Rate-it' model of delivery.
- Core Architecture and CyberSecurity, ongoing maintenance and improvement to Group technology platforms to ensure ongoing security, stability and support of critical business operations.
- The repairs service is hugely important for our customers, and the launch of the MyRepairs service in early 2023 extends our collaborative working with City Building (Glasgow) LLP by introducing a new and improved model which will see specialist teams deal solely with repairs.

***Making the most of our homes and assets***

4.4 The projections include £111.0m of gross funding for the new build programme over the five years, delivering 551 new social housing units during this period. Grant income of £62.6m is also assumed in the projections which will contribute towards the funding costs of the properties noted above. Successful conclusion of our funder negotiations has created additional capacity which allows our RSL development programme to grow with their plans combined delivering around 10,0000 new homes over a 10 year period, well on the way towards our target of 12,500, and with Loretto developing up to 1,300 of these.

4.5 In our existing homes, total investment of £15.0m (excluding inflation) has been included. This work will largely be completed by our joint venture partner, City Building (Glasgow) LLP. This funding will ensure that our properties remain in a good state of repair and sufficient provision is available for all compliance requirements.

4.6 The financial projections include £1.0m (excluding inflation) of funding in years 1-5 for customer identified investment priorities, "Customer Voice" and "Think Yes for Investment". Engaging with customers will ensure investment work streams will be better directed towards what customers want.

4.7 During the first five years of the plan £13.5m has been earmarked for responsive and planned repairs, which takes cognisance of the increase in customer demand for repairs seen in 2022/23. This funding will assist with the upkeep and maintenance of our stock.

***Changing lives and communities***

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

- Funding of £0.4m to the Wheatley Foundation ("The Foundation") over the first 5 years of the financial projections. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice, our furniture up-cycling Homes Comforts scheme as well as our Eat Well service which delivers food parcels for 6 weeks to tenants most in need and My Great Start for new tenants.

- As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been assumed in the Foundation to extend the Here For You fund beyond the initial end date of March 2023 until March 2024. This fund provides assistance to our customers who are facing financial hardship to with food, fuel and rent.

***Developing our shared capacity***

4.9 Following the successful implementation of our new ways of working, in 2021/22 we launched our Customer First Centre, building on the changes we put in place to deliver services using a blended approach of face to face and virtual engagement with our customers. Feedback from our customers on the Customer First Centre has been overwhelmingly positive. Building on this success, early in 2023 we launched our new MyRepairs team, which further extends our collaborative working with City Building Glasgow.

4.10 Over the next five years, we will continue to invest in our staff to ensure they have the exceptional skills, attitude, engagement and influence to excel in this hybrid working environment. Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development in a technology enabled workplace, in our leadership and graduate programmes.

4.11 During the year our collaborative office hub in East opened and work is nearly complete on our South hub, following the opening of Wheatley House in 2021. Further provisions for investment in offices and IT will provide staff with the technology they need to work effectively from home or our hubs.

***Enabling our ambitions***

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

4.13 The detailed financial projections and assumptions are provided in the appendices to this report. A summary Statement of Comprehensive Income is shown in Figure 1.

***Figure 1: [redacted]***

4.14 Over the five-year period presented, Loretto's Total Comprehensive Income fluctuates due to property valuation movements and grant recognition on completed units. Total comprehensive income of £15.6m is projected.

4.15 Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections incorporate the proposed 3.9% increase in rent and service charge levels or, where applicable, a 1.0% rent increase capped for a final year to tenants transferring from Cube. The projections also assume a reduction to our operating cost base, with efficiency savings of 13.6% in the cost per unit over the five-year period.

4.16 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest. Our Statement of Financial Position, set out below, shows a strong net asset position which improves over the first 5 years of the projections. The delivery of new social housing properties will help to strengthen Loretto's net asset base. Figure 2 shows the projected change in the Statement of Financial Position over the five-year period to 2027/28.

***Figure 2: Statement of Financial Position***

| **Statement of Financial Position** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **2027/28** |
|---|---|---|---|---|---|
| Housing & Investment Properties | 156,133 | 156,669 | 176,080 | 186,564 | 204,116 |
| Other Fixed Assets | 1,214 | 2,227 | 2,667 | 3,238 | 3,377 |
| **Total Fixed Assets** | 157,347 | 158,896 | 178,747 | 189,802 | 207,493 |
| Current Assets | 2,706 | 2,713 | 2,680 | 2,666 | 2,651 |
| Current Liabilities | (20,396) | (12,006) | (20,042) | (20,290) | (23,787) |
| **Net Current Liabilities** | (17,690) | (9,293) | (17,362) | (17,624) | (21,136) |
| Long-Term Liabilities | (89,988) | (100,375) | (108,424) | (119,553) | (130,135) |
| **Net Assets** | **49,669** | **49,228** | **52,961** | **52,625** | **56,222** |
| Retained Earnings | 49,669 | 49,228 | 52,961 | 52,625 | 56,222 |
| **Total Reserves** | **49,669** | **49,228** | **52,961** | **52,625** | **56,222** |

4.17 The value of housing assets increases by £75.0m over the five years from 1 April 2023. The new build programme is funded by debt (and grant subsidy) which increases by £50.1m over the same period. This additional debt and asset value results in a growth in net assets of £15.6m (equal to total comprehensive income) over the period.

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

***Figure 3: Cash flows generated***

| Cash Flow | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| Net Rental Income | 14,282 | 15,330 | 16,491 | 17,812 | 19,142 |
| Operating Expenditure | (7,173) | (6,897) | (7,324) | (7,646) | (7,933) |
| **Net Cash from Operating Activities** | **7,109** | **8,433** | **9,167** | **10,166** | **11,209** |
| Core & Other Capital Expenditure | (2,936) | (3,776) | (4,064) | (3,214) | (3,424) |
| New Build Expenditure | (21,189) | (13,643) | (27,961) | (26,216) | (28,667) |
| Grant Income | 11,080 | 7,698 | 14,866 | 13,850 | 15,065 |
| **Net Cash used in Investing Activities** | **(13,045)** | **(9,721)** | **(17,159)** | **(15,580)** | **(17,026)** |
| Finance Costs | (3,697) | (4,250) | (4,609) | (5,277) | (5,877) |
| **Net Movement in Cash** | **(9,633)** | **(5,538)** | **(12,601)** | **(10,691)** | **(11,605)** |

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

4.20 We must ensure that Loretto and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. This ensures WFL1, as the RSL treasury vehicle, is able to meet its external funding conditions. There are two key ratios that we consider:-

- Revenue Surplus less Capital Investment (earnings before interest, tax, depreciation and amortisation with major investment spend taken into account) over net interest payable is the ratio used by the Group to assess whether sufficient surplus is generated to fund our activities, maintain the housing stock and cover interest payments. This interest cover ratio should be >1.

- The loan to value ratio (outstanding loans net of cash divided by value of completed housing and investment properties) is used to assess whether there is sufficient asset cover to support the level of debt.

***Figure 4: [redacted]***

- As shown above Loretto will generate sufficient income from operating activities to fund investment and finance costs. The level of cover fluctuates over the period due to the timing of significant new build activity with interest costs increasing before the benefit of rental income is earned from completed new build properties.

- Although loan to value increases from [redacted] in 2023/24 to [redacted] in 2032/33 it remains below our 70% golden rule maximum level of loan to value. This demonstrates that Loretto will have sufficient asset cover to support loans, noting that 2032/33 is the final year of the current development programme and is the peak net debt year, with debt decreasing thereafter.

## 5. Customer Engagement

5.1 This report relates to our financial projections 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 Revised financial projections for Loretto are summarised in section 5 above and in Appendix 1. These financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 22 February. The figures in the first year of the projections, 2023/24, will then form the basis of the annual budget which will be presented to the Board for approval in March. Performance against the budget will then be monitored via the management accounts provided to the Board throughout the year.

8.2 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. These will be reflected in the annual budget and performance monitored against budget each month.

## 9. Legal, regulatory and charitable implications

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

## 10. 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".

## 11. Equalities impact

11.1 There are no equalities implications arising from this report.

## 12. Key issues and conclusions

12.1 This report presents the financial projections for the five-year period to 31 March 2028.

## 13. Recommendations

13.1 The Board is requested to:

1) Approve the updated projections for investment in assets and services over the five-year period to 2028; and

2) Agree that the projected 2023/24 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March.

LIST OF APPENDICES:

Appendix 1 – Loretto Housing Association 2023/24 Detailed Financial Projections

Loretto Housing

Better homes, better lives
www.lorettoha.co.uk

# Loretto Housing Financial Projections 2023/24

Wheatley Group

## 1. Headlines

2022/23 was our first the full year following the implementation of our new operating model across the Group which was supported by our new "Customer First Centre" with the aim of delivering outstanding customer services. Our services model has been further strengthened during the year and 2023/24 will see our repairs services benefitting from the new My Repairs team which extends our collaborative working with City Building Glasgow by introducing a new and improved model which will see specialist teams in place and able to drive improvements in the handing of more complex repairs.

As we entered 2022/23 inflationary pressures were having a significant impact on the business and our customers, and this has continued throughout 2022/23 with general inflation peaking in October 2022 at 11.1% driven by fuel and energy costs initially and flowing through to higher food prices. CPI is projected to fall to around 5% by the end of 2023 then falling to below the 2% target by the end of 2024. Economic forecasts show interest rates continuing to rise, peaking at over 4% in mid-2023.

Keeping rents affordable remains a key strategic aim, with rent increases maintained at 3.9% (1.0% for Ex Cube Stock) for 2023/24, and 3.7% for 2024/25, both well below inflation. Further, recognising that economic factors will put pressure on our tenants we have retained provision in the projections for a higher number of tenants moving onto Universal Credit and a provision for an associated increase in rent arrears balances. As part of focus on tackling poverty and the cost-of-living challenges facing our customers, funding has been assumed to extend the Here For You fund until March 2024, with an additional £3.5m of funding available in the Foundation to be used in the 2023/24 financial year.  This fund provides assistance to our customers who are facing financial hardship to with food, fuel and rent.

The increase in the debt per unit covenant agreed in 2021/22 and the addition of Wheatley Homes South to the RSL Borrower Group in April 2022 has allowed us to grow our development programme and increase the number of new homes delivered. 9,760 new units are assumed to be completed by the RSL Borrower Group over 10 years with 77% of these for social rent. This goes some way towards delivering on our long-term strategic objective of 12,500 units and allows us to meet commitments to tenants with Loretto developing up to 1,275 of these.

We are forecast to complete 205 new build properties in 2022/23 at Dargavel, Hallrule, Maddiston, Sawmill Field and Vellore Rd, and projected to invest £2.2m in existing homes this year.

The updated financial projections for 2023/24 and beyond include:

- Provision to build 551 new social rented homes over the next five years
- A further £15.0m of investment in existing housing stock
- An additional £0.25m per annum set aside from 2023/24 for repairs, demand for repairs has increased by over 20% compared to pre-pandemic levels
- A contribution of £1.5m to the Group's IT investment, helping to support the strategic aims in the 2021-26 strategy
- £0.4m in donations to the Wheatley Foundation

During the development period, Loretto's financial forecasts are driven by the profile of the development programme and the value of grant income and valuation adjustments on completion of new build properties. The forecast bottom line total comprehensive income, net assets, cashflow and ratios reflect the higher level of borrowing to support our new build programme.

Loretto's peak net debt is in 2032/33 (year 10), the final year of the current development programme, and finance costs on the debt borrowed from Wheatley Funding No 1 Limited ("WFL1") steadily increase over the five years presented in the projections. This is in advance of the significant benefit from increased rental income which increases the total comprehensive income reported.

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

## 2. Key assumptions

The key financial assumptions in the 2023/24 Business Plan are highlighted below. All figures include VAT, where applicable, but not inflation (unless stated otherwise).

### 2.1 Stock

a) Opening stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2022, updated for developments completed in 2022/23. The stock number includes 48 units which are managed by Loretto HA on behalf of other providers.

**Table 1 – Split of stock by type**

| Unit Type | Units 31.3.2022 | Forecast to complete 2022/23 | Units 31.3.2023 |
|---|---|---|---|
| General Needs and Supported | 2,514 | 205 | 2,719 |
| Shared Ownership | 18 | 0 | 18 |
| **Total (Social)** | 2,532 | 205 | 2,737 |
| Mid-Market Rent | 17 | 0 | 17 |
| **Total** | 2,549 | 205 | 2,754 |

The 17 MMR units at Barclay Street are managed under a lease arrangement with Lowther Homes with the letting and management risk being taken by Lowther. On-going capital works costs will remain for responsibility of Loretto and these costs are contained within the business plan assumptions moving forward.

b) Units completed

In the previous five years, including the 2022/23 forecast completions, Loretto has completed 377 new build units. Table 2 outlines Loretto's developments in the previous five years.

**Table 2 – Units completed**

| Year | Developments | Units |
|---|---|---|
| 2018/19 | Shawbridge, Wallacewell Quadrant | 86 |
| 2019/20 | Muiryhall, Buckley St | 56 |
| 2020/21 | No developments completed | - |
| 2021/22 | Cobblebrae, Dargavel | 30 |
| 2022/23 (forecast) | Dargavel, Hallrule, Maddiston, Sawmill Field, Vellore Road | 205 |
| **At 31.3.2023** | | **377** |

c) Projected new build completions and closing stock numbers

The 2023/24 projections assume a further 551 social rent units can be delivered over the next five year period.

The Loretto new build pipeline considers where new opportunities may emerge, driven by local authority housing strategy and the Strategic Housing Investment Programme that flows from it. The projections focus on Greater Glasgow and surrounding areas, with the exclusion of Glasgow City. One exception to this is the development at Forfar Avenue, Cardonald. The Loretto five-year plan continues development activity in the West of Scotland, particularly Renfrewshire and Falkirk along with East Dunbartonshire and North Lanarkshire, increasing housing supply, and our presence in these areas. In addition, there are proposed new sites in East Ayrshire, which is a new local authority area for Loretto.

Table 3 below shows the planned profile of social housing stock over the period of the projections. Note that the sites included in the development plan are exclusively for social rent.

**Table 3 – Housing Stock Numbers (social rent only)**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| **Opening Stock** | **2,737** | **2,761** | **2,870** | **2,998** | **3,148** |
| New Build | 24 | 109 | 128 | 150 | 140 |
| **Closing Stock** | **2,761** | **2,870** | **2,998** | **3,148** | **3,288** |

2.2 Income

a) Rent and Service Charge Income

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 3.9% rent increase in April 2023. Note, the Cube transfer agreement undertook to hold rent increases at 1.0% for 3 years, with 2023/24 being the final year. In addition to rental income, Loretto receives income from service charges. Based on current charges, forecast income is £1,276k per annum (net of amounts transferred to Wheatley Care), with supported accommodation service charges being significantly higher than general needs. Table 4 shows the rent and service charge growth assumptions over the next five years.

**Table 4 – Rent and service charge increase assumptions**

| Rent Increase % | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| Loretto main stock | 3.9 | 3.7 | 3.5 | 2.9 | 2.9 |
| Ex Cube stock | 1.0 | 3.7 | 3.5 | 2.9 | 2.9 |

b) Other Income

In addition to rental and service charge income Loretto generates income from other sources.

| Income Type | Service Description |
|---|---|
| MMR Lease Income | Lease income from Lowther Homes for the development at Barclay Street is £87k per annum. |

2.3 Cost Inflation Assumptions

Throughout 2022/23 the economic outlook in the UK has remained challenging with inflation, driven by fuel and energy costs initially and flowing through to higher food prices, increasing to a 40 year high in October 2022 and interest rates being raised by the Bank of England. Inflation has fallen back slightly over recent months to 10.5% at December 2022 and is projected to fall to c5% by the end of 2023 in response to monetary policy actions and prices stabilising in the key inflation drivers of fuel and utilities. Thereafter inflation is predicted to fall below the policy target of 2% by the end of 2024.

Inflationary pressures are having a significant impact on the business and our customers, and the financial projections have been aligned to focus activities to benefit our customers most in need with provision made to strengthen the support provided through the Here For You Fund.

The general cost inflation rate assumed for running costs/overheads within the financial projections are shown in the table below.

**Table 5 – Inflation assumptions**

| General Inflation Assumptions | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| General cost inflation | 5.0% | 3.0% | 2.5% | 2.5% | 2.5% |

The assumption in relation to employee cost inflation is 7.0% for 2023/24, 3.0% in 2024/25 and then included at 2.0% for the remainder of the plan.

2.4 Operating performance

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

**Table 6 – Void, bad debt and arrears assumptions**

| Performance Assumptions | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| Routine voids (%) – General Needs | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Routine voids (%) – Supported | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Bad debts (%) – General Needs | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Bad debts (%) – Supported | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Arrears (£'000) | 265 | 272 | 239 | 225 | 210 |

Voids and bad debts remain at a constant % of rental income, with a combined general needs and supported rate of 2.91%. The combined current year performance to December 2022 is 1.43% and the year to 31 March 2022 was 2.27%. The assumptions in the business plan are therefore prudent compared to historical rates.

Business plan assumptions on the movement in arrears have been updated to take into account the economic challenges facing our customers together with our experience to date with Universal Credit. The 2023/24 Business Plan assumptions on arrears reflect the assumption that all working age tenants on benefits move to UC by end of 2023/24. This is reflected in the 2023/24 arrears provision in the plan. Thereafter, arrears reduce through the recovery of balances built up over the 5 week initial waiting period.

2.5 Management costs

Loretto's employee cost assumptions reflect the direct staff structure. Additionally, Loretto pays an appropriate share of the salaries of the Compliance and Investment, New Build, Environmental Service and Wheatley 360 staff teams.

Running costs include day to day expenditure and an appropriate share of the Environmental Service and Wheatley 360 running costs, but exclude Initiatives. After deduction of Duke St void related costs from year 1, running costs are assumed to increase by 18.4% over five years. The additional allowance results from the 551 new social rent units delivered through the development programme.

Employee costs include the development of our frontline services through the introduction of our new repairs service model, supported by a new My Repairs team, which combined with the Customer First Centre, creates capacity within frontline housing to focus on more complex interactions and support to tenants. The plan assumes recharges from Group, which includes employee and running costs for central services such as the new MyRepairs team, Customer First Centre, Human Resources, IT, Finance and the Transactional Hub, to reduce by 6.4% over the next five years. This reflects further efficiency savings resulting from continued investment in back office services, particularly the technology and improved working practices. Table 7 sets out the overall management costs are assumed in the plan.

**Table 7 – management cost assumptions (excluding inflation)**

| Management Costs | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Employee costs | 1,672 | 1,355 | 1,355 | 1,355 | 1,355 |
| Running costs | 893 | 913 | 949 | 1,007 | 1,057 |
| Recharges from Group | 1,350 | 1,317 | 1,308 | 1,286 | 1,264 |
| **Total** | **3,915** | **3,585** | **3,612** | **3,648** | **3,676** |

Keeping costs within these limits is required to be able to re-invest in our business and grow our asset base.

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. The provision for repairs recognises the increase in demand that we have experienced in 2022/23, whilst assuming a continuation of our close collaboration with City Building Glasgow. This results in the average repairs and maintenance cost per unit increasing by 3.4%, excluding inflation, between 2022/23 budget (stated in 2023/24 prices) and the projection for 2023/24. Table 8 summarises the revenue repairs and maintenance assumptions.

**Table 8 – Planned and Routine Maintenance costs (excluding inflation)**

| Repairs | 2022/23* | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|
| Responsive Repairs £000 | 1,314 | 1,468 | 1,491 | 1,529 | 1,589 | 1,641 |
| Planned Maintenance £000 | 1,026 | 1,056 | 1,096 | 1,183 | 1,226 | 1,243 |
| **Total** | **2,635** | **2,524** | **2,587** | **2,712** | **2,815** | **2,884** |
| Average Cost per Unit £ | 888 | 918 | 919 | 924 | 916 | 896 |

*2022/23 budget stated in 2023/24 prices.

A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, emergency lighting, window safety catches, TMVs, HIU inspections).

b) Capital Investment
Investment in existing stock in 2022/23 is forecast to be £2.2m. Over the next five years this investment will continue with a further £15.0m, stated before inflation, or £15.8m including inflation, of planned investment in existing stock. This investment is possible due to operational efficiencies in management costs, and access to borrowing via the Group.

Table 9 summarises the capital investment programme for the next five years. Within the core programme, £1.0m (£1.1m including inflation) has been allocated to both “Customer Voice” and “Think Yes for Investment”- spending decisions made in consultation with, and led by our customers, to address local priorities. This equates to 9.5% of the core programme budget.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties carried out by a specific voids team in our Group Environmental service. The in-house service gives us greater control over the void turnaround process.

**Table 9 – Capital investment programme (excluding inflation)**

| Capital Investment | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Core Programme | 1,630 | 2,489 | 2,657 | 1,801 | 1,944 | 10,521 |
| Void Repairs | 455 | 456 | 456 | 456 | 456 | 2,279 |
| Capitalised Repairs | 193 | 192 | 192 | 192 | 192 | 961 |
| Medical Adaptations | 113 | 113 | 113 | 113 | 113 | 565 |
| **Sub-total** | **2,391** | **3,250** | **3,418** | **2,562** | **2,705** | **14,326** |
| Capitalised Staff | 123 | 123 | 123 | 123 | 123 | 615 |
| Office Conversion | 78 | 0 | 0 | 0 | 0 | 78 |
| **Total** | **2,592** | **3,373** | **3,541** | **2,685** | **2,828** | **15,019** |
| | | | | | | |
| **Total (including inflation)** | **2,592** | **3,475** | **3,739** | **2,905** | **3,136** | **15,847** |

c) New Build Programme

The new build programme is set out in Section 1.1 with 551 new social housing units due to be delivered over the next five years. Table 10 outlines the investment in new build homes over the next five years.

**Table 10 – New build funding profile (including inflation)**

| New Build Programme | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Development Costs | 17,864 | 12,166 | 27,334 | 25,577 | 28,015 | 110,956 |
| Grant Income (cash received) | 11,080 | 7,698 | 14,866 | 13,850 | 15,065 | 62,559 |
| **Net Development Cost** | **6,784** | **4,468** | **12,468** | **11,727** | **12,950** | **48,397** |
| Capitalised Employee Costs | 597 | 614 | 627 | 639 | 652 | 3,129 |
| Capitalised Interest | 88 | 220 | 246 | 264 | 343 | 1,161 |
| **Net Cost** | **7,469** | **5,302** | **13,341** | **12,630** | **13,945** | **52,687** |
| Completions | 24 | 109 | 128 | 150 | 140 | 551 |

The projections also include a provision of £100k in 2023/24 for land acquisition.

The increase in our debt per unit covenant has allowed us to grow our development programme to 10 years and increase the number of new homes delivered. 9,760 new units are assumed to be completed by the RSL Borrower Group over 10 years with 77% of these for social rent. This goes some way towards delivering on our long-term strategic objective of 12,500 units and allows us to meet commitments to tenants with Loretto developing up to 1,275 of these.

2.7 Initiatives and Other Provisions

a) Initiatives

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

The main one is our contribution to the Wheatley Foundation of £0.4m over the next 5 years. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits. The vast majority of the Foundation's income is received from the other subsidiaries within the Group in the form of donations from the RSLs and through gift aid contributions from Lowther Homes. Over the five year financial projections 75% of forecast income in the Foundation is from Group entities. The income recognised in the Foundation will be used to fund a number of projects and initiatives that will benefit customers and communities across the Group. These initiatives include projects such as the Here For You Fund, Wheatley Works, educational bursaries, Home Comforts service as well as the provision of Welfare Benefit Advisers. These projects are considered to be an investment in creating strong and sustainable communities and providing better opportunities for our tenants. It is anticipated that this will contribute to the sustainability of the income stream for Loretto over the long term.

The Foundation projections assume advance funding for 2023/24 and 2024/25 donations is provided by the RSLs in March 2023. Loretto's contribution to these initiatives over the next five years is summarised in the below table.

**Table 11 – Initiatives (excluding inflation)**

| Other Group Recharges | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Share of Group Initiatives | 70 | 2 | 134 | 133 | 133 |

b) IT Capital Investment

In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £40.6m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. Loretto makes a capital contribution towards the overall Group IT capital costs. The table below details Loretto's contribution over the next 5 years.

**Table 12 – IT Capital Contribution (excluding inflation)**

| IT Capital Programme | 2023/24 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| IT Capital Contribution | 345 | 293 | 309 | 287 | 261 | 1,495 |

The 5 year IT Capital Investment programme is aligned to 5 workstreams, delivering key business strategy outcomes and ongoing investment across staff and customer digital services and platforms.

The workstreams are:

- Digital Workplace
- Customer Self Service
- Housing and Care
- Digital Repairs
- Core Architecture and CyberSecurity

The investment will support a range of projects, changes to Group operating model and the delivery of service improvements across our digital, voice and face-face channels of delivery.

Digital Workplace – an ongoing programme of technology and facility upgrades and improvements across our estate, including network services, hub/touchdown technology (workstations, digital communications, site security and monitoring). Ongoing support of Group hybrid and home working model (end user devices, software, remote access). Staff support and digital adoption services and the provision of improved manager and staff HR engagement platforms.

Customer Self Service – Ongoing service improvements and development of our online service portfolio aligned to end-end customer journey maps and customer preferences. Review and replacement of our current customer self-service platforms; ongoing investment in renewed CFC platforms and services (voice platform, webchat, video). Development and implementation of customer engagement and feedback services (online support, information, digital communications, co-creation).

Housing and Care– Supporting the future housing operating models and delivery approaches, through ongoing investment in staff mobile applications and services (e.g. devices, software, improved access to data and information), housing platform upgrades and process improvements. Replacement of Group core factoring management platform, and a delivery programme of ongoing enhancements to Care/NETS/ASB/Lowther/RSL platforms.

Digital repairs – Our digital repairs programme includes upgrades and improvements to Wheatley Homes South services and the migration of Wheatley Homes East repairs to a consolidated Group SAAS repairs platform. Refresh and renewal of trade operatives' mobile devices. Replacement of Repairs data integration platforms alongside a revised model of data integration. A review and redevelopment of online repairs services to customers, aligned to ongoing improvements to support the evolution of 'Book-it, Track-it, Rate-it' model of delivery.

[redacted].

2.8 Operating Cost per Unit

As a result of the assumed efficiencies in management costs, our operating costs per unit, excluding depreciation and finance costs, decrease over the five year period and are set out in Table 13 below.

**Table 13– Projected operating cost per unit (excluding inflation)**

| Operating Costs | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Operating Costs | 7,577 | 7,120 | 7,389 | 7,543 | 7,658 |
| Average No. of Units in year | 2,749 | 2,816 | 2,934 | 3,073 | 3,218 |
| **Operating Cost per Unit (£)** | 2,756 | 2,529 | 2,518 | 2,455 | 2,380 |

This represents a 13.6% decrease in the operating cost per unit over the five year period, efficiency savings will also arise due to continuing investment in service transformation, including online services for customers.

2.9 Interest Rate assumptions

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

**Table 14 – Interest rate assumptions**

| Interest | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| Interest Payable (Group Funding) | 4.50% | 4.60% | 4.60% | 4.70% | 4.70% |
| Interest Receivable | 0.50% | 1.00% | 1.50% | 2.00% | 2.00% |

**3. Financial projections – next 5 years**

**a) Statement of Comprehensive Income**

**Table 15 – Statement of Comprehensive Income**

| Statement of Comprehensive Income | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|

| | £'000 | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|---|
| Net Rental Income | 14,637 | 15,553 | 16,687 | 18,039 | 19,383 |
| Other Income (including MMR lease income) | 87 | 89 | 91 | 92 | 94 |
| Grant Income | 2,339 | 11,595 | 11,756 | 13,570 | 13,022 |
| | **17,063** | **27,237** | **28,534** | **31,701** | **32,499** |
| Service Costs | (591) | (538) | (519) | (532) | (545) |
| Management Costs | (4,054) | (3,694) | (3,942) | (4,068) | (4,189) |
| Repair and Maintenance Costs | (2,524) | (2,664) | (2,864) | (3,046) | (3,200) |
| Bad Debt | (407) | (424) | (442) | (459) | (477) |
| Depreciation | (7,627) | (8,100) | (8,726) | (9,509) | (10,150) |
| **Operating Expenditure** | **(15,203)** | **(15,420)** | **(16,493)** | **(17,613)** | **(18,561)** |
| Investment Property Valuation Movement | 13 | 13 | 13 | 14 | 14 |
| **Operating Surplus** | **1,873** | **11,830** | **12,054** | **14,102** | **13,952** |
| **Operating Margin (%)** | **11%** | **43%** | **42%** | **44%** | **43%** |
| Finance Costs | (3,779) | (4,268) | (4,615) | (5,293) | (5,748) |
| Housing Property Valuation Movement | 10,958 | (8,003) | (3,706) | (9,144) | (4,607) |
| **Total Comprehensive Income** | **9,052** | **(441)** | **3,733** | **(335)** | **3,597** |

<u>Rental income</u>

Investment in the new build program and assumed rental increases will generate 32.4% growth in rental income over the next 5 years.

<u>Grant income</u>

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

<u>Expenditure</u>

The planned asset growth, improved working practices and closer collaboration with our service providers over the next 5 years will result in efficiency savings that achieve a 13.6% reduction in operating cost per unit.

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

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

Housing Property Valuation Movement
Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income, below the operating surplus line. The year on year variation in the figure is driven by the profile of new build completions in any one year.

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

Over the five year period total comprehensive income is £15.6m.

## b) Statement of Financial Position

**Table 16 – Statement of Financial Position**

| Statement of Financial Position | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|

| | £'000 | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|---|
| Housing & Investment Properties | 156,133 | 156,669 | 176,080 | 186,564 | 204,116 |
| Other Fixed Assets | 1,214 | 2,227 | 2,667 | 3,238 | 3,377 |
| **Total Fixed Assets** | **157,347** | **158,896** | **178,747** | **189,802** | **207,493** |
| Current Assets | 2,706 | 2,713 | 2,680 | 2,666 | 2,651 |
| Current Liabilities | (20,396) | (12,006) | (20,042) | (20,290) | (23,787) |
| **Net Current Liabilities** | **(17,690)** | **(9,293)** | **(17,362)** | **(17,624)** | **(21,136)** |
| Long-Term Liabilities | (89,988) | (100,375) | (108,424) | (119,553) | (130,135) |
| **Net Assets** | **49,669** | **49,228** | **52,961** | **52,625** | **56,222** |
| Retained Earnings | 49,669 | 49,228 | 52,961 | 52,625 | 56,222 |
| **Total Reserves** | **49,669** | **49,228** | **52,961** | **52,625** | **56,222** |

Housing Assets
The plan assumes Housing & Investment Property assets to increase £75.0m over five years from 1 April 2023 due to the construction of 551 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Assets
This includes Lipton House. The increase in value reflects our continued investment in IT across the Group.

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

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

Long-Term Liabilities

Long-term liabilities relate to the loan due from Loretto HA to Wheatley Funding Limited 1 (“WFL1”), pension liability and long term other deferred income. The net balance due to WFL1 increases from £79.3m at March 2023 to £129.3m at March 2028, funding new build development. Peak net debt of £182.5m occurs in year 10 (2032/33).

Retained Earnings

During the five year period from 1 April 2023, retained earnings are projected to increase by the reported total comprehensive income of £15.6m. The increase to reserves reflect the performance over the five year period, as well as property valuation movements, which offset losses linked to our borrowing costs.

## c) Statement of Cash Flow

**Table 17 - Statement of Cash Flow**

| Cash Flow | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|

| | £'000 | £'000 | £'000 | £'000 | £'000 |
|---|---|---|---|---|---|
| Net Rental Income | 14,282 | 15,330 | 16,491 | 17,812 | 19,142 |
| Operating Expenditure | (7,173) | (6,897) | (7,324) | (7,646) | (7,933) |
| **Net Cash from Operating Activities** | **7,109** | **8,433** | **9,167** | **10,166** | **11,209** |
| Core & Other Capital Expenditure | (2,936) | (3,776) | (4,064) | (3,214) | (3,424) |
| New Build Expenditure | (21,189) | (13,643) | (27,961) | (26,216) | (28,667) |
| Grant Income | 11,080 | 7,698 | 14,866 | 13,850 | 15,065 |
| **Net Cash used in Investing Activities** | **(13,045)** | **(9,721)** | **(17,159)** | **(15,580)** | **(17,026)** |
| Finance Costs | (3,697) | (4,250) | (4,609) | (5,277) | (5,788) |
| **Net Movement in Cash** | **(9,633)** | **(5,538)** | **(12,601)** | **(10,691)** | **(11,605)** |

Net Cash from Operating Activities

The plan assumes cash from operating activities to increase by 46.0% in five years. Rent increases and the completion and handover of 551 new build properties, creates additional rental and lease income; the positive movement being further assisted by the operating cost per unit decreasing 13.6% over the same period.

Net Cash used in Investing Activities

This reflects the on-going core programme and other investment works, and the new build programme.

Finance Costs

This reflects the interest due on our loan with WFL1. As expenditure is incurred to pay for our new build programme, Loretto will use existing cash resources, followed by drawing down money from Group. The projections assume the new build programme is completed in 2032/33, while core programme expenditure continues. Peak net debt is reached in 2032/33, which is year 10 of the plan. Beyond peak net debt year, as no further debt is expected to be drawn, debt levels gradually decrease. Annual finance costs are therefore strongly linked to any increase or decrease in debt.

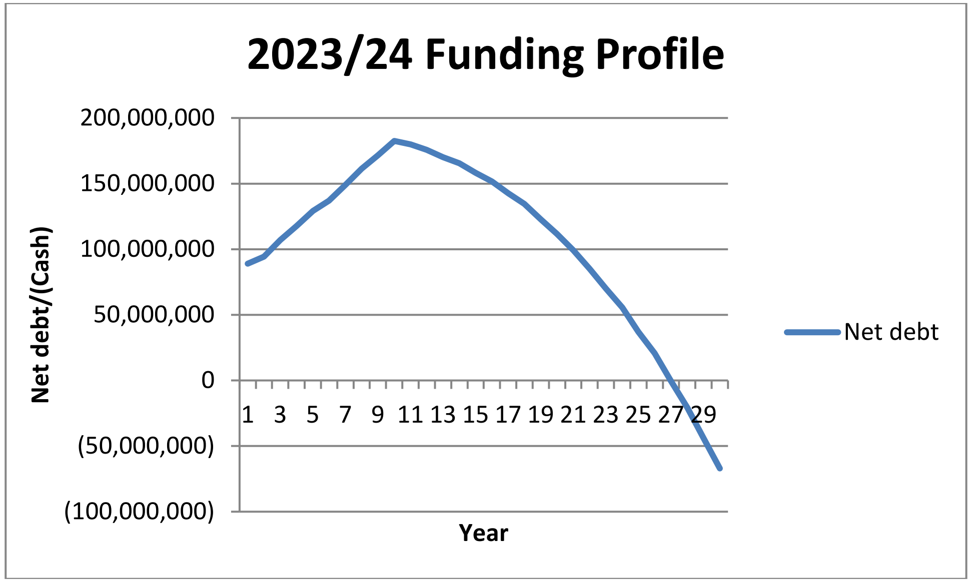
Net Movement in Cash

In the first five years of the plan we anticipate a £50.1m net cash outflow. This is due to significant investment in our existing properties, and the new build programme, in line with our strategic objectives.

## 4. Funding and debt profile

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

The resulting debt profile for Loretto is as follows:




| Debt indicator | Value |
|---|---|
| Peak net debt | £182.5m |
| Peak net debt year | 10 |
| Debt repayment year | 27 |
| Cash at Year 30 | £67.1m |

## 5. Key Parameters

5.1 Whilst covenants attached to WFL1 funding are assessed at Group level, rather than individual RSL level, there are important financial parameters which need to be met to ensure that Loretto remains financially sustainable in the long term and that its contribution to the RSL Borrowing Group, along with all the other RSLs in the group, allows WFL1 to meet its external funding conditions. Therefore the following criteria need to be considered when assessing the impact of any risks or business decisions on projections:

5.2 Operating margin generation

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

| £'000 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| Income (excluding grant income and property valuation movement) | 14,840 | 15,761 | 16,900 | 18,256 | 19,605 |
| Adjusted Operating Surplus/(Deficit) | (363) | 341 | 407 | 643 | 1,044 |
| **Adjusted Operating Margin (%)** | **(2.45%)** | **2.16%** | **2.41%** | **3.52%** | **5.33%** |

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 4.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The adjusted operating margin in 2023/24 of (2.45%), linked to one year ER-VR and the final year of Duke St void costs, moves to 5.33% over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength

Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years**. Revenue surplus** removes items that are non-cash and/or unrelated to underlying operations, such as grant income, depreciation and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock. A ratio > 1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

| £'000 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| Revenue surplus less Capital Investment | 4,750 | 6,093 | 5,925 | 7,977 | 8,399 |
| Interest Expense | 3,867 | 4,487 | 4,860 | 5,557 | 6,090 |
| **Interest Cover** | **1.23** | **1.36** | **1.22** | **1.44** | **1.38** |

The ratio is > 1 every year and fluctuates between 1.22 and 1.44, linked to higher capital investment in the years where the ratio is lowest. As new build units are completed, and handed over, more rental income is generated which along with efficiency savings more than offsets the higher interest costs.

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

The long-term financial projections show that debt can be repaid in year 27 of the plan with £67.0m of cash generated in year 30.

5.4 Asset cover

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

[redacted]

Although loan to value increases from [redacted] in 2023/24 to [redacted] in 2032/33, it remains below our 70% golden rule maximum level. This demonstrates that Loretto will have sufficient asset cover to support loans, noting that 2032/33 is the final year of the current development programme and is the peak net debt year, with debt decreasing thereafter.

## 6. Risk analysis

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

| | | Revenue surplus less Capital Investment - Interest Cover | | | | | Cash flow | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Nr | Risk description | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Peak net debt £k | Debt repaid | Cash (Year 30) | Mitigation |
| Base Case | | 1.23 | 1.36 | 1.22 | 1.44 | 1.38 | 182.5m | 27 | 67.0m | |
| 1 | Cost inflation remains at 5% in year 2 | 1.23 | 1.29 | 1.17 | 1.39 | 1.33 | 186.9m | 29 | 42.4m | As expected this has a negative impact on the Business Plan, in year 2 and beyond, as the compound effect of higher than assumed inflation results in worsening performance and cash flows. The year of debt repayment is delayed two years and cash at year 30 decreases by £24.6m. |
| 2 | Rent increase reduced to inflation in years 2-3 | 1.23 | 1.31 | 1.16 | 1.38 | 1.32 | 186.0m | 29 | 39.4m | Interest cover deteriorates slightly, though still exceeds 1 in all years. The compound effect of these lower rent increases delays debt repayment period by two years and decreases cash at year 30 by £27.6m. In mitigation operational costs, investment and new build would be reviewed in order to reduce the overall cost and cash requirement to within a manageable level. |
| 3 | Bad debts increased by 1% in years 1-5 | 1.19 | 1.29 | 1.18 | 1.40 | 1.34 | 183.8m | 28 | 63.9m | Interest cover deteriorates slightly, though still exceeds 1 in all years. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £3.1m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution. |

| Nr | Risk description | Revenue surplus less Capital Investment - Interest Cover Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Cash flow Peak net debt £k | Debt repaid | Cash (Year 30) | Mitigation |
|---|---|---|---|---|---|---|---|---|---|---|
| **Base Case** | | **1.23** | **1.36** | **1.22** | **1.44** | **1.38** | **182.5m** | **27** | **67.0m** | |
| 4 | Employee costs planned savings not achieved | 1.28 | 1.31 | 1.19 | 1.41 | 1.36 | 183.5m | 28 | 59.6m | Interest cover deteriorates slightly, though still exceeds 1 in all years. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £7.4m. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased employee costs. |
| 5 | Employee costs pay increase are 1% higher from years 2-5 | 1.23 | 1.33 | 1.20 | 1.42 | 1.36 | 183.7m | 28 | 59.7m | Interest cover is only marginally affected. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £7.3m. In mitigation cost efficiencies would be sought elsewhere in the event of increasing management costs. |
| 6 | Repair and maintenance costs are 10% higher from years 1-5 | 1.16 | 1.26 | 1.14 | 1.36 | 1.31 | 184.7m | 28 | 61.5m | Interest cover deteriorates, though still exceeds 1 in every year. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £5.5m. In mitigation cost efficiencies would be sought elsewhere in the event of increasing management costs. |
| 7 | Additional investment spend of £1m over the first two years | 1.09 | 1.21 | 1.20 | 1.42 | 1.37 | 184.1m | 28 | 62.9m | The additional investment has a significant impact on interest cover in years 1 and 2 due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding; however, it still exceeds 1 in every year. The increase to bad debt causes debt repayment to be delayed by one year and cash at year 30 decreases by £4.1m In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme. |

| Nr | Risk description | Revenue surplus less Capital Investment - Interest Cover Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Cash flow Peak net debt £k | Debt repaid | Cash (Year 30) | Mitigation |
|---|---|---|---|---|---|---|---|---|---|---|
| **Base Case** | | **1.23** | **1.36** | **1.22** | **1.44** | **1.38** | **182.5m** | **27** | **67.0m** | |
| 8 | 3 new build schemes are delayed by 3 months | 1.23 | 1.34 | 1.21 | 1.44 | 1.38 | 182.6m | 27 | 66.8m | This has the effect of delaying the net operating surplus generated by new build units; costs of finance increase due to debt being held for longer than anticipated and the organisation is also potentially exposed to inflated costs brought about by the delay. Overall peak debt increases by £0.1m and cash at year 30 decreases by £0.2m. Whilst Loretto can absorb these impacts, the development team would endeavour to reduce the impact of this through contract negotiation and planning forward for known issues. |
| 9 | Major new build contract goes into administration with costs increasing by 15% and completion delayed | 1.23 | 1.34 | 1.20 | 1.42 | 1.35 | 185.7m | 28 | 59.0m | Interest cover decreases, due the delayed handover of completed units also means rent is not being generated until later. The additional debt requirement to complete the scheme, increases interest cost and also has the effect of reducing the interest cover. Peak debt increases by £3.2m, and closing cash decreases by £8.0m. In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration. We would seek to absorb any impact from this within the investment programme funding allocation, and by reducing non-essential work within the capital investment programme. |

| | | Revenue surplus less Capital Investment - Interest Cover | | | | | Cash flow | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Nr** | **Risk description** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Peak net debt £k** | **Debt repaid** | **Cash (Year 30)** | **Mitigation** |
| **Base Case** | | **1.23** | **1.36** | **1.22** | **1.44** | **1.38** | **182.5m** | **27** | **67.0m** | |
| 10 | In years 2-3, rent increase reduced to inflation, Bad debts increased by 1% and repair and maintenance costs are 10% higher | 1.23 | 1.23 | 1.08 | 1.40 | 1.35 | 187.5m | 28 | 55.9m | Interest cover deteriorates, though still exceeds 1 by year 2. Peak debt increases by £2.5m and closing cash decreases by £35.2m, with debt repayment being delayed by two years. In mitigation cost efficiencies would be sought elsewhere in the event of reduced income and increased costs. |

**Report**

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Brian Stewart, Director of Investment, Repairs & Compliance** |
| **Approved by:** | **Frank McCafferty, Group Director of Repairs & Assets** |
| **Subject:** | **Five-year Capital Investment Plan in existing Homes** |
| **Date of Meeting:** | **9 February 2023** |

## 1. Purpose

1.1 To seek Board approval of our updated five-year capital investment plan in existing homes for the period 2023-2028 (investment plan).

## 2. Authorising and strategic context

2.1 Under our Terms of Reference, we are responsible for approving a rolling five-year capital investment plan.

2.2 Our investment plan in existing homes is a key component of the "Making the most of our homes and assets" strategic theme in our five-year strategy, in particular the strategic outcome of investing in existing homes and environments and invest £16m in improving, modernising and maintaining existing homes. Our investment plan also supports our wider strategic ambition from the 2021-26 Strategy in relation to reducing carbon emissions by 20,000 tonnes across all our group subsidiaries.

## 3. Background

3.1 Our investment plan details our approach to capital improvement work across our existing homes and environments over the next five years. This plan is reviewed and updated annually to reflect changing customer expectations, emerging regulatory requirements, and new strategic investment objectives.

## 4. Discussion

Overall programme

4.1 Our investment plan includes a core programme budget of £11.13m, which will be directed towards major property and environmental improvement works. Our 2021-26 strategy committed to improving our existing homes through our capital expenditure and we remain on track for delivering this substantial investment. The 2023-28 programme includes £3.42m for improvements and capitalised repairs to void properties and £598k to support the delivery of major medical adaptations to help customers remain independent in their homes for longer.

4.2 Grant applications are submitted for major adaptions to Glasgow City Council for our Glasgow properties and to the Scottish Government for other Local Authority areas. The total capital programme over the next five years equates to £15.148m, which excludes costs for capitalised investment staff who play a key role in delivering our investment projects.

4.3 Our core investment activities over the next five years will continue to focus on the delivery of improvements, which provide the greatest value to our customers. Our ongoing customer engagement and locality planning activities tell us that customers want modern, energy efficient homes and safe neighbourhoods. Our investment plan outlines our commitment to deliver on these priorities with the programme content falling within three broad themes:-

- Warm, high-quality homes,
- Safe homes; and
- Great neighbourhoods

4.4 Further details of the programme that make up these themes is provided at Appendix 1. The figures in Appendix 1 and below are before on-costs unless otherwise stated.

<u>Warm homes</u>

4.5 This theme encompasses our energy efficiency and internal modernisation programmes. We plan to invest £4.6m over the next five years in improving the energy efficiency of our homes. These measures will include window replacements, wall insulation and the commencement of a programme to upgrade existing fossil fuel reliant heating systems with low and zero-carbon alternatives.

4.6 Our planned programme of energy efficiency improvements will not only benefit our customers in terms of reducing heat demand and fuel poverty but will also assist in relation to the objectives of our sustainability framework and delivering our legislative obligations in relation to the Scottish Government's Energy Efficiency Standard for Social Housing ("EESSH2").

<u>Quality Homes</u>

4.7 Maintaining excellent internal housing quality standards is essential in ensuring that our homes are modern and desirable. Our five-year investment plan includes for the installation of over 200 new kitchens. This programme will include a combination of reactive replacements in both void and occupied properties, where there has been previous no access or refusals and the lifecycle replacement of older kitchens.

<u>Wheatley Care Portfolio</u>

4.8 Our investment plan includes £820k of improvements to our core stock assets where Wheatley Care services are provided. This five-year programme has been informed by a condition survey undertaken by Wheatley RIC Investment Team in the summer of 2022. This was further supplemented through engagement with the site-based care teams to understand staff and customer priorities and the sequence of the programme has been profiled on that basis.

4.9 The planned work will predominantly focus on the improvement of common areas and community spaces including redecoration, new flooring and furniture, improved lighting and the upgrade of communal kitchen and bathroom facilities. Environmental improvements will also feature with new bin storage provision and new fencing and paths included.

Safe Homes

4.10 Our investment plan places a strong emphasis on ensuring our homes remain safe and secure, supporting Group's Fire Prevention and Mitigation Framework. Over the five years, we will deliver over £1m of improvements across a range of Home Safety related programmes encompassing:

- Domestic wiring upgrades where required through our periodic electrical inspection regime.
- Installation and/or lifecycle replacement of smoke and heat detection across all stock types.
- Installation of Thermostatic Mixer Taps for our most vulnerable customers,
- Upgrade of vital Mechanical & Electrical communal infrastructure.

4.11 Our five-year investment plan also continues to fund additional fire safety measures for some of our most vulnerable customers through supporting our fire safety officers in providing innovative solutions to help keep people safe. Measures include enhanced smoke/heat detection, portable fire suppression systems, fire retardant blankets and stove guards.

Great Neighbourhoods

4.12 We are committed to investing in our wider communities through the improvement of our common areas and environments. Maintaining the "kerb appeal" of our environments is an integral part of our asset management approach to ensure that our neighbourhoods are secure and desirable for both existing and prospective customers.

4.13 Our investment plan will help to support the delivery of our 'Keep Scotland Beautiful' environmental quality standard through works to improve controlled entry, common areas and environments.

Mechanical & Electrical Infrastructure Upgrades

4.14 Our investment plan recognise the importance of our M&E infrastructure in ensuring our homes function correctly. This is particularly important in flatted complexes where vital services are required such as ventilation, water supply, CCTV and lifts. Our five-year plan includes over £180k for planned improvements to critical M&E components including the lifecycle replacement of pump sets, water storage tanks and ventilation plant.

Mould and Damp

4.15 We recognise the negative impact that damp and mould can have on our customers' health and quality of life, and this has led to the development and introduction of enhanced processes and procedures across the Group.

4.16 Our investment plan includes a number of energy efficiency measures including new heating systems, energy efficient door and window installations and targeted mechanical ventilation upgrade works.

Year 1 programme (2023/24)

4.17 Our capital programme in Year 1 (2023/24) of the five-year plan has a total value of £2.391m. This includes £1.63m for major property improvements, £648k for capitalised repairs and improvements in void properties and £113k for major medical adaptations.

## 5. Customer Engagement

5.1 As a landlord, we have a legal responsibility to keep our tenants safe in their homes. These safety and compliance duties drive the allocation of a significant proportion of the overall investment budget. With our remaining resources however, our aim is to increase customer participation in future investment planning decisions, both in relation to the type and timing of investment, putting customers firmly in control of their homes.

5.2 The allocation of the discretionary elements of the budget beyond compliance and safety work has been informed by customer feedback in recent years, such as that gathered through pop-up local events pre-pandemic, from customer satisfaction surveys, rent consultations and the input of locality directors and housing teams, reflecting the views coming from customers in local communities.

5.3 Over the next five years, we propose to go further, through our ‘Stronger Voices, Stronger Communities’ framework. This framework:

- Gives customers greater control of their home by choosing how and where investment is delivered,
- Uses both online and offline approaches to make it easier for customers to engage and to share their priorities; and
- Adopts new technologies to enable interactive engagement e.g., voting on investment proposals, ordering improvements for their home, making choices, and providing feedback on our investment and asset services.

Stronger Voices Investment Programme

5.4 Our investment plan includes our ‘Stronger Voices’ budget in support of this framework, which will deliver £900k of customer driven investment over the next five years. This budget will be used to deliver an enhanced programme of local priority investment work over and above existing planned investment commitments. The content of this programme will be informed exclusively by our tenants working with our frontline housing teams. This programme is in addition to over £5.9m already allocated to deliver current customer priority investment work programmes such as new windows, heating, kitchens, common area improvements and environmental works.

## 6. Environmental and sustainability implications

6.1 The Scottish Government have set ambitious targets for the reduction of carbon footprint and the country's green agenda and response to climate change. We will look to embrace this challenge and contribute towards Wheatley's overall objectives in these areas. We plan to deliver £4.6m of energy efficiency improvements over the life of the five-year plan, which equates to over 40% of the total core programme spend.

6.2 Our investment plan will help to support the ambition set out in our sustainability framework to replace heating systems that rely on natural gas and other fossil fuels with zero-carbon alternatives. We will review options including new emerging technologies whilst we await the outcome of the UK Government's planned introduction of hydrogen blending.

6.3 Whilst the interim reporting requirements for EESSH 2 have been suspended to allow a review to be undertaken, we are continuing to develop a property-by-property assessment of current energy performance characteristics to determine the exact requirements up to 2032 for each dwelling.

6.4 Year 1 (2023/24) investment work has an anticipated carbon reduction value of 76 tonnes CO2 , which contributes towards the overall group annual target of 4000 tonnes CO2 resulting from investment in our homes. This analysis shows the following anticipated CO2 reduction impact across core programme investment activities in Year 1 (2023/24). Each new energy efficiency measure installed also provides an uplift to the property EPC score, which helps towards compliance with EESSH2. We remain on track to deliver our 20,000 tonnes target across all group subsidiaries by 2026, contributing to the cumulative group carbon savings so far of over 12,000 tonnes.

6.5 As part of our recently approved sustainability framework, we intend to accelerate our carbon savings target from our 2021-26 strategy in order to achieve our net zero ambitions. Our aim for 2023/24 will be to reduce our CO2 emissions by more than 6,000 tonnes across all our group subsidiaries.

| Element of Programme | $CO_2$ reduction in tonnes | EPC score improvement |
|---|---|---|
| Gas Heating | 10 | + 0 points |
| Windows | 7 | + 9 points |
| EWI | 59 | + 10 points |

## 7. Digital transformation alignment

7.1 We will look to align our investment services with our digital transformation strategy. Historically we asked our customers to make a visit – often at a time of our choosing - to an office to view investment plans and make choices. Now, we will look to provide more interactive and convenient methods for the customer to inform investment in their homes.

7.2 We have phased out whitemail customer satisfaction surveys with individual investment project satisfaction surveys now carried out by text.

## 8. Financial and value for money implications

8.1 In accordance with the Group's Value for Money statement the investment programme will deliver value for money in several ways including:

- **Meeting customer aspirations** - our investment plan supports the delivery of customer investment aspirations with our locality planning process and Stronger Voices approach helping to inform the development and content of our investment programmes;

- **Quality of life** - our investment plans help to improve our customers' quality of life and tackle fuel poverty through the provision of warm and affordable homes, which meet SHQS and EESSH standards in relation to quality and energy efficiency. Our investment planning also recognises the importance that a good quality environment can have on the desirability of our communities and on quality of life, with significant funds committed to deliver improvements in these areas;

- **Environmental maintenance** - our approach to the delivery of environmental improvements, designed with input from our NETS service, will help to build capacity by reducing the maintenance burden on this service, enabling resources to be focussed on other key service priorities;

- **Factored homeowners** - our investment plan demonstrates a commitment to seeking innovative solutions to assist factored homeowners to participate in our investment programme, helping to reduce the financial burden where possible, whilst also benefitting our tenants living in mixed tenure stock;

- **Joint Venture with City Building Glasgow** – our relationship facilitates a more efficient approach to investment planning and delivery, maximising our buying power with suppliers to drive value for money and deliver wider community benefits and apprenticeships; and

- **Asset sustainability** - By continuing to deliver investment in our existing assets we ensure the long-term sustainability of our assets, helping to drive down the frequency of response repairs, whilst giving assurance to our lenders that we have a robust approach in place to manage and maintain our assets.

8.2 The core investment programme of £11.13m is contained within the overall £15.148m five-year capital investment programme as set out in the 2023/24 financial projections. All amounts include irrecoverable VAT where appropriate.

## 9. Legal, regulatory and charitable implications

9.1 There are no specific implications arising from the creation of the investment plan.

## 10. Risk Appetite and assessment

10.1 The Board's agreed risk appetite for investing in existing homes and environments 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". This risk appetite is mirrored here in relation to the Investment programme.

## 11. Equalities implications

11.1 Our aspiration is for our homes to meet the long-term needs of our customers, enabling them to remain in their home and to live as independently as possible. Our approach to medical adaptations enables customers to self-refer for minor adaptations such as handrails and lever handle taps. Major adaptations such as level access showers and structural alterations are also funded through the capital programme subject to a referral from an Occupational Therapist.

11.2 We have a robust approach to the identification and assessment of customer requirements as part of our project planning activities. Individual customer needs are considered on a project-by-project basis, and this helps to inform the project design and specification.

11.3 Our communications strategy takes account of the broad cultural mix of our customer base with the ability to tailor correspondence to a range of different languages.

## 12. Key issues and conclusions

12.1 Our core investment programme will deliver £11.13m of planned improvements in our property portfolio over the next five years. A further £4.015m will be spent on investment and capitalised repairs within void properties and on medical adaptations.

12.2 The continuing focus of our programme is on delivering improvements that contribute the greatest value to our tenants and communities, with over 60% of our core programme geared towards known customer priority investment.

12.3 Customers will continue to shape our investment plans through our £900k Stronger Voices programme and we will empower housing officers to make investment decisions at the front line that delight our customers through our £144k Think Yes for Investment programme.

12.4 Safety remains a key priority for us with over £1m earmarked for property compliance and fire safety related works over the next five years.

12.5 Our investment programme will support the objectives of our sustainability framework, specifically around the decarbonisation of our fossil fuel heated property portfolio and the delivery of EESSH2

12.6 We recognise the negative impact that mould and dampness can have on the health and wellbeing of our customers. Our investment planning makes provision for proactive investment interventions designed to mitigate the occurrence of mould within our homes.

## 13. Recommendations

13.1 The Board is asked to approve the Five-Year Capital Investment Plan 2023-2028.

LIST OF APPENDICES:

Appendix 1: Five-Year Capital Investment Plan 2023-28

## Appendix 1: Five-Year Capital Investment Plan 2023-28

| LORETTO HOUSING PROGRAMME (INC VAT) | | | | | | |
|---|---|---|---|---|---|---|
| **WorkGroup** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **2027/28** | **TOTAL** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Gas Heating | 108 | 180 | 200 | 180 | 180 | 848 |
| Net Zero/Low Carbon Heating (ASHP, District Heating etc) | 0 | 0 | 148 | 301 | 200 | 649 |
| Low-rise Fabric | 1030 | 0 | 398 | 66 | 180 | 1674 |
| Kitchen | 60 | 422 | 360 | 90 | 96 | 1028 |
| Bathroom | 18 | 32 | 32 | 36 | 142 | 260 |
| Rewire | 24 | 90 | 96 | 102 | 108 | 420 |
| Windows & Doors | 288 | 274 | 173 | 132 | 18 | 884 |
| Environmental | 0 | 970 | 310 | 390 | 0 | 1671 |
| Common Work | 80 | 392 | 300 | 50 | 0 | 822 |
| Mechanical & Electrical | 0 | 0 | 60 | 60 | 60 | 180 |
| EESSH/Archetype Specific Energy Measures | 0 | 0 | 426 | 121 | 657 | 1204 |
| Fire Safety | 6 | 12 | 12 | 12 | 12 | 54 |
| Stronger Voices | 0 | 120 | 184 | 304 | 304 | 911 |
| Think Yes for Investment | 0 | 36 | 36 | 36 | 36 | 144 |
| **Core Programme Total** | **1,614** | **2,529** | **2,735** | **1,880** | **1,993** | **10750** |
| Smoke/Heat Detector Installs | 6 | 25 | 60 | 60 | 180 | 331 |
| TMV Taps | 10 | 10 | 10 | 10 | 10 | 49 |
| **Capital Compliance Total** | **16** | **35** | **70** | **70** | **190** | **380** |
| | | | | | | |
| **Core Programme & Capital Compliance Total (INCL VAT)** | **1,630** | **2,564** | **2,805** | **1,949** | **2,182** | **11,130** |

Over the next five years **£11.13m** will be investing in our homes and communities. Output projections for some of the **key** investment work streams **over the next five years** are shown below:

### Heating

The Central Heating programme has a total value across the five years of **£1.5m**. The programme consists of £848k for reactive gas boiler replacements where existing boilers breakdown and cannot be repaired. An additional allowance of £649k has been planned to start from year 3 of the programme to accommodate a change in approach if the transition to hydrogen doesn't proceed. This may include alternative low and zero-carbon alternatives such as Air Source Heat Pumps where technically feasible and cost effective.

### Low-rise fabric

The Low-Rise Fabric (LRF) programme consists of the provision of External Wall Insulation (EWI) and fabric component replacements such as fascias, soffits and guttering. We have made provision of **£1.67m** over the next 5 years. Year 1 will see the renewal of the external wall insulation system at 1967 Dumbarton Road.

### Kitchen, Bathroom and Rewire (KBR)

We plan to invest almost **£1.7m** in new kitchens, bathrooms and rewiring over the next 5 years. £650k will be allocated to delivering ad hoc, reactive KBR installations in void and occupied properties where we have previously been refused access to complete this investment through our planned programmes. A further £166k will be invested in new communal area kitchens/bathrooms in our assets where Wheatley Care provide care services as well as new dwelling bathrooms in our Maryhill Road complex.

A further £622k will be allocated to lifecycle replacement kitchens, which is a high investment priority for customers in Murray, Atholl, Buchanan Avenue, Carmona Drive, Shearer Quadrant and Haldane.

Finally, we will invest £240k in new efficient and effective mechanical extractor fans benefitting up to 400 tenants over the next 5 years. The programme phasing will be informed using data intelligence to identify trends from our repairs service, which will help to identify problematic house types.

**Windows and Doors**

We plan to spend **£884k** on window replacements over the next 5 years, benefitting 170 tenants. The programme will include ad hoc, reactive installations where we have previous been refused access or new acquisitions in addition to planned lifecycle replacements. Year 1 will see new windows and doors installed at Windsor Crescent, with replacements also planned in Lennoxtown, Murray Crescent, Craigash, and Bencloich/Heather View over the life of our five-year plan.

**Environmental**

We will invest almost **£1.67m** in improving the environment within our communities over the next five years. The programme will include improvements to Wheatley Care complexes at Inchyra, Maryhill, Moffat St, Burnside Terrace, Quarrywood, McGregor St and Fulbar St over years 2-4. This work will focus on improved bin storage provision, paths and fencing. We will also deliver further investment such as backcourt improvements, play park upgrades and improved car parking provision across a number of communities over the next 5 years including at Burns Drive, Cawdor Crescent, Georges Close, Marquis Avenue, Clarence Drive, Windsor Crescent, Cook Road, McFarlane Road, Shandon Crescent, Ladyton/Nobleston and Hawthornhill.

**Common Works**

We have allocated **£822k** to deliver common area improvements encompassing investment such as common close painter work and foyer upgrades at Ladyton/Nobelston. We will also invest £270k in improving common areas in our assets with Wheatley Care provision.

**Mechanical and Electrical**

We will invest **£180k** via our Mechanical and Electrical (M&E) programme, which will see the replacement of Mechanical and Electrical infrastructure within our multi flatted developments. The 5-year plan will include for the replacement of vital service components such as communal fans, water tanks, pumps, and CCTV.

**EESSH2**

We currently await the outcome of the Scottish Government's review of the current EESSH2 standard, expected later in 2023. Our investment plan makes provision of **£1.2m** starting in year 3 to facilitate the delivery of energy efficiency investment interventions designed to thermal performance of our assets.

## Fire Safety

**£50k** has been allocated over the 5-year plan to fund enhanced fire safety measures for our most vulnerable customers including stove guards and fire-retardant bedding packs.

## Stronger Voices

We are committed to putting our customers in control of investment decisions, which affect their homes and communities. We have allocated over **£900k** to deliver customer driven investment works over the next 5 years. Our dedicated Stronger Voice budget will help our local housing management teams deliver on their customers' investment priorities identified through the ongoing engagement activities.

## Think Yes for Investment

We introduced a new staffing facing initiative in 2022/23, which empowers our frontline housing teams to make decisions on investment that will deliver great outcomes for customers. We will continue to support this programme over the next five years with **£144k** allocated to support housing officers in instructing small improvements such as additional kitchen wall units or tiling or painting a close where they feel the work is justified and is a priority for customers.

## Capital Compliance

**£380k** of capital compliance works will be delivered over the next five-years to ensure our homes are safe and secure and to provide assurance that we are meeting our statutory and regulatory compliance obligations. This programme will encompass, smoke and heat detector lifecycle upgrades across all stock types and the installation of new Thermostatic Mixer Taps in vulnerable tenancies.

Loretto Housing

**Report**

**To:** **Loretto Housing Board**

**By:** **Laura Henderson, Managing Director**

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

**Subject:** **Customer Insight: Improving satisfaction with our management of neighbourhoods**

**Date of Meeting:** **9 February 2023**

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## 1. Purpose

1.1 This report provides the Board with an update on the work we do to support and strengthen neighbourhoods and customer satisfaction with the management of neighbourhoods. This is particularly important in light of the feedback from customers in our pulse survey late last year.

## 2. Authorising and strategic context

2.1 The first priority in our Group Strategy is *Delivering exceptional customer experience*. We aim to deliver outstanding services with a strong focus on engagement with tenants as part of this.

2.2 We also identified as part of our strategy how we would look to tailor our services for different customer segments to respond to varying satisfaction levels, such as for families. This report sets out how we are doing this in relation to neighbourhood management.

## 3. Background

3.1 We have not been able to undertake our usual annual surveys due to the Pandemic. As a result, it was agreed that smaller scale pulse surveys would be undertaken during 2022 to establish a post Covid baseline and test the changes in satisfaction. The pulse survey showed that customer satisfaction with our management of the neighbourhood was 73%.

3.2 While there were many positives, the pulse surveys revealed some issues around the neighbourhood were potentially negatively affecting satisfaction levels. This correlated with insight received during other engagement with customers. For example, the families research conducted in 2022 revealed that anti-social behaviour affected satisfaction. While drug dealing was one issue, lower-level issues including noise were also highlighted.

3.3 In addition, we know from our complaints process that customers quickly become dissatisfied if their stairs and open areas are not at the standard they expect. In both circumstances it is clear from customer feedback that communication is particularly important to help customers understand what can be done and to resolve any issues quickly.

3.4 Our Group Strategy 2021 -2026: Your Home, Your Community, Your Future set two key targets in relation to neighbourhood services:

- Over 70% of our customers live in neighbourhoods categorised as peaceful.
- Achieve 85% satisfaction with Wheatley Environmental Services.

3.5 Improvements in satisfaction with our neighbourhoods will also contribute to the following overall customer satisfaction measures:

- Overall customer satisfaction is above 90%.
- RSL tenant satisfaction with value for money is increased to 85%.
- Overall satisfaction among households with children is improved to 90%.

3.6 Our customer engagement around neighbourhood services will contribute to improvements in the following measures:

- 90% of customers feel they can participate in the landlord's decision making.
- 95% of customers who are actively engaged in shaping services feel they participate in decision making.

3.7 When we undertake a full annual satisfaction survey, we ask our customers about their level of satisfaction with the management of the neighbourhood. The results for this measure are reported as part of our Charter return.

3.8 Satisfaction with neighbourhoods can also be influenced by other partners – for example in relation to transport links, crime, bin collections etc. This is likely to be particularly evident with the economic pressures and reduced funding which are likely to further reduce services from partners. Our strategic commitment to develop a Wheatley Place measure will help us to identify the specific issues for local areas and work to address these ourselves or with partners.

## 4. Discussion

4.1 Our customer insight has identified three key priority issues to improve customer satisfaction with our management of neighbourhoods:

- Addressing Anti-Social Behaviour (ASB), in particular noise nuisance
- Communication around our actions on anti-social behaviour (ASB)
- Understanding the services we provide through our Neighbourhood Environmental Team (NETs) and being able to provide feedback on these

*ASB and Noise - Actions*

4.2 The table below outlines the actions we have taken or are undertaking in this area.

| Action | Timescale |
|---|---|
| Improve our response to noise issues through use of the new Noise App | Complete August 2022 |
| Implement digital feedback through the MyVoice programme | Autumn 2023 |
| Implement ASB Framework: | |
| Review of ASB streetwise system | Complete September 2022 |
| Develop a Group Neighbourliness Charter | Complete December 2022 |
| Develop and deliver Prevention & Solutions approach | Developed & currently in pilot |
| Explore a methodology for the Wheatley Place Measure | Commenced December 2023 |

4.3 Across Group almost 50% of ASB calls are related to noise nuisance and customers have told us through various engagement events that this is an issue that causes dissatisfaction. Historically, it has been difficult to deal with noise concerns because of a lack of evidence – for example it is only being heard by one person. Additionally, some everyday living noise such as sounds of walking or washing machines are contributing to customer concerns about noise. Tolerance levels towards noise plays a factor in this. These types of issues are not classified as ASB.

4.4 As a result, we have often not been able to provide the complainer with the response they would like in relation to tangible action. In general, noise issues will also not be prioritised by the Police as they will prioritise the most serious issues. Despite this we know that they are a frequent cause of dissatisfaction in neighbourhoods.

4.5 Our ASB services have been rebranded using the “Keeping the peace” slogan which now features regularly on our digital media with encouragement to customers to “keep the peace”. The posts give examples of household noise that can be disruptive and asks our customers to consider whether they are ‘keeping the peace’. Engagement levels with customers on social media with our “keep the peace” campaign have already been positive.

4.6. To help address customer concerns and provide a better service, we have introduced a noise app which can be provided to customers who are experiencing issues and have access to a smart device. Once available a customer can capture excessive noise using the app.

4.7 The app records up to 30 seconds of noise and provides a date, time and GPS location of where the recording was made. The customer is prompted to provide where they think the noise is coming from, what they think the cause is, and to provide an indication on a scale of 1-10 of how excessive they believe the noise was.

4.8 This provides a number of avenues to help the customer. In many cases when neighbours are aware that the noise app is being used it is often enough to result in modified behaviour. It can also be used as a basis for discussion with the perpetrator to understand the impact of noise or with the victim to consider the realities of daily living noise. For example, in one particular case, the noise nuisance issue related to the use of white goods in the evening. A noise app recording was captured and when this was explained to the customer using the white goods, they recognised this to be an issue and modified their behaviour accordingly, alleviating the problem.

4.9 Where discussions are not successful, the app also provides stronger evidence for any action we may be able to take, this includes the ability to use a recording as evidence of corroboration in court.

4.10 We continue to implement our Anti-Social Behaviour Framework, *Peaceful Places in Thriving Spaces*, which was approved by the Board in 2021. It runs in alignment with our Your Home, Your Community, Your Future Strategy timescales. The Framework sets out our approach to ensure our communities are calm and peaceful places to live, with customer engagement at the heart of developing our actions.

4.11 During 2022 the CIP undertook extensive staff workshops engaging with staff to identify how the current Streetwise platform could be improved. The CIP have actively been working with MRi Software developers to create a new super Streetwise. This new platform will be a single Group wide platform incorporating a number of upgrades that will improve ease of use and provide better data to analyse trends, identify patterns and target resources more effectively. Training for all frontline and CFC colleagues is underway for the upgraded platform and will go live on 1 April 2023.

4.12 In line with our strategic commitment, we have developed a Neighbourliness Charter. This charter, co-created with customers will be published on our websites. It sets out our commitments to customers around creating neighbourliness in our communities. Six of our customers participated in focus groups to provide feedback on their experience and input into how a Neighbourliness Charter could have a positive impact in their neighbourhoods. We continue to work with customers to develop the action plan that will support achievement of the Charter commitments.

4.13 Our customers have told us that they become particularly dissatisfied where there is repeated ASB and they feel that we have not been able to resolve this. In response we are piloting a Prevention and Solutions Team in Glasgow which focuses on avoiding escalation of repeat cases of ASB, with a particular focus on identifying cases which involve vulnerability such as mental health or addiction issues.

4.14 The Prevention and Solutions Team, comprises one Anti-Social Behaviour Prevention and Early Intervention Officer and two designated Police Officers from our Community Improvement Partnership.

4.15 In addition to this, the Prevention and Solutions Team have established an agreed approach with Glasgow City Health and Social Care Partnership's newly created Complex Needs Case Team, to support our most vulnerable customers who are repeat perpetrators of recorded ASB. Relevant staff meet with the Complex Case Team every two months to discuss individual cases of concern with the aim of understanding and managing the factors contributing to ASB such as addiction or mental health concerns. This supports a joined-up approach and ensures statutory intervention as required. We will monitor the impact of this through the changes in the levels of repeat ASB.

4.16 Our Group Strategy contains a commitment to develop a "Wheatley Place" measure that reflects the criteria that customers identify as crucial to a successful and resilient community. We are currently considering the use of the Place Standard tool for this purpose. This is an international measuring tool that is already used in Scotland and across Europe by planning authorities and other agencies. It provides a consistent way of assessing neighbourhoods. Whether the place is well-established, undergoing change, or is still being planned, it provides a simple framework to structure customer conversations about place, based around 14 questions.

4.17 Using this standard to inform discussions and thinking with customers would help us to consider about the physical elements of a place such as the buildings, open spaces, and transport, as well as the social aspects like whether people feel they have a say in decision making. The tool provides prompts for discussions, allowing us to consider all the elements of a place in a methodical way. It pinpoints the assets of a place as well as areas for improvement. Piloting this approach will allow our communities to assess whether it works for them and give us a potential framework for engagement at a geographical level.

4.18 Our work in neighbourhoods will be affected by our Partners' approach over the coming years. We know that local authorities, police and fire services are likely to face spending cuts. Changes in service levels from partners is likely to increase demand on our own service.

4.19 Our positive relationships with our partners e.g. local policing, Local Authority Health and Social Care Partnerships and elected members is vital to addressing issues within our neighbourhoods. With monthly ASB tasking meetings with community police, open dialogue with elected members and regular case discussions with HSCP's, we continue to work together to address local issues in a challenging climate.

*ASB and noise – customer insight and engagement*

4.20 We continue to monitor the success of the noise app through the impact on the number of calls related to noise and the number of cases resolved by discussion. As we deploy more direct customer feedback, we will be able to link use of the noise app with positive feedback about the result of the case from the customer. Our MyVoice platform, once operational, will ask customers who have reported anti-social behaviour to assess how satisfied they were with the way this was investigated and resolved.

4.21 The CIP are currently engaging with two of our families who were involved in the families research, to better understand what improvements or enhancements could be made to our service delivery to increase their confidence and levels of satisfaction, in the way we respond to reports of anti-social behaviour.

4.22 Our families research early in 2022 identified ASB as a key issue for customers with families. The further work will involve more detailed exploration of the issues they have raised as concerns and trial solutions with them. The identified families have received a questionnaire to gather feedback on levels of ASB and perceived issues. Following on from this we will be arranging focus groups and customer journey mapping with affected customer voices to identify the parts of the process which work less well for customers.

4.23 The families research also identified tenements as particularly challenging places for families to live. Noise and anti-social behaviour were not the only drivers of this, but participants did identify noise and sound proofing as a particular issue in tenement flats. As a result, Group are undertaking a pilot project this year. This will work with families and other customers in a small group of tenements to identify what are the main concerns in relation to noise.

4.24 The pilot will bring expertise from across the business including housing staff, investment staff and Wheatley 360. It will consider a wide range of options. Some may be simple interventions that could work in a similar way to the suite of items we have to help fire safety. For example, effective soft door close mechanisms and vibration mats for under washing machines. It will also consider more structural options for sound proofing within the limits of the investment budget.

*Communication about our role and actions related to ASB*

4.25 The key actions to improve communication and engagement around ASB are outlined in the table below:

| Action | Timescale |
|---|---|
| ASB customer awareness sessions | Complete |
| Local newsletters | March 2023 |

4.26 Customers have fed back to us that they are not always clear on our approach to ASB and what we are doing in their neighbourhood. In order to strengthen this we are using targeted interventions in key areas where we work closely with the customers to identify and resolve issues. We are also delivering stronger and clearer messaging through social media, the development of local newsletters and ongoing engagement.

4.27 The Community Improvement Partnership (CIP) has also delivered ASB Customer Awareness sessions across all our RSLs. These involved 6 of our customers from a range of ages, geographies and household types. This was used to better understand the main issues that are affecting communities. The main issues related to noise nuisance, drug dealing and safe places for children to play.

4.28 In response, the CIP developed the Prevention and Solutions Approach highlighted above. This uses data from our noise app and Streetwise ASB management platforms to target specific repeat perpetrators. This approach has been very successful in preventing further complaints and has contributed to 72.8% of our Group tenancies being categorised as 'Peaceful'.

4.29 Across Group we are developing local newsletters to ensure customers are better informed about our work, services and achievements. Data Protection regulations limit what we can say to other customers about individual cases, but we are working with the Information Governance team to establish how we can provide more information to customers on their particular complaint.

4.30 All our housing officers are trained in the submission of community information and intelligence. We know that good information and intelligence helps us to be proactive in communities and that it also drives police service. We have now created short customer questionaries that ask customers about their experiences of anti-social behaviour and what their local priorities for action are.

*NETs communication and feedback*

4.31 The key actions around our NETs service are outlined in the table below:

| Action | Timescale |
|---|---|
| Implementation of NETs app | Underway |
| Environmental campaign and week of action | March 2023 |
| Customer feedback through MyVoice and NETs app | Summer 2023 |

4.32 Our NETS mobile app was introduced in December. The mobile app provides a significant transformation to the way the NETS teams currently operate. All work scheduling and work orders will be sent directly to the NETS staff members' mobile device to allow them to carry out tasks while they are out working within communities.

4.33 The app will allow increased productivity through the reduction in paper-based systems and ending the need to travel to depots to be allocated work. Staff will be able to respond to customer requests in real time and will be allocated work much quicker than before. Customers will also see a significant change in terms of visibility of services provided by NETS. The online service which will be introduced in March 2023 will enable customers to view when works are scheduled and when they are completed. It will also show any ad hoc work carried out at or around their property.

4.34 This responds to important feedback from customers that they were not clear what services we provided and were not always aware of what work had been done. It also helps to address information that comes in from complaints where customers raise issues about services they believe should have been done. It will give both customers and staff quick access to service provision and any issues of service failure.

4.35 The app will also be used to provide information on all the value added services that our teams provide such as removing waste and tidying up areas which are not necessarily our ground. Feedback suggests that while customers value these services, they are not always clear that this is the result of NETs going above and beyond in supporting neighbourhoods where this is not always our responsibility.

*NETs engagement and insight*

4.36 The deployment of the app will be supported by a refreshed communication plan to ensure we are promoting our services much more effectively to our customers. Communications will also be used to help customers understand what we are responsible for and what is the responsibility of the local authority. This is likely to be particularly important in the coming year where there is the potential that local authorities will be looking to scale back some services.

4.37 Part of the communication plan will involve an Environmental Campaign in March. This will include a week of action with lots of activities within communities focusing on the environment. This campaign will encourage customers and partners to play their part in maintaining their local area and seek to generate ideas for future service delivery and frequency.

4.38 Our new “MyVoice” approach to rapid feedback is currently being developed. This will be used to obtain real time feedback from customers about the services they receive. This will show us how satisfaction is changing and will also allow us the opportunity to rapidly intervene to rectify issues that are causing dissatisfaction.

## 5. Customer Engagement

5.1 We have undertaken a range of customer engagements throughout the year to inform the development of services in neighbourhoods.

5.2 Our whole families research was a major project early in 2022 and has impacted our approach across a number of services. It provided extensive feedback from 1,800 survey responses across Group and detailed information from focus groups. This provided strong evidence of the importance of dealing with ASB, the need for better communication and the importance of noise related issues to our customers.

5.3 We are currently carrying out research with our customer voice customers to help ensure that we have suitable representation to match our tenant profile. The table below shows the current age profile of our customer voices compared to the detail recently provided via our Equality and Diversity responses.

| Age group | Customer Voice | Equality & Diversity response |
|---|---|---|
| 16-34 | 6% | 17% |
| 35-44 | 11% | 18% |
| 45-54 | 28% | 13% |
| 55-64 | 22% | 36% |
| 65+ | 33% | 17% |

5.4 The current wave of information has come from digital returns. Once that is complete, we will undertake further face to face work to cover all Customer Voices. This may change the overall percentages.

5.5 Returns so far show the following profile of customers by house type. Again, this may change as we move through the research process.

| Stock type | Customer Voice % | Stock profile % |
|---|---|---|
| House | 53% | 26% |
| Tenement | 27% | 43% |
| Other flat/maisonette/4 in a block | 20% | 31% |

5.6 The current data shows customers are most interested in engaging around repairs and maintenance, community safety, development and regeneration & scrutiny activities.

5.7 Further work is currently being undertaken on segmentation in relation to other protected characteristics. This will inform our work over 2023/24 to ensure our Customer Voices are as representative of our tenant base as possible.

5.8 During 2022, the CIP visited all RSLs and spoke with customers about issues or concerns relating to ASB. In 2023, further follow up work will be undertaken with families. The Wheatley Place pilot will also involve customers in detailed analysis of issues in their area.

5.9 The NETs team will also use Customer Voice Panels to engage customers in providing views on our Environmental Services. These are used to outline what we do and what we have achieved, Crucially, customers are able to give us feedback on what the team do well, what could we do better and what matters most to them in relation to our services.

5.10 The Group Scrutiny Panel will review environmental services as a key theme as part of its work. This is planned to take place in autumn 2023.

## 6. Environmental and sustainability implications

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

## 7. Digital transformation alignment

7.1 This update sets out the use of digital transformation to help build satisfaction in our neighbourhoods. The work includes the roll out of:

- a new NETs app
- a new noise app
- The increased use of data analysis to direct services

7.2 These have all been included within the Digital Transformation Project or funded from existing resources

## 8. Financial and value for money implications

8.1 There are no financial implications arising from this update. Costs for delivery of projects are included within existing budgets.

## 9. Legal, regulatory and charitable implications

9.1 The Antisocial Behaviour etc (Scotland) Act 2004 is the primary legislation for dealing with antisocial behaviour in Scotland. The Act sets out a range of responses made available to Local Authorities and Police Scotland. The legislative framework that governs how the Group currently interprets and manages antisocial behaviour is contained within *the Housing (Scotland) Act* 2014 and *the Antisocial Behaviour etc. (Scotland) Act 2004.* The 2004 Act states that a person is engaging in antisocial behaviour if they:

- Act in a manner that causes or is likely to cause alarm and distress.
- Pursue a course of conduct that causes or is likely to cause alarm or to distress to at least one person not of the same household as them.

9.2 The *Housing (Scotland) Act 2014* further enhanced the powers available to social landlords for the management of antisocial behaviour. This includes:

- Social landlords will have the power to convert an existing tenant's Scottish Secure Tenancy (SST) to a Short SST (SSST) or to grant a SSST to a new tenant in cases where there is evidence that the tenant, a member of their household, or a visitor, has been involved in antisocial behaviour in or near their home within the last three years.
- Simplifying the eviction process in cases involving serious antisocial behaviour by allowing social landlords to make use of an existing conviction as grounds for possession. The tenant must have been convicted within the last 12 months.
- Clarifying that a social landlord can suspend an application for social housing under certain prescribed circumstances.

9.3 The Scottish Social Housing Charter was introduced by the Scottish Government to help improve the quality and value of the services that social landlords provide, and support the Government's long term aim of creating a safer and stronger Scotland.

**Outcome 6** of the Scottish Social Housing Charter states that:
"*Social landlords, working in partnership with other agencies, help to ensure that: Tenants and other customers live in well-maintained neighbourhoods where they feel safe."*

9.4 This outcome covers a range of actions that social landlords can take on their own and in partnership with others. It covers action to enforce tenancy conditions on estate management and neighbour nuisance, to resolve neighbour disputes, and to arrange or provide tenancy support where it is needed. It also covers the role of landlords in working with others to tackle antisocial behaviour.

9.5 The Scottish Housing Regulator have developed the following indicators to assess how well housing associations are managing complaints of antisocial behaviour and our wider estates:

- **Indicator 13:** Percentage of tenants satisfied with the landlord's contribution to the management of the neighbourhood they live in.

- **Indicator 15:** Percentage of antisocial behaviour cases in the last year which were resolved.

9.6 Our NETs work falls under our regulation as an RSL where we are providing services to tenants or factored owners of our RSLs.

**10. Risk Appetite and assessment**

10.1 Our risk appetite level for operational delivery in the strategic outcome Delivering Exceptional Customer Service is open. This means we are keen to pursue opportunities to use digital services and platforms to improve the customer experience. We should be able to demonstrate the benefits that these new digital approaches will make, including improvements to the control environment.

10.2 Our risk appetite for the Enabling Customers to Lead strategic objective is also open. This means we will pursue opportunities to use digital services and platforms to improve the customer experience without leaving anyone behind.

**11. Equalities implications**

11.1 An Equalities Impact Assessment has been carried out for the Anti-Social Behaviour Framework. This assessment reviewed the impact of actions against the protected characteristics identified in equalities legislation. It showed that the Framework will have a positive or neutral impact on all characteristics.

**12. Key issues and conclusions**

12.1 This report outlines the actions being undertaken to improve our customers' satisfaction with the management of the neighbourhood. These include:

- a new approach to managing noise complaints which form a significant proportion of ASB issues and which customers tell us drive dissatisfaction.

- Improved communication with customers around ASB so they have a clearer understanding of the processes which need to be followed and receive updates on what has been done; and

- Interactive access to our environmental services to see in real time what services they receive, what has been completed and to record their satisfaction levels with these services.

12.2 Work is underway to further enhance customer engagement using the satisfaction information from MyVoice for both ASB and NETs. Focus groups and customer journey mapping will be used to further develop our ASB approach, supported by the use of data analysis to target services. The Wheatley Place Standard will allow detailed customer involvement in identifying issues and solutions for their neighbourhood.

## 13. Recommendations

13.1 Board is asked to note this update on actions to improve customer satisfaction with our management of neighbourhoods.

Loretto Housing

**Report**

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Laura Henderson, Managing Director** |
| **Approved by:** | **Laura Pluck, Group Director of Communities** |
| **Subject:** | **Performance Report** |

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## 1. Purpose

1.1 This report presents an update on performance delivery against targets and strategic projects as to the end of quarter three 2022/23.

## 2. Authorising and strategic context

2.1 We measure progress with the implementation of our five-year strategy via our Group Performance Management Framework ("PMF") at its meeting 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 2022. This Board subsequently agreed the Loretto Housing specific performance measures at its meeting on 30 May 2022.

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

## 3. Background

3.1 This report outlines our performance against targets and strategic projects for 2022/23 as of the end of quarter three. Unless specified otherwise, results for all measures are based on year-to-date figures. This includes quarterly progress with those measures that will be reportable to the Scottish Housing Regulator as part of the Annual Return on the Charter 2022/23. It also includes new measures for 2022/23 covering areas of performance related to the implementation of our engagement model, visibility of the Customer First Centre and monitoring of the strength of our Boards and administration.

3.2 Each year we review our measures and targets to ensure that they remain fit for purpose. This process has commenced during Q4 2022/23 for 2023/24, alongside a wider refresh of our 5-year strategy. This work includes a close look at our repairs performance framework – with emphasis on ensuring the customer perspective is captured and used to drive ongoing improvements – and will feed into Board strategy workshops.

## 4. Discussion

### Delivering Exceptional Customer Experience

Customer First Centre

4.1 The Customer First Centre (CFC) was fully launched to customers on 1 April 2022. Quarter 3 results to the end of December are presented in table 1.

**Table 1**

| Measure | 2021/22 | 2022/23 | | |
|---|---|---|---|---|
| | Value | Value | Target | Status |
| Loretto - % calls answered <30 seconds (Grade of Service) | N/A | 80.39% | 80% | |
| Loretto - Average waiting time (seconds) | N/A | 45.64 | 30 | |
| Loretto - Call abandonment rate | N/A | 3.76% | 7% | |
| Group - % first contact resolution at CFC (Customer Service Advisors) | 92.33% (March 2022) | 89.08% | 90% | |
| Group – Percentage of CFC customer interactions that are passed to Housing and Lowther staff for resolution | N/A | 6.78% | <10% | |

4.2 The CFC have answered 80.93% of calls from our customers within 30 seconds against a target of 80%. The two weeks of extreme cold weather leading up to Christmas resulted in call volumes across the Group close to doubling, presenting at upwards of 6,000 calls per day.

4.3 As would be expected, repairs enquiries to the CFC made up a greater proportion of calls handled than in the previous month (approximately 56% up from 48% in November). This sharp increase in demand impacted average waiting time increasing from that reported to the end of the previous quarter (28.02s).

4.4 Although calls were taking longer to answer during this busy period, a greater proportion of calls year to date were resolved at first contact (89.08% up from 88.58% to the end of Q2). The volume of calls also impacted the abandonment rate, which increased to 3.76% year to date from 2.75% reported to the end of Q2. The Q3 year to date figure is still significantly outperforming the target of 7%.

4.5 Call volumes are now returning to the expected levels of 3,500 per day. Additional cold spells during quarter four could further impact the likelihood of achieving year end targets. The CFC is inducting 20 new staff in January and February which will support service levels in the future.

Tenancy Sustainment

4.6 We continue to support our customers to sustain their tenancies and to deliver strong performance relative to both the Scottish Housing Regulator's measure and our revised indicator, which excludes deaths and transfers to other homes in the Group.

4.7 Loretto's tenancy sustainment for the Charter measure is just below target at 89.24%, a small decrease on the year to date result for last quarter (90.32%) but only two sustained lets below the 90% target. We are, however, meeting target for the revised measure. We have reviewed our reasons for un-sustained tenancies and the main reasons we have found are medical reasons and family responsibilities. Housing Officer are carrying out annual visits to all our customers to ensure they have all the support they require and maximise sustainment wherever possible.

**Table 2**

| Tenancy Sustainment | Charter YTD | 2022/23 Target | Revised YTD | 2022/23 Target |
|---|---|---|---|---|
| Loretto | 89.24% | 90% | 92.11% | 91% |

Complaints Handling

4.8 Year to date performance is strong for both ARC and SPSO measures.

4.9 Repairs remains the highest volume of complaints overall and we have taken learning from these complaints, as well as those relating to estate services and anti-social behaviour to deliver improvements. Further details on changes to our approach, lessons learned and actions we have taken as a result of the learning are set out in more detail below.

4.10 The new Business Improvement Team (BIT) is now in place and has a complaints improvement plan underway including a focus on:

- Increased awareness of the importance of complaints
- Improved analysis and learning.

4.11 Working with colleagues across Group, BIT will use a suite of performance measures to ensure we effectivity manage, monitor, understand and learn from complaints. These performance measures include those reported to the SHR and, in the future, to SPSO.

4.12 While ARC measures have been in place for some time, SPSO measures are new. As previously reported to Boards in Q1 and Q2, clarification has been sought on the new SPSO measures and development underway. We are now able to share these measures as at the end of Q3 in advance of the full year results, due May 2023.

4.13 Year to date performance to the end of quarter 3 for ARC and SPSO measures is shown in Appendix 3. In future years, Boards will receive this information twice a year, in Q2 and Q4.

4.14 Current activities that will ensure a robust complaint monitoring system where we can learn from complaints and address the issues are as follows:

- Training additional staff in complaints handling and rolling out new training to existing staff
- Close working with the CFC to monitor commitments made and ensure that they are fulfilled
- Power BI reports to ensure teams across the business are well informed about complaints performance and key themes.

4.15 A key focus for actions at present is around repairs services. We know that approximately 60% of all complaints relate to repairs. Repairs are a major part of the business, and we would therefore expect a high volume in this area; nonetheless, we have identified areas for improvement around repeat repairs, failed commitments and escalated complaints. Our new approach to mould and dampness will also assist with this.

4.16 More detailed analysis and learning is also being progressed. Initial lessons learnt include:

**Repairs & Maintenance**

- ‘You Said’ – Some customers have told us that we have not turned up to complete follow on repairs when we said we would and that it can take a number of visits to resolve complex issues.
- ‘We did’ – We have established new processes to review our commitments to customers and ensure that these are completed. We have also introduced new ways of working around mould and dampness and for plumbing to limit the number of repeat visits. We are working to develop a new tracking system for repairs which will provide real time updates about appointments.

**Estate Services – Stair Cleaning Services**

- ‘You said’ – Some customers told us that the regular cleaning of the common areas has been missed, not completed to an acceptable standard and sign off sheets within the close are missing or not completed.
- ‘We did’ – We have rolled out the use of a ‘Mobile App’ which provides the opportunity for each cleaning squad to seek sign off from customers on completion of the cleaning service providing a ‘Real Time’ digital record logging customer satisfaction. In addition, staff will be able to send back pictures of the common areas. Each cleaning team will have access to the mobile app.

**ASB**

- You said – We received some complaints from customers that we were not dealing with noise issues as they would like. We also received this feedback from some customer engagement events.
- We did – It was often difficult for us to take action in relation to noise because there was little hard evidence. We have now been able to introduce a “Noise app”. This allows customers suffering repeated incidents of noise to record these. The recordings can help those creating the noise to understand the impact it has and this is often enough to change behaviour. The recordings can also be used as evidence for more formal actions.

Customer Voices

4.17 Our customer voice programme has now achieved its targets for 2022/23. We have exceeded our target with recruitment of customer voices and are well positioned to develop our involvement with those customers through new engagement plans for 2023/24.

4.18 A key focus for our Customer Voices has been to diversify the range of tenants engaging with us. We have a new Customer Voice registration form which has been digitised onto MS forms and we are working to get all our customer voices, both new and existing, signed up using the new form. This will enable us to produce demographic information more efficiently and effectively for planning and reporting purposes. Our Stronger Voice Officer has been meeting our customers to maximise registration.

4.19 We have also held 37 Customer Events this year in our communities, including this quarter we have held 10 Customer Voice events. These events included 2 Livingwell Christmas parties, our You choose challenge engagement day at Westcliff in West Dunbartonshire and a coffee morning in our St Patricks Court complex in Coatbridge which customers have been sharing how nice it has been to meet other neighbours and staff again within their communities.

4.20 During November 2022, we held 3 rent focus groups at Wheatley House with our tenants. The process, reported to Boards separately, engaged tenants on proposed options for rent and general service charge increases prior to a formal rent consultation. Focus Groups were organised with support from the Stronger Voices team and facilitated by independent research consultants BMG.

4.21 We have also held 2 Customer Voice Panel and Scrutiny events in 2022/23 with our 2nd event taking place this quarter which focussed on community safety this was held on the 17th November 2022 in Wheatley House. Our next Customer Voice Panel and Scrutiny event will be held on the 22nd February 2023 and will include a Scrutiny bootcamp presentation from TPAS.

4.22 Next quarter, Customer Voices will be invited to take part in helping improve our repairs services. Specifically, our customers will engage with around 70 customers from across Group in advising us on the SMS messaging aspect of the repairs service to improve communication over the coming year. The sessions will be supported by the Governance team and TPAS.

4.23 The W360 Community Improvement Partnership will also engage with customers in 2023/24 to deliver on the commitments contained in the new 'neighbourliness charter'. This will help shape how we will work with communities to create connected, thriving and peaceful communities.

**Table 4**

| Customer Voices Indicator | Target YTD | Actual YTD | | Annual target |
|---|---|---|---|---|
| Customers involved in the Customer Voices programme | 38 | 63 | | 50 |
| Customer Voices activities carried out | 20 | 37 | | 26 |
| Geographical/ Regional panels | 2 | 3 | | 3 |
| Number of customers involved in Geographical/ Regional panels | 20 | 37 | | 30 |
| Number of Scrutiny panels | 1 | 1 | | 1 |

New Build Programme

4.24 Our target is to deliver a total of 197 new social rent homes in 2022/23; four of which were carried over from 2021/22. As of the end of December and shown in Table 5, 175 homes have been handed over.

**Table 5**

| Sites | YTD (Dec 2022) Handovers | YTD Target | Diff. |
|---|---|---|---|
| **Loretto Housing** | **175** | **177** | **-2** |
| Dargavel (Social) | 39 | 49 | -10 |
| Hallrule Drive (Social) | 32 | 32 | 0 |
| Sawmill Field (Social) | 16 | 16 | 0 |
| Queens Quay (Social) | 80 | 80 | 0 |
| Vellore Road (Social) | 8 | 0 | 8 |

4.25 Two projects remain on site. Dargavel (remaining 10 units for social rent) and Sawmill Field (remaining 24 units for social rent) are both expected to complete by March 2023. It is considered that there is therefore no risk to meeting the completions target in this programme.

Planned to Reactive Spending

4.26 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. Spend figures are subject to investment programme profiling throughout the year. Planned Spend includes core capital programmes, cyclical maintenance, and compliance.

4.27 As shown in Table 6, our planned spend ratio is now 54.8% year to date to the end of quarter three. This has increased f from the position to the end of the previous quarter (39.6%). Whilst the variances for planned spend compared to full year 2021/22 are reducing, the decision taken at the start of the year to prioritise reactive repairs to reduce the backlog from 2021/22 and ongoing high repairs demand since quarter two – heightened due to the cold weather in December – means that we are unlikely to achieve 60% target by year end.

**Table 6**

| Percentage Spend | 2021/22 Planned spend | 2022/23 YTD Planned | 2022/23 YTD Reactive |
|---|---|---|---|
| Loretto | 68.0% | 54.8% | 45.2% |

Volume of Emergency Repairs

4.28 The table below shows our position against the strategic result to reduce the volume of emergency repairs by 10% by 2026 compared to the new agreed baseline year of 2021/22. The target for 2022/23 is a reduction of 2.5%.

4.29 Emergency repair numbers had been tracking upwards during quarter 3 and peaked during the freezing temperatures and subsequent thaw in December. This is evident in the change in our variance, having increased to +9.36% to then end of quarter three from 0.05% reported to the end of quarter 2. The approach to managing repairs demand overall will be supported through the new MyRepairs structure, implemented mid-January 2023.

**Table 7**

| Completed emergency repairs to end of Dec 2022 | YTD 21/22 | YTD 22/23 | Variance | |
|---|---|---|---|---|
| Loretto | 3,046 | 3,331 | + 9.36% | |

Repairs Timescales and Right First Time

4.30 As reported elsewhere in this report, high and increasing demand for repairs has been experienced through quarter 3. The significant increase in emergency repairs in December, as a result of the freezing temperatures and subsequent thaw, put significant pressure on our services and in turn negatively affected completion timescales.

4.31 The average time taken to complete our emergency and non-emergency repairs is detailed in Table 8, with both above target. Emergency timescales have increased to 3.67 hours year to date (3.11 hours in quarter 2). Non-emergency repair timescales have however reduced slightly to 8.52 days year to date (8.78 days in quarter 3). The position is being regularly monitored through quarter 4.

**Table 8**

| Repairs completion timescales (Charter) | Emergency (hours) | | Non-emergency (days) | |
|---|---|---|---|---|
| | Target | Current Value | Target | Current Value |
| Loretto | 3.00 | 3.67 | 5.50 | 8.52 |

4.32 The % of Repairs Right First Time (95.58%) has recorded a small improvement on the position reported to the end of quarter 2 (95.38%) and continues to move closer to the 97% target. Given emergency demand in December, a higher number of non-emergency repairs were live at the end of quarter 3 creating challenges for further improvement on this measure to quarter 4/year-end.

**Table 9**

| Percentage of repairs right first time (Charter) | 2021/22 | 2022/23 YTD | Target | |
|---|---|---|---|---|
| Loretto | 94.86% | 95.58% | 97% | |

Repairs Satisfaction (postal returns)

4.33 Targets for satisfaction with the repairs service have been set to incrementally increase annually to 95% by 2026. This satisfaction measure is currently based on the postcards we issue after repairs, which are returned via white mail. We have now exceeded the 89% target for this year with satisfaction rising from 85.8% as reported at the end of quarter 2 to 91.0% reported this quarter.

4.34 This is based on a rolling 12 month period. Satisfaction is based on the 489 survey responses in the last 12 months, more than double the pre-covid figure of 193 surveys (Dec '19).

**Table 10**

| Repairs Satisfaction | Current Value | Target | |
|---|---|---|---|
| Loretto | 91.0% | 89% | |

4.35 There continues to be a range of service improvement activities underway which will in turn lead to improved communication with customers and improvements in service performance and satisfaction levels with the service.

Responsive repairs: Damp and mould

4.36 Following the update to the Board at its last meeting on our approach to property assurance, we are continuing to strengthen and improve our approach to mould related requests from customers and in doing so have made the following improvements to our processes:

- visiting customers' homes within 48 hours of the Mould related request being raised
- increased the resources within our structure with additional specialist resources – Director with specific oversight of Damp/Mould/Rot, a qualified Building surveyor and additional RICO resource
- individual properties being tracked daily on a case-by-case basis
- every completed repair case receives a housing officer visit after ~1 week to provide assurance that the mould and damp is not recurring
- an independent review of c10% of properties is underway across the Group, carried out by specialist property surveying firm JLL. The sample focuses on properties with greater potential risk or history of mould and damp
- forward investment programme will also focus on structural fixes where required.

4.37 For every case of mould reported an inspector will categorise it as follows:

Category 3 – Requires a fungicidal wash down and decoration (completed in one appointment)

Category 2 – As with category 1 but covering a larger physical area which will require a longer appointment to complete (completed in one appointment)

Category 1 – More extensive mould with underlying issue which will require follow on repairs required after the initial treatment of the mould. This will require more than one appointment or a more structural fix following the treatment of the mould. Any cases that would meet the UK Government's "Housing Health and Safety Rating System (HHSRS)" definition of posing a serious and immediate threat to health were the tenant to remain in situ with untreated mould are also included under this category.

4.38 We currently have 20 live cases for mould and 0 live damp and rot repairs. A breakdown of the current status of all mould cases is as follows:

| Total Live cases | Category 3 | Category 2 | Category 1 | Scheduled for inspection | No access – pending reappointment |
|---|---|---|---|---|---|
| 20 | 10 | 1 | 0 | 9 | 0 |

4.39 In terms of the cases scheduled for inspection these include instances where the tenant has requested a specific date outwith the 48 hour period. Once works are completed, under any of the above categories, a housing officer follow up visit is arranged. This is around one week after the completion of works, to assess whether the customer is satisfied with the outcome and whether there has been any recurrence of the mould. In the latter case an urgent re-inspection is arranged.

4.40 Damp and mould cases cover less than 1% of our stock, and as the table above highlights, the majority of these are minor in nature. By way of context, a recent report in England by the Regulator of Social Housing highlighted that 1%-2% of social housing in England had "notable" mould and damp.

4.41 We recently engaged with Housemark to get an understanding of the wider approach across the sector. They confirmed that our 48 hour commitment for an inspection was sector-leading and that our reporting and monitoring, weekly to the Executive Team and daily case reviews at operational management level, is also the strongest of any landlord they have engaged with.

Medical Adaptations

4.42 Time to complete medical adaptations has increased slightly from 19.00 days reported to the end of quarter two, to 19.32 year to date to the end of quarter three. However, importantly, this is still within the targeted timescale and a significant improvement on the 2021/22 result at 61.36 days. Year to date, we have completed 69 adaptations and currently have three households waiting.

**Table 11**

| Medical Adaptations (Charter) | Current Households Waiting | Number Completed YTD | Average Days to Complete YTD | Target |
|---|---|---|---|---|
| Loretto | 3 | 69 | 19.32 days | 35 |

Gas Safety

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

**Table 12**

| Gas Safety Checks Unmet | 2021/22 | YTD 2022/23 |
|---|---|---|
| Loretto | 0 | 0 |
| **Group** | **0** | **0** |

**Changing Lives and Communities**

Peaceful Neighbourhoods

4.44 Our Group 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.

4.45 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 December 2022, 72.2% of our communities are categorised as 'Peaceful' against a target of 68.5% for 2022/23.

Accidental Dwelling Fires

4.46 We set a Strategic Result to reduce accidental dwelling fires (ADFs) by 10% by 2025/26, this is against the baseline of 152 ADFs in 2020/21. We achieved this target in Year 1 of the strategy with 121 ADFs in 2021/22. One fire has been recorded in Loretto homes during quarter three, therefore we remain within target so far in 2022/23.

**Table 13**

| Number of recorded accidental dwelling fires | 2021/22 | 2022/23 | | | |
|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | YTD |
| Loretto | 7 | 1 | 1 | 1 | **3** |

4.47 To support this reduction, there is an additional Strategy Measure to ensure 100% of applicable properties have a current fire risk assessment in place. This continues to be achieved.

**Table 14**

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

Reducing Homelessness

4.48 Year to date to the end of quarter 3, we have made 144 lets to homeless applicants. This contributes to the Group total of 1,793 lets made this year, against the Group year to date target of 1,500.

4.49 When we consider the targeted measure of percentage of relevant lets made to homeless applicants – ‘relevant lets’ exclude mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants – we are at 47.37% year to date to the end of quarter 3 against a target of 50%. This is a small increase on the position reported to the end of Q2 (46.3%). This target is impacted by supported tenancies which have nomination agreements in place with Local Authorities.

**Table 15**

| Percentage Lets to Homeless Applicants | Relevant Lets | | | Charter | |
|---|---|---|---|---|---|
| | YTD 2022/23 | Target | 2021/22 Result | YTD 2022/23 | 2021/22 Result |
| Loretto | 47.37% | 50% | 53.3% | 48.21% | 48.4% |

Jobs and Training

4.50 Referrals from Loretto Housing for Wheatley Works are markedly low. The Head of Housing and the Foundation teams are working together to address this.

4.51 This includes the Foundation team recently delivering a presentation to frontline staff to explain the types of support available through Wheatley Works for customers. By including Wheatley Works in the Here for You Campaign, the team also expect that this will raise awareness amongst customers and generate more referrals over the coming months.

**Table 16**

| Total number of jobs, training places or apprenticeships created by Wheatley Group including Wheatley Pledge | Target (Annual) | Target (YTD) | Current Performance YTD | 2021/22 |
|---|---|---|---|---|
| Loretto Housing | 8 | 6 | 1 | 5 |

## Developing our Shared Capability

Sickness Absence

4.52 We remain over the 3% sickness target at 6.87% for the year to date. This is a result of one long term absence within the team with home/family stress, we are working closely with them, and appropriate support has been offered.

**Table 17**

| Sickness Rate | Target | 2022/23 YTD | 2021/22 |
|---|---|---|---|
| Loretto | 3% | 6.87% | 3.50% |

4.53 This is a similar theme that we have seen across group with the top two reasons for absence across Group being Stress/Anxiety (32%) and Minor Illness (33%). This is reflective of the external pressures staff are experiencing (Non-work related stress and anxiety) and of the virulent strain of cold/flu that affected the general population during December 2022 (Minor illness).

4.54 Staff are able to access the annual flu vaccine through a work-based program or through a local pharmacy that they can claim back the expense. All our staff also have access to a wide range of support from our employee relations team as well as access to wellbeing and occupational health.

Board Governance and Administration

4.55 The following measures are indicators of the underlying strength of our Boards and administration.

4.56 In quarter three, there were two vacancies across Group and Subsidiary Boards. An update on the work underway to fill our own vacancy is covered in a separate paper. Average attendance levels across Group and Subsidiary boards remains at 82%. There were also no instances where board reports were not issued 7 days in advance of Group and Subsidiary Boards within quarter 3, which was the same position as quarter 1 and quarter 2.

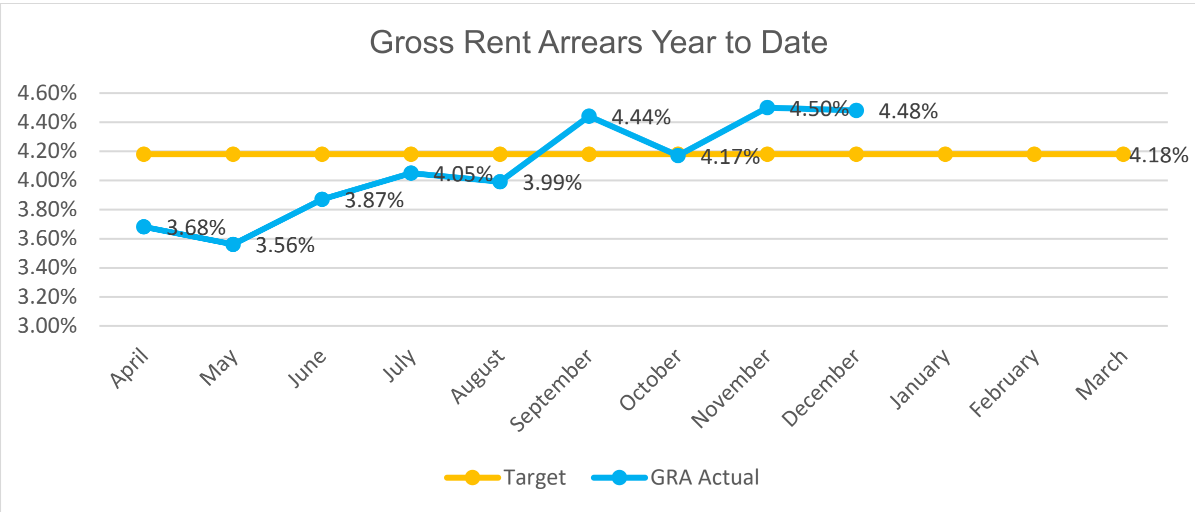
**Table 18**

| Indicator | Target | 2022/23 (YTD) |
|---|---|---|
| Instances where Board reports are not issued 7 days in advance of Group and Subsidiary Boards | 5% | 0% |

## Enabling our Ambitions

Gross Rent Arrears

**Chart 1**



4.57 Our strategic aim is to reduce arrears to 3.25% by 2026, our target this year is 4.18% and we are currently at 4.48% at the end of December. This compares to 4.44% at the end of September, which unfortunately is a result of the impact our customers are seeing from the cost of living rises and impact of Christmas nonpayers. Our Housing Officers are working closely in their communities to support customers using our wrap around services as well as launching a new weekly rents meeting within the team to focus on increasing cases. Our staff attended a rent focus group in January to reiterate the importance of assisting customers during these challenging times and the services we have available. We also currently have £30k of technical arrears accrued due to 260 customers impacted by Housing benefit 4 weekly payments across our 9 local authorities which will be paid in March/April to bring us back on target with our projection for 22/23-year end.

4.58 We are proactively working to address arrears issues and support customers. This work is carried out throughout the year and currently as part of the Rent Campaign. Key initiatives include:

- Prioritising appropriate action to be taken for new claims, suspensions and appeals.
- Focus on increasing and high balance cases and transferred tenants with credits in former accounts.
- Head of Housing escalation letter for non-engagers.
- Loretto joining forces with WHE to bring together HOs for a Rent Day with focussed workshops on income and expenditure, difficult conversations, former tenant arrears, Group Debt Recovery Team, legal action, fuel advice and UC cases.

Average Days to Re-Let (Charter)

4.59 Our letting time year to date has returned to within the target of 16 days at 15.28 days, a decrease on our year-to-date position to the end of quarter 2 (16.66 days).

**Table 19**

| Average days to re-let (Charter) | 2022/23 YTD | | 2022/22 Target | 2021/22 Results |
|---|---|---|---|---|
| Loretto | 15.28 | | 16 | 17.38 |

**Summary of Strategic Project Delivery**

4.60 An update on progress with strategic projects is attached at Appendix 2. The following table summarises the current status of projects by programme stream. Currently seven projects are now completed, seven are on track and two are slipping. One project is currently overdue.

**Table 20**

| Programme Stream | Complete | On track | Slippage | Overdue |
|---|---|---|---|---|
| Repairs | 3 | 1 | 0 | 0 |
| CFC | 1 | 2 | 0 | 0 |
| Engagement | 2 | 1 | 0 | 0 |
| Assets & Sustainability | 0 | 1 | 1 | 0 |
| Governance | 1 | 0 | 1 | 0 |
| Other | 0 | 2 | 0 | 1 |
| **Total** | **7** | **7** | **2** | **1** |

4.61 Two projects completed this quarter:

- Improve Customer Contact & Communications *(Repairs Programme Stream)*
- Customer data collection exercise (Contact info, equalities and communication preferences) *(Engagement Programme Stream)*.

4.62 A change for the project *Corporate Estate,* part of the Assets & Sustainability Programme Stream, is proposed following ET agreement on the approach for Lipton House. Given the timescale for this work will now go beyond March 2023, it is proposed that the wording of milestone 4 is changed from ‘CFC Lipton House complete’ to ‘CFC Lipton House approach agreed’. If approved this would allow the project to complete this year.

## 5. Customer Engagement

5.1 Our new engagement model continues to embed, with year-end targets having been achieved in quarter 3. Several strategic projects facilitate opportunity for customer engagement, as reflected earlier in this report and through progress notes in Appendix 2. This will directly impact the way we deliver services or the way they can be drawn down by customers.

## 6. Environmental and sustainability implications

6.1 We have added two new sustainability measures to support our ambitions in this area; the first to monitor the average new build $CO_2$ output and the second to increase the percentage of stock at EPC ‘B’ rating. These will be reportable annually and are therefore not included in quarterly updates.

6.2 A key project for 2022/23 is the development of a strategic sustainability framework. The framework has now been approved and work is underway to launch the framework with staff, reflect the framework in our strategy refresh and develop appropriate measures and targets as part of the review of these for 2023/24.

## 7. Digital transformation alignment

7.1 Our strategy is underpinned by digital transformation. The strategic projects for 2022/23 have been fully reviewed to ensure we have the appropriate technical and resource capacity alongside our Digital Programme. Strategic projects for 2023/24 are currently being explored, 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 2022/23. This approach focuses service delivery and improvement on the key priorities within the Group Strategy to make sure that financial and other resources are aligned with these priorities.

8.2 There are no direct financial implications associated with this report, which are covered via the approved 2022/23 business plan.

## 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. 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 The report covers each of the strategic themes as such, there is no singular risk appetite. However, regular performance reporting is important to ensure that we can monitor our progress towards achieving our strategic ambition.

## 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 project, under the governance programme stream, is now complete. Our newly revised equality, diversity and inclusion policy will provide a stronger basis on which we can advance our ambitions.

11.3 Additionally, the expansion of our Customer Voices and collation of monitoring information will support co-creation and influence which is based on a more diverse range of perspectives.

## 12. Key issues and conclusions

12.1 Increasing demand, heightened by cold weather in December, negatively impacted both the CFC and repairs performance to the end of quarter 3. Work is ongoing to better manage changing demand and improve performance in these areas.

12.2 The challenges of the cost-of-living crisis remain for many of our tenants and we continue to work with internal teams such as the Foundation, money and fuel advice staff, as well as external organisations, to provide practical help for our tenants where possible.

12.3 While we continue to have strong performance in several key areas - complaint response timescales are being met, our letting times have returned to target and we have already met the outcomes set for the year end for Customer Voices - we are not currently meeting target in areas such as Gross Rent Arrears and Tenancy Sustainment, however local improvement plans are underway with the team to help bring these measures back on target. Other areas remaining in focus include social housing new build completions, linking customers to our Foundation programmes and staff absence.

12.4 Good progress has been made with several strategic projects during quarter 3 with both the “Improve Customer Contact & Communications” and the “Customer data collection exercise” projects completing. While some unforeseen delays have been experienced with other projects, completion for all strategic projects is anticipated by the end of March.

**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 3 – Complaints Dashboard (YTD Q3 ARC and SPSO measures)

**Appendix 1 - Strategic Results Dashboard**

1. Delivering Exceptional Customer Experience

| Measure | 2021/22 | YTD 2022/23 | | |
|---|---|---|---|---|
| | 2021 | 2022 | | |
| | Value | Value | Target | Status |
| Average time for full response to all complaints (working days) - overall | 4.94 | 5.12 | 6 | |
| Average time for full response to all complaints (working days) - Stage 1 | 3.62 | 3.42 | 5 | |
| Average time for full response to all complaints (working days) - Stage 2 | 21.6 | 17.71 | 20 | |
| Group - % of first contact resolution at CFC | 92.33% (March 2022) | 89.08% | 90% | |
| Group - Call abandonment rate | 3.81% (March 2022) | 4.46% | 7% | |
| Loretto Housing - Call abandonment rate | NEW | 3.76% | 7% | |
| Group - Percentage calls passed to housing/commercial officers | NEW | 6.78% | 10% | |
| Group - % calls answered <30 seconds (Grade of Service) | 85.42% (March 2022) | 80.57% | 80% | |
| Loretto Housing - % calls answered <30 seconds (Grade of Service) | NEW | 80.39% | 80% | |
| Group - Average waiting time (seconds) | 30s (March 2022) | 54.76 | 30 | |
| Loretto Housing - Average waiting time (seconds) | NEW | 45.64 | 30 | |
| % new tenancies sustained for more than a year - overall | 88.57% | 89.24% | 90% | |
| Number of Regional panel sessions | NEW | 1 | 1 | |
| Number of customers involved in Customer Voices Programme | NEW | 63 | 38 | |
| Number of customer voices activities carried out | NEW | 37 | 20 | |
| Number of Scrutiny focus groups | NEW | 1 | 1 | |
| Number of customers involved in Geographical/ Regional panels | NEW | 3 | 2 | |

## 2. Making the Most of Our Homes and Assets

| Measure | 2021/22 | YTD 2022/23 | | |
|---|---|---|---|---|
| | 2021 | 2022 | | |
| | Value | Value | Target | Status |
| Reduce the volume of emergency repairs by 10% by 2025/26 | Apr to Dec 21/22 – 3,046 | 3,331 | +9.36% | |
| Average time taken to complete emergency repairs (hours) – make safe | 3.16 | 3.67 | 3 | |
| Average time taken to complete non-emergency repairs (working days) | 6.98 | 8.52 | 5.5 | |
| % reactive repairs completed right first time | 94.86% | 95.58% | 97% | |
| 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 | 88.43% | 91% | 89% | |
| Average time to complete approved applications for medical adaptations (calendar days) | 61.36 | 19.32 | 35 | |
| % Planned repair spending | 67.96% | 54.8% | 60% | |
| % Reactive repair spending | 32.04% | 45.2% | 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 | 8 | 8 | Contextual | |
| Group - Number of days lost due to work related accidents | 258 | 309 | Contextual | |
| Number of new employee liability claims received | 0 | 0 | 0 | |

## 3. Changing Lives and Communities

| Measure | 2021/22 | YTD 2022/23 | | |
|---|---|---|---|---|
| | 2021 | 2022 | | |
| | Value | Value | Target | Status |
| % ASB resolved | 100% | 98.37% | 98% | |
| % Lets Homeless Applicants - overall (ARC) | 48.35% | 48.21% | Contextual | |
| % Relevant lets to Homeless Applicants | 53.29% | 47.37% | 50% | |
| Number of lets to homeless applicants (10,000 for Group by 2025/26) | 88 | 144 | Contextual | |
| Loretto Housing - Total number of jobs, training places or apprenticeships created including Wheatley Pledge | 5 | 1 | 6 | |
| Group - Over 70% of our customers live in neighbourhoods categorised as peaceful | 70.1% | 72.2% | 68.5% | |
| Group - 100% of relevant properties have a current fire risk assessment in place | 100% | 100% | 100% | |
| Group - The percentage of non-relevant properties that have a current fire risk assessment in place | 100% | 100% | 100% | |
| Number of accidental dwelling fires recorded by Scottish Fire and Rescue | 7 | 3 | Contextual | |

## 4. Developing Our Shared Capacity

| Measure | 2021/22 | YTD 2022/23 | | |
|---|---|---|---|---|
| | 2021 | 2022 | | |
| | Value | Value | Target | Status |
| Group - Number of vacancies across Group and Subsidiary Boards | NEW | 2 | Contextual | |
| Group - Attendance levels across Group and Subsidiary Boards | NEW | 82.0% | Contextual | |
| Group - Instances where Board reports are not issued 7 days in advance of Group and Subsidiary Boards | NEW | 0% | 5% | |
| Sickness Rate | 3.5% | 6.87% | 3% | |

## 5. Enabling Our Ambitions

| Measure | 2021/22 | YTD 2022/23 | | |
|---|---|---|---|---|
| | 2021 | 2022 | | |
| | Value | Value | Target | Status |
| % lettable houses that became vacant | 7.48% | 6.76% | 8% | |
| % court actions initiated which resulted in eviction - overall | 100% | 9.09% | 25% | |
| Average time to re-let properties | 17.38 | 15.28 | 16 | |
| Loretto A - Gross rent arrears (all tenants) as a % of rent due | 3.4% | 4.9% | Contextual | |
| Loretto C - Gross rent arrears (all tenants) as a % of rent due | 3.67% | 4.48% | 4.18% | |
| Loretto B - Gross rent arrears (all tenants) as a % of rent due | 4.02% | 3.98% | Contextual | |

## Appendix 2 – Loretto Housing – Strategic Projects Dashboard

### A. Repairs Programme Stream

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Improve Customer Contact & Communications (b) | 31-Dec-2022 | ✔ | 100% | 01. Taking into account customer feedback, implement revised customer comms for all repair types (including owner repairs) | 30-Jun-2022 | Yes | Complete as previously reported |
| | | | | 02. Proposals for customer feedback to Boards developed and agreed | 30-Jun-2022 | Yes | |
| | | | | 03. Approach to real time repairs feedback on repairs agreed | 31-Dec-2022 | Yes | |
| Develop IT & Systems (b) | 31-Dec-2022 | ✔ | 100% | 01. CBG Servitor upgrade implemented | 31-May-2022 | Yes | Complete as previously reported |
| | | | | 02. Localz phase 1 installation (pilot with CBG) | 31-Oct-2022 | Yes | |
| | | | | 03. Localz phase 1 full roll out programme agreed | 31-Dec-2022 | Yes | |
| Service & process redesign (b) | 30-Jun-2022 | ✔ | 100% | 01. DGHP improvement plan defined and agreed | 31-May-2022 | Yes | Complete as previously reported |
| | | | | 02. Quick wins for the repairs service in the West implemented (opening up appts, better communication between CBG and CFC, approach to customer comms) | 30-Jun-2022 | Yes | |
| | | | | 03. Planning complete for implementing redesigned repairs delivery model | 30-Jun-2022 | Yes | |
| | | | | 04. DC approach to migrate to Group Servitor agreed | 30-Jun-2022 | Yes | |

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Meet the needs of owners (b) | 31-Mar-2023 | | 83% | 01. Review owner billing inc. suitability of existing SoRs and approach to lower value jobs | 30-Jun-2022 | Yes | Good progress has been made. We are continuing to work through deploying improvements highlighted in the 'meeting the needs of owners' improvement plan. Some of the improvements are linked to other ongoing repairs projects currently in train, e.g. Book it, Rate It |
| | | | | 02. Review current approach to owner repairs and define & agree reshaped owner repairs service delivery model | 30-Jun-2022 | Yes | |
| | | | | 03. Review processes that support owner repairs service and refine | 30-Jun-2022 | Yes | |
| | | | | 04. Design and deliver customer engagement focus groups involving Lowther Tenants, that will improve communication and shape Lowther's repair service | 31-Jul-2022 | Yes | |
| | | | | 05. Implement revised processes to support owner repairs | 31-Dec-2022 | Yes | |
| | | | | 06. Deploy revised owner repair service delivery model | 31-Mar-2023 | No | |

## B. CFC Programme Stream

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| CFC interim review (b) | 31-May-2022 | | 100% | 01. External interim review concluded | 30-Apr-2022 | Yes | Complete as previously reported |
| | | | | 02. Present findings of interim review to Group Board | 30-Apr-2022 | Yes | |
| | | | | 03. Present findings of interim review to RSL Boards | 31-May-2022 | Yes | |
| CFC second interim review (b) | 31-Mar-2023 | | 50% | 01. Scope of second interim review finalised | 31-Dec-2022 | Yes | This interim review will be documented through a 'one year on report'. It will be used to demonstrate performance, investment and improvements made in the CFC in year one of operations. |
| | | | | 02. Undertake second interim review | 28-Feb-2023 | No | |
| RSL digital services model (b) | 31-Mar-2023 | | 50% | 01. Review existing digital services offering with customers, including existing usage rates, functionality, and projected future lifespan | 31-Aug-2022 | Yes | Following ET meeting 1/12/22, the project was updated as below:<br>- Milestone 2 is now due by the end of January 2023 (originally 31/10/2022)<br>- Milestone 3 description has now been updated from 'Undertake themed engagement discussions with Customer Voices' to 'Undertake engagement with customers'. This has been completed through engagement via a survey which had over 1000 tenant responses. |
| | | | | 02. Scope future RSL digital services model, including role of apps, online services, repairs digital offering and self-service | 31-Jan-2023 | No | |
| | | | | 03. Undertake engagement with Customer Voices | 28-Feb-2023 | Yes | |
| | | | | 04. Present recommendations to ET for next 3 years | 31-Mar-2023 | No | |

## C. Engagement Programme Stream

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Wheatley Whole Family approach (b) | 30-Sep-2022 | | 100% | 01. Complete the research phase, including survey of households with children and follow up focus groups | 31-May-2022 | Yes | Complete as previously reported |
| | | | | 02. Present findings and proposed approach to ET | 30-Jun-2022 | Yes | |
| | | | | 03. Engagement with customer voices on the proposed Whole Family approach | 31-Aug-2022 | Yes | |
| | | | | 04. Final implementation approach agreed by ET | 30-Sep-2022 | Yes | |
| Engagement Framework – Phase 2 (b) | 31-Mar-2023 | | 60% | 01. Develop a programme of engagement using customers' preferred methods | 31-May-2022 | Yes | The customer voices feedback will now be at the May governance event on repairs. This will allow the pilot to have operated for longer and it also builds on a wide range of pre pilot tenant engagement undertaken in January/February 23. |
| | | | | 02. 2022/23 Engagement plans, including mechanisms for allocation of funding, agreed by Boards | 31-May-2022 | Yes | |
| | | | | 03. Develop learning and development programme for staff as well as Customer and Community Voices | 30-Sep-2022 | Yes | |
| | | | | 04. Customer voices feedback to group wide governance event(s) | 31-Mar-2023 | No | |
| | | | | 05. Complete recruitment of Customer and Community Voices | 31-Mar-2023 | No | |

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Customer data collection exercise (Contact info, equalities and communication preferences) (b) | 30-Nov-2022 | ✔ | 100% | 01. Project approach and proposed resource requirements agreed Group Executive | 31-May-2022 | Yes | Complete as previously reported |
| | | | | 02. Data collection exercise undertaken (RSL tenants, Lowther tenants & Care customers) | 30-Sep-2022 | Yes | |
| | | | | 03. Update to Group Executive on outcome of data collection exercise and proposed actions | 31-Oct-2022 | Yes | |
| | | | | 04. Update to Boards on outcome of data collection exercise | 30-Nov-2022 | Yes | |

**D. Assets & Sustainability Programme Stream**

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Corporate Estate (b) | 31-Mar-2023 | | 80% | 01. East Glasgow and Bathgate Hubs complete | 31-Jul-2022 | Yes | ET has now agreed the approach to Lipton House, including the first floor and, once the NETs team move to Brasswell, minor reconfiguration of the second floor.<br><br>The timescale for this work will go beyond March 2023. As such, a project milestone wording change is proposed for milestone 4 – to 'CFC Lipton House approach agreed' – has been agreed. |
| | | | | 02. West Glasgow Hub complete | 30-Sep-2022 | Yes | |
| | | | | 03. East Hub (NMR) complete | 30-Sep-2022 | Yes | |
| | | | | 04. CFC Lipton House complete | 31-Dec-2022 | No | |
| | | | | 05. South Hub (Dumfries) complete | 31-Mar-2023 | Yes | |
| Strategic Sustainability Framework (b) | 31-Jan-2023 | | 87% | 01. Pathway to Net Zero Advisory Group recruited and in place | 31-May-2022 | Yes | Draft Framework now approved by Group Board will be launched by March 2023. An update on implementation and next steps is provided separately to this Board. |
| | | | | 02. Commission an independent review of energy efficient technologies and low emission heating systems installed to date | 31-May-2022 | Yes | |
| | | | | 03. Draft framework reviewed by Advisory Group | 31-Jul-2022 | Yes | |
| | | | | 04. Update on sustainability framework and independent review to Group Board | 31-Aug-2022 | Yes | |
| | | | | 05. Independent review complete | 30-Sep-2022 | Yes | |
| | | | | 06. Draft framework and outcome of independent review to ET | 31-Oct-2022 | Yes | |
| | | | | 07. Draft framework approved by Group Board | 31-Dec-2022 | Yes | |
| | | | | 08. Group wide launch of strategic sustainability framework | 31-Jan-2023 | No | |

## E. Governance Programme Stream

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Equality, Diversity & Inclusion (b) | 31-Oct-2022 | | 100% | 01. ET agree proposed survey approach for staff and tenants | 31-May-2022 | Yes | Complete as previously reported |
| | | | | 02. EDI update to Group Board, including revised Equality, Diversity and Inclusion Policy for approval | 31-Aug-2022 | Yes | |
| | | | | 03. Equalities results from customer data collection exercise analysed and proposed actions to Group Executive | 30-Sep-2022 | Yes | |
| | | | | 04. Update SHR Annual Assurance Statement on progress with equalities | 31-Oct-2022 | Yes | |
| Updated Strategic Agreement with GCC (b) | 31-Mar-2023 | | 0% | 01. Group Executive agree an outline updated strategic agreement for discussion with GCC | 30-Sep-2022 | No | A revised draft has been issued for consideration and will now be progressed as part of the BD Oversight Group. Completion is scheduled for 17/2/23 and to go to Group Board 22/2/23 and relevant GCC Committee on 7/3/23 for approval. |
| | | | | 02. Present outline strategic agreement to Group Board for consideration | 31-Oct-2022 | No | |
| | | | | 03. Update to Wheatley Homes Glasgow Board | 30-Nov-2022 | No | |
| | | | | 04. Board approvals of draft strategic agreement with GCC | 28-Feb-2023 | No | |
| | | | | 05. Present to GCC for approval | 31-Mar-2023 | No | |

## H. Other - Changing Lives & Communities

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| Implement year 2 of the Group Homelessness Framework (b) | 31-Mar-2023 | | 75% | 01. Undertake a review of existing customer engagement in homelessness service design and delivery | 30-Jun-2022 | Yes | Milestone 3 now complete. We have agreed with Performance Team and Business Improvement team proposals for improvements for reporting and monitoring of tenancy sustainment. These will be presented to DMT and ET prior to next milestone deadline of 31st March 2023. |
| | | | | 02. Develop an action plan to maximise engagement opportunities | 30-Nov-2022 | Yes | |
| | | | | 03. Undertake a review of existing tenancy sustainment performance reporting and develop and agree a new consistent group wide approach to reporting | 31-Dec-2022 | Yes | |
| | | | | 04. Proposal drafted and available for ET review | 31-Mar-2023 | No | |
| Review of group allocations policy and systems (b) | 31-Mar-2023 | | 80% | 01. Updates to policy agreed by ET and RSL Boards for consultation with tenants | 31-May-2022 | Yes | Milestone 4 (final milestone) in the project is to undertake testing of new Homes4D&G system. While this has commenced, we will wait until further elements of testing are complete before marking the milestone as complete. |
| | | | | 02. Undertake customer consultation | 31-Jul-2022 | Yes | |
| | | | | 03. Present findings to Wheatley Board | 31-Aug-2022 | Yes | |
| | | | | 04. Present findings to RSL Boards | 30-Sep-2022 | Yes | |
| | | | | 05. Undertake testing of the new system in D&G | 31-Mar-2023 | No | |

## J. Other - Enabling our Ambitions

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
|---|---|---|---|---|---|---|---|
| NETs Digital service (b) | 30-Nov-2022 | | 100% | 01. Undertake build phase | 31-Jul-2022 | Yes | Rollout to all NETS Staff was completed on the 26th January 2023. An update is provided separately as part of an agenda item for this meeting. |
| | | | | 02. Undertake testing of the product | 31-Aug-2022 | Yes | |
| | | | | 03. Commence pilot | 30-Sep-2022 | Yes | |
| | | | | 04. Go Live | 30-Nov-2022 | Yes | |

| Delivery Plan Project | Delivery Date | Status | % Progress | Milestone | Due Date | Completed | Progress Note |
| --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | 05. Provide update to Board | 30-Nov-2022 | No | |

**Appendix 3 – Complaints Dashboard (YTD Q3 ARC and SPSO measures)**

1.1 This appendix supplements complaints operational measures included in the performance cover paper, providing ARC and SPSO measures for Q3.

1.2 The data used for both ARC and SPSO measures includes both tenants and RSL owners.

**Charter (ARC) Measures**

1.3 The table below outlines the average time for a full response (working days) by Stage 1 and Stage 2. Performance in 2022/23 is exceeding target this year.

| Charter - average time for a full response to complaints (working days) | | | | |
|---|---|---|---|---|
| Subsidiary | 2021/22 | | 2022/23 – YTD | Stage 1 5-day target, Stage 2 – 20-day target |
| | | | YTD | |
| | Stage 1 | Stage 2 | Stage 1 | Stage 2 |
| Loretto | 3.62 | 21.33 | 3.42 | 17.71 |

1.4 The table below outlines the average time for a full response to complaints (working days) overall, for Stage 1 and Stage 2 combined. We are achieving the new overall target of 6 days (reduced from 8 days last year).

| Charter - average time for a full response to complaints (working days) | | |
|---|---|---|
| Subsidiary | 2021/22 Target - 8 days | Target – 6 days |
| | | YTD |
| Loretto | 5.04 | 5.12 |

1.5 It should be noted that the additional ARC complaints measures – The percentage of all complaints responded to in full at Stage 1 and Stage 2 – are calculated at year end and will therefore be reported annually.

**SPSO Measures**

1.6 SPSO measures include tenants and RSL owners. We are required to report on these indicators annually to the SPSO.

1.7 All indicators required for the annual submission are displayed below. In addition to this an annual report must be published no later than the end of October each year. As this is the first year, this will be developed after we have the full annual results at year end 2022/23 for publication by the end of October 2023.

1.8 Stages of complaints are defined as:

- Stage 1 complaints – received as Stage 1 complaints and are normally resolved on initial receipt at CFC or by front-line staff.

- Stage 2 complaints – directly received as Stage 2, i.e. not escalated from Stage 1. This can be cases which are considered a risk to reputation or requires investigation due to the number of issues raised that could not have been reasonably resolved at Stage 1 as part of a frontline resolution.

- Escalated complaints – complaints that were received into the organisation at Stage 1 and later escalated to Stage 2.

1.9 An initial summary of the latest period and year-to date figures for each of the indicators are included below:

**Indicator 1 - total number of complaints received.**

| SPSO Indicator 1 - total number of complaints received | | |
|---|---|---|
| Subsidiary | Stage 1 (this includes escalated complaints as they were first received at Stage 1) | Stage 2 (directly received as Stage 2, i.e. not escalated from Stage 1) |
| Loretto | 128 | 0 |

**Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days.** Full response has been given to customer/resolution has been reached, including those with outstanding actions. Extensions of time to a complaint will be included in the total count and will be considered "late".

| SPSO Indicator 2 - number and % of complaints at each stage that were fully closed within timescales of 5 and 20 working days | | | |
|---|---|---|---|
| Subsidiary | Stage 1 - responded to within 5 working days | Stage 2 - responded to within 20 working days | Escalated complaints - responded to within 20 working days |
| | YTD | YTD | YTD |
| Loretto | 99.21% | N/A | 100.00% |

**Indicator 3 - the average time in working days for a full response to the complaints at each stage.**

| SPSO Indicator 3 - the average time in working days for a full response to the complaints at each stage | | | |
|---|---|---|---|
| | Stage 1 - average time in working days to respond to complaint | Stage 2 - average time in working days to respond to complaint | Escalated complaints - Average time to respond to complaints after escalation from Stage 1 to Stage 2 |
| Subsidiary | YTD | YTD | YTD |
| Loretto | 3.35 | N/A | 17.72 |

**Indicator 4 - the outcome of complaints as a % of overall complaints.**

| SPSO Indicator 4 - the outcome of complaints as a % of overall complaints | | | | |
|---|---|---|---|---|
| Subsidiary | Stage 1 - upheld | Stage 1 - partially upheld | Stage 1 - not upheld | Stage 1 - resolved |
| | YTD | YTD | YTD | YTD |
| Loretto | 47.24% | 8.66% | 18.11% | 25.98% |
| | Stage 2 - upheld | Stage 2 - partially upheld | Stage 2 - not upheld | Stage 2 - resolved |
| Loretto | N/A | N/A | N/A | N/A |
| | Escalated complaints - upheld | Escalated complaints - partially upheld | Escalated complaints - not upheld | Escalated complaints - resolved |
| Loretto | 55.56% | 16.67% | 22.22% | 5.56% |

Loretto Housing

**Report**

| | |
|---|---|
| **To:** | **Loretto Housing Association Board** |
| **By:** | **Sarah Stocks,** |
| **Approved by:** | **Lyndsay Brown, Director of Financial Reporting** |
| **Subject:** | **Finance Report to 31 December 2022** |
| **Date of Meeting:** | **9 February 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 31 December 2022 and the Q3 forecast
- seek approval of the proposed amendment to our two finance contracts with the European Investment Bank (EIB) [redacted];
- [redacted]; and
- provide an update on the review of new build appraisal target return rates.

## 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 our Terms of Reference, we are responsible for monitoring financial performance.

2.2 Under the Group Standing Orders and the Finance Terms of Reference contained therein, this Board is required to approve borrowing levels and any associated loan agreements, covenant returns and granting of security.

2.3 Raising additional funding and ensuring our existing financing arrangements are fit for purpose ensure the Group has the financial resources to enable our ambitions to deliver new energy-efficient affordable homes.

2.4 The Group Board and the Wheatley Funding No.1 Limited ("WFL1") Board approved the proposed [redacted] loan in their meetings on 14 December 2022.

## 3. Background

**Financial performance to 31 December 2022**

3.1 The results for the period to 31 December 2022 are summarised below:

| | Year to Date (Period 9) | | |
|---|---|---|---|
| **£000** | **Actual** | **Budget** | **Variance** |
| Turnover | 28,945 | 28,254 | 690 |
| | | | |
| Operating expenditure | (10,970) | (11,053) | 83 |
| | | | |
| **Operating surplus** | **17,975** | **17,201** | **774** |
| | | | |
| Net interest payable | (2,430) | (2,593) | 163 |
| | | | |
| **Surplus** | **15,546** | **14,608** | **938** |
| | | | |
| **Net Capital Expenditure** | **5,832** | **6,447** | **615** |

## 4. Discussion

4.1 *Period to 31 December 2022*

We have reported a statutory surplus of £15,546k for the period to 31 December 2022, which is £938k favourable to budget. The key drivers for the variance are grant income, other income and void lost rent.

Key variances against budget include:

- Void lost rent is £199k favourable to budget, with a year-to-date void rate of 1.43% against the budgeted rate of 3.24%. This offsets the unfavourable variance of £27k reported against rental income, linked to the timing of new build completions.

- At 31 December grant income is £392k favourable to budget, linked to the release of grant for Vellore Road, which wasn't in the 2022/23 programme and, the 4 Dargavel units delayed from 2021/22. This offsets the loss of grant income recognition for the remaining 10 Dargavel units, now due in February 2023.

- Other income is £126k favourable to budget due to receipt of development fees for Queens Quay from our partners, Clydebank HA and West Dunbartonshire Council, and Dargavel L&A damages.

- Employee costs (direct and group services) are £48k favourable to budget, with staff providing services to other group subsidiaries.

- Running costs (direct and group services) are £79k favourable to budget, linked to the lower spend across several areas.

- Repairs and maintenance costs of £2,266k are £211k higher than budget as a result of an increase in customer demand, with completed repairs reporting a 28% uplift compared to 2021/22.

- Bad debt costs are £167k favourable to the budget.

- Interest payable is £163k lower than budget, linked to both lower loan balances drawn and lower interest earlier in the year, than assumed in the budget.

- Net capital expenditure is £615k lower than budget, mainly due to lower spend on on the investment programme, following the move of the Duke Street project to 2023/24. The new build programme reports both lower costs and grant income due to delays in the site start dates at Forfar Avenue developments.

*Q3 Forecast out-turn*

4.2 The forecast reports a statutory surplus of £16,851k for the full year out-turn to March 2022, which is £1,281k favourable to budget. The Q3 forecast has been prepared on a prudent basis and is reported after including provision for additional support to customers facing financial hardship through the launch of the new Here for You Fund.

4.3 Key variances against budget include:

- Total income is forecast to be £1,355k favourable to budget, as a result of the expected continuation of the favourable void performance and additional grant income from the earlier handover of the Vellore Road turnkey development.

- Total expenditure is forecast to be £169k unfavourable to budget:

  - Employee costs (direct) are forecast to be £60k lower than budget with the recharge of staff to other subsidiaries to continue in Q4.
  - Bad debt costs have been forecast £200k lower reflecting performance in the year to date and 2021/22.
  - Running costs (direct and group services) are forecast to be £127k higher than budget, reflecting Loretto's contribution to the Here For You fund.
  - Increased customer demand for repairs is expected for the remainder of the year and costs have been forecast £296k higher than budget.

- Net capital expenditure is forecast to be £3,091k lower than budget, mainly linked to the investment programme with the Duke St works moving to 2023/24. Whilst new build spend is forecast to be lower, this is offset by a related forecast reduction in grant income.

- It is our aim to manage the forecast variations to budget on individual lines within the parameters of the overall budget for 2022/23. The Q3 forecast presented to the Board has been prepared on a prudent basis and reports an underlying surplus of £1,978k. This is £3,302k favourable compared to the budgeted underlying deficit of £1,324k driven by the timing of Duke Street works.

4.4 *[redacted]*

- [redacted].

- [redacted].

4.5 *[redacted]*

- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted]:

| Borrower | Amount | Drawdown Date | Expiry Date | Interest rate |
|---|---|---|---|---|
| [redacted] | | | | |

**[redacted].**

- [redacted]:

- [redacted].

4.6 *Review of New Build Appraisal Target Return Rates*

Group Board approved an increase to the IRR target rates in their October 2022 meeting to reflect the increase in UK interest rates, and our associated increased cost of funding, and an increase in the risk element of the target rate to reflect the uncertainty created by the rent cap/freeze announcement in September. The approved rates are set out below:

i. 6.1% over 30 years for social rent developments for Wheatley Homes Glasgow, Wheatley Homes East and Loretto;

ii. 6.1% over 35 years for social rent developments for Wheatley Homes South; and

iii. 6.3% over 30 years for mid-market rental ("MMR") developments across the Group.

4.7 [redacted].

4.8 [redacted]. In line with policy, the IRR levels will be subject to review on a minimum frequency of every three years.

## 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.

6.2 The Allia loan does not have a direct sustainability-link; however, it is a requirement from Scottish Government that the funding is used for the supply of new social rent homes which meet stretching energy efficiency standards.

## 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 31 December 2022 is £938k favourable to budget, which is linked to lower void losses and interest payable. Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying result for the period to 31 December 2022 is £2,313k favourable to budget ensuring that these efficiency targets are met.

## 9. Legal, regulatory and charitable implications

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

9.2 We have taken legal advice from Pinsent Masons in respect of the amendments to the EIB finance contracts. Pinsent Masons advised us on all other LIBOR transition amendments. We were advised by Brodies in respect of the Allia funding agreement. The Allia agreement is unsecured which results in a more efficient legal exercise than is the case where security is required.

9.3 There are no regulatory requirements arising from the amendments to the EIB finance contracts. The Scottish Housing Regulator is no longer required to provide consent for new debt facilities for RSLs, although they will be updated about our new Allia loan in our regular quarterly meetings.

9.4 There are no charitable implications arising from either the EIB amendments or the new Allia facility.

## 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.

10.3 Raising funding to support our ambitions is a Strategic Outcome under the Theme of Enabling our Ambitions. Our agreed risk appetite for the operational delivery of raising funding is cautious, preferring safe delivery options that have a low degree of inherent risk. The previous track record of dealing with Allia, the associated pricing and the unsecured nature of the loan meets this risk criteria. The facility will be arranged at the Group treasury vehicle level (WFL1) which means it can be on-lent to any of the Wheatley RSL's, with all parties benefitting from the strong negotiating power of the wider Group for pricing and other terms & conditions.

## 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 31 December 2022. It also includes details of benchmark rate amendments to our EIB funding and a new loan to be delivered through WFL1 from Allia for the RSLs. An update on the review of our target internal rate of return (IRR) to be used for appraising new build projects is also provided.

## 13. Recommendations

13.1 The Board is requested to:

1) Note the management accounts for the period ended 31 December 2022 at Appendix 1.

2) [redacted]

3) [redacted]

4) Note the outcome of the review of the internal rate of return targets.

LIST OF APPENDICES:

Appendix 1: Period 9 – 31 December 2022 Finance Report with Q3 full year 2022/23 forecast
Appendix 2: [redacted]
Appendix 3: [redacted]
Appendix 4: [redacted]
Appendix 5: [redacted]
Appendix 6: [redacted]

# Finance Report
# Appendix 1 – period to 31 December 2022

# 1a. Operating Statement – YTD December 2022

| | Period To 31 December 2022 Actual £k | Budget £k | Variance £k | Full Year Budget £k |
|---|---|---|---|---|
| **INCOME** | | | | |
| Rental Income | 11,024 | 11,051 | (27) | 14,823 |
| Void Losses | (158) | (358) | 199 | (478) |
| **Net Rental Income** | **10,866** | **10,694** | **172** | **14,345** |
| **Grant Income** | **17,716** | **17,324** | **392** | **18,875** |
| **Other Income** | **363** | **237** | **126** | **315** |
| **Total Income** | **28,945** | **28,254** | **690** | **33,535** |
| | | | | |
| **EXPENDITURE** | | | | |
| Employee Costs - Direct | 987 | 1,038 | 51 | 1,384 |
| Employee Costs - Group Services | 449 | 447 | (3) | 596 |
| ER / VR | 50 | 50 | 0 | 185 |
| Direct Running Costs | 1,332 | 1,390 | 57 | 1,812 |
| Running Costs - Group Services | 266 | 288 | 22 | 385 |
| Revenue Repairs and Maintenance | 2,266 | 2,054 | (211) | 2,569 |
| Bad debts | 128 | 295 | 167 | 394 |
| Depreciation | 5,490 | 5,490 | 0 | 7,320 |
| **TOTAL EXPENDITURE** | **10,970** | **11,053** | **83** | **14,645** |
| | | | | |
| **OPERATING SURPLUS / (DEFICIT)** | **17,975** | **17,201** | **774** | **18,890** |
| Interest Payable | (2,430) | (2,593) | 163 | (3,320) |
| **STATUTORY SURPLUS / (DEFICIT)** | **15,546** | **14,608** | **938** | **15,571** |

| | Period To 31 December 2022 Actual £k | Budget £k | Variance £k | Full Year Budget £k |
|---|---|---|---|---|
| **INVESTMENT** | | | | |
| **Total Capital Investment Income** | **4,316** | **5,978** | **(1,662)** | **8,088** |
| **Investment Programme** | 1,755 | 3,523 | 1,768 | 5,339 |
| **New Build Programme** | 8,237 | 8,652 | 415 | 14,115 |
| **Other Capital Expenditure** | 156 | 250 | 94 | 434 |
| **TOTAL CAPITAL EXPENDITURE** | **10,149** | **12,425** | **2,276** | **19,888** |
| | | | | |
| **NET CAPITAL EXPENDITURE** | **5,832** | **6,447** | **615** | **11,800** |

**Income and Expenditure account – key points**

- Net operating surplus of £17,975k is £774k favourable to budget. Statutory surplus for the year is £15,546k, £938k favourable to budget. The main drivers of the favourable variance are grant income, other income and void losses.
- Gross rental income of £11,024k is £27k unfavourable to budget. A reduction in rental income is reported due to ongoing delays in completions at the Dargavel new build, in addition to earlier delays in completions at Hallrule and Queens Quay. The impact of this is partially offset by additional service charge income for two supported sites.
- Void losses in the year to date are 1.43% against a budget of 3.24%.
- Grant income mainly relates to the release of grant for new build completions; YTD grant has been released for 4 units at Dargavel delayed from 2021/22 plus a further 35 (out of a total of 45 budgeted YTD), 32 units at Hallrule, 80 units at Queens Quay, 16 units at Sawmill and 8 units at Vellore Rd (not in this year's programme).
- Other income reports a favourable variance to budget of £126k due to receipt of development fees for Queens Quay and Dargavel L&A damages.
- Direct Employee costs are £51k favourable to budget linked to staff recharged to other subsidiaries. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff.
- Direct running costs are £57k favourable to budget, with most budget lines showing underspends. Group Services running costs are favourable to budget due to several departments currently reporting lower costs across Wheatley Solutions, contributing to the underspend against budget.
- Revenue repairs and maintenance expenditure is £211k unfavourable to budget due to an overspend on reactive maintenance, reflecting a continued increase in customer demand up 28% from 2021/22.
- Bad debts are £167k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £2,430k represents interest due on the loans due to Wheatley Funding Ltd. Costs are £163k lower than budget linked to both lower loan balances drawn and lower interest rates, earlier in the year, than assumed in the budget.
- Net capital expenditure of £5,832k is £615k favourable to budget.
- Capital investment income (grant) is £1,662k lower than budget mainly due to the Forfar Avenue site start being delayed. This is partially offset by the grant received for the Vellore Rd turnkey project, which was not anticipated in this financial year.
- New build spend £415k lower than budget mainly due to the Forfar Avenue site start being delayed. This saving is partially offset by the Vellore Rd turnkey project and the timing of spend at Hallrule and Dargavel.
- Investment programme expenditure of £1,755k relates to core programme works, capitalised repairs and voids. An underspend is reported due to some programme works being deferred until next year, and the Duke St spend forecast to move to next year.
- Other capital expenditure of £156k relates to the Loretto contribution to Wheatley Group IT and office refurbishments.

# 1b. Underlying surplus – P9 December 2022

Loretto Housing

**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 December 2022, an underlying surplus of £1,564k has been generated using this measure which is £2,313k favourable to budget. The variance is primarily driven by lower levels of expenditure on the investment programme. The full year budget reflects an underlying deficit of £1,324k.

**Loretto Underlying Surplus/(Deficit) - December 2022**

| | YTD Actual £k | YTD Budget £k | YTD Variance £k | FY Budget £k |
|---|---|---|---|---|
| Net operating surplus | 17,975 | 17,201 | 774 | 18,890 |
| add back: | | | | |
| Depreciation | 5,490 | 5,490 | 0 | 7,320 |
| less: | | | | |
| Grant income | (17,716) | (17,324) | (392) | (18,875) |
| Net interest payable | (2,430) | (2,593) | 163 | (3,320) |
| Total expenditure on Investment Programme | (1,755) | (3,523) | 1,768 | (5,339) |
| Underlying surplus/(deficit) | **1,564** | **(748)** | **2,313** | **(1,324)** |

# 2a. Repairs & Investment Programme – YTD Dec 2022

Loretto Housing

| Repairs & Maintenance Expenditure | 1 April 2022 - 31 December 2022 | | | 22/23 |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | Budget £k |
| Reactive repairs | 1,192 | 910 | (283) | 1,052 |
| Cyclical maintenance (compliance) | 794 | 653 | (141) | 877 |
| Cyclical property maintenance | 72 | 73 | 1 | 82 |
| Communal Utilities | 207 | 419 | 212 | 558 |
| **Total** | **2,266** | **2,054** | **(211)** | **2,569** |

| Investment Programme | 1 April 2022- 31 December 2022 | | | 22/23 Annual |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | Budget £k |
| **Investment Programme Grant Income** | | | | |
| Adaptations | 131 | 83 | 48 | 110 |
| **Total** | **131** | **83** | **48** | **110** |
| **Investment Programme Expenditure** | | | | |
| Adaptations | 131 | 83 | (48) | 110 |
| Core programme | 1,103 | 1,424 | 321 | 1,553 |
| Capitalised repairs | 271 | 141 | (130) | 191 |
| Capitalised staff | 68 | 68 | 0 | 91 |
| Duke Street | 0 | 1,477 | 1,477 | 2,954 |
| Void repairs | 182 | 330 | 149 | 440 |
| **Total** | **1,755** | **3,523** | **1,768** | **5,339** |

**Repairs and maintenance**

- Revenue repairs and maintenance spend of £2,266k is £211k unfavourable to budget.
- Reactive repairs are £283k unfavourable to budget, reflecting a continued increase in customer demand.
- Cyclical Maintenance - Compliance spend relates to gas servicing and the maintenance and repair of any mechanical and electric equipment in Loretto's properties, such as lifts, fire safety equipment and pumps and tanks. The unfavourable variance is mainly linked to the M&E programme.
- Communal Utilities costs are £212k favourable to budget, with the budget allowing for an uplift in costs.

**Investment Programme**

- Overall investment programme expenditure of £1,755k for the year is £1,768k favourable to budget.
- Core programme works are £321k lower than budget mainly due to deferral of a windows and doors project to 2023/24 and timing of the programme.
- An favourable variance of £1,477k is currently reported against Duke Street, with the full project forecast to be move to 2023/24.
- The cost of adaptations is offset by grant income.

# 2b. New Build Programme – YTD December 2022

| | | | Year To Date | | | Full Year |
|---|---|---|---|---|---|---|
| | *Status | Contractor | Actual | Budget | Variance | Budget |
| Cobblebrae Farm | Complete | Sim Building | 2 | 0 | (2) | 42 |
| Dargavel | On site | Robertson's | 1,833 | 1,548 | (285) | 1,548 |
| Duke St | TBC | TBC | 7 | 0 | (7) | 347 |
| Forfar Avenue | TBC | TBC | 131 | 1,865 | 1,734 | 2,814 |
| Gartcosh | TBC | TBC | 0 | 298 | 298 | 897 |
| Hallrule Drive | Complete | MCTAGGART | 690 | 288 | (402) | 288 |
| Main St-Maddiston | On site | Miller Homes | 1,566 | 1,635 | 69 | 2,322 |
| Queens Quay | On site | CCG | 653 | 593 | (60) | 593 |
| Sawmill Field | On site | Bellway Homes | 1,900 | 2,097 | 197 | 4,661 |
| Vellore Road | Complete | Turnkey | 1,102 | 0 | (1,102) | 0 |
| Prior year schemes | - | - | 19 | 0 | (19) | 0 |
| **Total social Rent** | | | **7,903** | **8,324** | **421** | **13,512** |
| | | | | | | |
| **Property Acquisition** | - | - | 71 | 0 | (71) | 0 |
| **Land Acquisition** | - | - | 0 | 75 | 75 | 100 |
| **Capitalised Interest** | - | - | 0 | 0 | 0 | 166 |
| **Capitalised Staff Costs** | - | - | 263 | 253 | (10) | 337 |
| **Total New Build Investment** | | | **8,237** | **8,652** | **415** | **14,115** |
| | | | | | | |
| **Grant Income** | | | **4,185** | **5,895** | **(1,710)** | **7,978** |
| | | | | | | |
| **Net New Build Costs** | | | **4,052** | **2,757** | **(1,295)** | **6,137** |
| | | | | | | |
| **Grant Income Completions (Recognised in OPS)** | | | **17,585** | **17,242** | **343** | **18,765** |

**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**

**Dargavel**: 58 Social Rent units, with 39 handed over to date. A certificate of non-completion has now been issued and L&D damages amounting to £61k have been applied. There was 12 handovers in December and the remaining handovers previously expected in January 2023 will now take place in Feb 2023 due to issues with materials and labour within the supply chain.

**Duke Street:** The procurement strategy has been agreed and the project will go out to tender in Q1 2023/24, with works to start on site in October 2023.

**Forfar Avenue** c.30 units for Livingwell. GCC did not approve the tender and require savings. Planning also requested design change. Pre-Planning/Cost plan submission made to GCC in December. Revised Building Warrant and Planning applications in January 2023.

**Gartcosh:** 18 units for social rent. The developer has now obtained planning; however, the land acquisition has not concluded, and the contract will not proceed within the financial year.

**Hallrule Drive**: 32 units for over 55s Social Rent. Start on site 16 November 2020. The project completed in September 2022 and is now in defects.

**Maddiston Fire Station:** 24 Social Rent units. S75 with Miller Homes. Tender approval obtained March 2022. Contract concluded. Two golden brick tranches concluded YTD (£1,566k grant claimed). Completions phased March 2023 – July 2023.

**Queens Quay:** 80 Social Rent units as part of wider regeneration project with West Dunbartonshire Council and Clydebank HA. All residential handovers completed by 6 October 2022 for Loretto and other partners. Commercial units still to be handed over.

**Sawmill Field:** 36 units for social rent. Turnkey development. Bellway making good progress and engaging well. 16 Handovers are complete with a further 8 handed over in January and the remaining 12 scheduled to complete in March 2023. All SG grant monies will be drawn down by end of January and the application to A&B Council for the Strategic Housing Fund Grant will be made in January.

**Vellore Road**: 8 Social Rent units, S75 Turnkey proposal with Lovell in Maddiston, Falkirk. Handover was 27th of October 2022 and Grant was fully drawn down. Development is now in its defects period.

# 3. Balance Sheet

Loretto Housing

| | 31 December 2022 £k | 31 March 2022 £k |
|---|---|---|
| **Tangible Fixed Assets** | | |
| Housing Properties | 145,584 | 141,082 |
| Investment Properties | 1,300 | 1,300 |
| Other Assets | 1,230 | 1,072 |
| | 148,114 | 143,454 |
| **Current Assets** | | |
| Rent and service charge arrears | 284 | 97 |
| Intercompany balances | 322 | 13 |
| Other debtors | 1,907 | 2,086 |
| | 2,513 | 2,196 |
| Cash at Bank and in Hand | 1,042 | (430) |
| | 3,555 | 1,766 |
| **Short Term Creditors** | | |
| Amounts due within one year | (9,815) | (8,757) |
| Deferred Income | (3,080) | (16,479) |
| | (12,895) | (25,236) |
| **Net Current Assets** | (9,340) | (23,470) |
| **Long Term Creditors** | | |
| Amounts due after one year | (77,420) | (74,176) |
| Deferred Income | (302) | (302) |
| Pension Liability | (383) | (383) |
| **Net Assets** | **60,669** | **45,123** |
| **Capital and Reserves** | | |
| Share Capital | - | - |
| Revenue Reserve - b/fwd | 45,506 | 24,345 |
| Current year surplus/(deficit) | 15,546 | 21,161 |
| Pension Reserves | (383) | (383) |
| **Association's Funds** | **60,669** | **45,123** |

**Comments**

The balance sheet reported reflects the 31 March 2022 year end, including the revaluation of both housing and investment properties and actuarial valuation of the defined benefit pension scheme.

- **Fixed Assets** - Expenditure is capitalised in accordance with our accounting policy.
- **Investment Properties** – These are the Barclay Street Mid Market Rent properties, leased to Lowther Homes.
- **Debtors** – Other Debtors have decreased from March 2022 position resulting from the timing of grant claims. The level of tenant arrears (net of bad debt provision) has increased from the year end position of £97k to £284k due to timing of housing benefit payments.
- **Cash at Bank** - The change from the year end principally reflects the timing of the supplier payments and loan drawdowns.
- **Deferred grants** – This relates to the schemes currently on site. Upon completion of the properties this income will be released to the I&E as grant income.
- **Long-Term Creditors** - This includes £77.5m of loans due to Wheatley Funding No 1 Ltd, excluding deferred loan fees.

# 4. Q3 2022/23 Forecast

| | Full Year 2022/23 | | |
|---|---|---|---|
| | Forecast £k | Budget £k | Variance £k |
| **INCOME** | | | |
| Rental Income | 14,803 | 14,823 | (20) |
| Void Losses | (218) | (478) | 260 |
| **Net Rental Income** | **14,585** | **14,345** | **240** |
| **Other Income** | **315** | **315** | **0** |
| **Grant Income** | **19,990** | **18,875** | **1,115** |
| **Total Income** | **34,890** | **33,535** | **1,355** |
| **EXPENDITURE** | | | |
| Employee Costs - Direct | 1,324 | 1,384 | 60 |
| Employee Costs - Group Services | 602 | 596 | (6) |
| ER / VR | 185 | 185 | 0 |
| Direct Running Costs | 1,962 | 1,812 | (150) |
| Running Costs - Group Services | 362 | 385 | 23 |
| Revenue Repairs and Maintenance | 2,865 | 2,569 | (296) |
| Bad debts | 194 | 394 | 200 |
| Depreciation | 7,320 | 7,320 | 0 |
| **TOTAL EXPENDITURE** | **14,814** | **14,644** | **(169)** |
| **OPERATING SURPLUS / (DEFICIT)** | **20,076** | **18,890** | **1,186** |
| Interest Payable | (3,225) | (3,320) | 95 |
| **STATUTORY SURPLUS / (DEFICIT)** | **16,851** | **15,570** | **1,281** |

| | Full Year 2022/23 | | |
|---|---|---|---|
| | Forecast £k | Budget £k | Variance £k |
| **INVESTMENT** | | | |
| **Total Capital Investment Income** | **6,133** | **8,088** | **(1,955)** |
| **Investment Programme** | 2,163 | 5,338 | 3,175 |
| **New Build** | 12,400 | 14,115 | 1,715 |
| **Other Capital Expenditure** | 278 | 434 | 156 |
| **TOTAL CAPITAL EXPENDITURE** | **14,841** | **19,887** | **5,046** |
| **NET CAPITAL EXPENDITURE** | **8,708** | **11,799** | **3,091** |

**Comments:**

- This table shows the 2022/23 budget presented to the Board compared to the Q3 forecast for 2022/23, compiled following the December year to date results.
- Forecast operating surplus of £20,076k is £1,186k favourable to budget and statutory surplus of £16,851k is £1,281k favourable to budget, mainly driven by recognition of grant income relating to the Vellore Road turnkey new build development earlier than anticipated and lower void losses.

**Key points to note:**

- Rental income is £20k lower than budget due to delay in completion of new build units.
- Void losses are £260k favourable to budget, with the forecast reflecting a continuation of the favourable performance YTD.
- Grant income is £1,115k favourable to budget, due to the anticipated earlier handover of the Vellore Road turnkey new build development.
- Employee costs are £60k favourable to budget with the recharge of staff to other subsidiaries to continue in Q4.
- Direct running costs are expected to be £150k unfavourable to budget after making provision for additional Here For You fund spend. Group running costs are favourable by £23k due to central cost savings which have been allocated appropriately across the Group.
- Revenue repairs and maintenance forecasts an unfavourable variance of £296k, due to anticipated higher reactive repairs costs over the coming months with the increase in customer demand experienced in the first three quarters expected to continue for the remainder of the year.
- Bad debts are £200k favourable to budget, with the forecast reflecting bad debt costs at levels in line with YTD and in the prior year.
- Interest is £95k favourable to budget with lower costs in the first nine months providing capacity to absorb expected increases in the variable rate for the remainder of the year.
- New build expenditure and capital investment income (grant) are both forecast to be lower than budget due to changes in the profile of the programme.
- Investment programme spend is forecast to be £3,175k lower than budget, mainly as a result of Duke St works being reprofiled to 2023/24.
- Other Capital expenditure spend forecasts reduction of £156k due to IT savings and the majority of the office conversion moving to next year.

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 update** |
| **Date of Meeting:** | **9 February 2023** |

---

## 1. Purpose

1.1 To update the Board on the following governance related matters:

- Review of membership policy;
- Board Member appointment; and
- Annual Board agenda planner

## 2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for agreeing the overall governance framework for the Group. The Recruitment, Appointment, Appraisal and Governance ("RAAG") Committee supports the Board in this role.

2.2 Our Board is responsible for ensuring that we meet the requirements of the Group, being that we have a Board of between 8 and 10 members with a balanced mix of skills and experience, in line with the agreed skills matrix and having regard to the diversity of the tenant population we serve.

2.3 Management of our register of members is a matter for the Board in accordance with our Rules.

## 3. Background

3.1 The Board receives annual governance reporting as well as updates to each meeting, as required. In relation to the matters in this report:

- Our membership policy was last approved in 2019 and updated in September 2020 following adoption of our current Rules;
- Following unplanned changes to our Board membership over the last 12 months, we have identified a potential new Board member and are seeking approval of the appointment process;
- Our rolling agenda planner helps to ensure the Board can manage its meetings to ensure the appropriate balance between regular oversight and strategy.

## 4. Discussion

Review of policy membership

4.1 Membership of Loretto is governed by our Rules. Under our Rules, membership is open to tenants, Wheatley Housing Group Limited (as our parent company) and non-tenants who are Board members. Our membership policy approved by the Board at our meeting on 20 May 2019. Minor updates to the policy were made in 2020 to reflect Rule change to our membership categories.

4.2 The policy largely narrates the provisions within our constitution and specifically sets out the three categories of membership of the Association. In particular, it sets out the criteria for joining as a member and also the circumstances when membership will be cancelled.

4.3 Cancelling membership is not taken lightly, however it is important that we review our membership and have the opportunity to cancel this where members do not engage or participate in general meetings. Failing to do this can create difficulties in arranging quorate meetings.

4.4 In addition, we have developed a number of new ways to engage with all tenants as set out in our engagement framework. As a consequence, we have found that attending general meetings is no longer the preferred way for customers to interact with us.

4.5 Our membership policy is now due for review, in accordance with the 3-year review cycle. We are not proposing any changes to this. A copy of the policy is attached at appendix 1.

**Board Member appointment**

4.6 The Board approved our 3-year succession plan at their meeting on 15 August 2022. At that time we had nine members, however, due to unforeseen circumstances this has reduced to eight Board members from a recommended maximum of membership of 10. As outlined in our succession plan, a number of our Board members will conclude their 9-year tenure in 2024.

4.7 Under our Rules and the Group Standing Orders, our Board is responsible for approving the appointment process for new Board members. Appointment of non-tenant Board members must also be approved by the RAAG Committee. During the past three months we have identified a potential new Board candidate. Due to the unforeseen reduction in late 2022 then to expedite the appointment process we arranged an introductory meeting with the Chair and a follow up interview with the Chair and Group Director of Communities.

4.8 Following this process and the interview, the Chair would like to recommend the appointment of Jackie Brock to the Board. A summary of Jackie's skills and experience is appended to this report. Any approval by our Board will be subject to recommendation for approval by the Group Recruitment, Appointment, Appraisal and Governance ("RAAG") Committee, 22 February 2023.

**Annual Board Agenda Planner**

4.9 Having an annual Board agenda planner enables the Board to have an understanding of and to directly influence Board activity for the year ahead. The annual planner will remain fluid but will be maintained on AdminControl for the Board's visibility. The annual board agenda planner is attached at Appendix 3.

## 5. Customer engagement

5.1 There has been no direct engagement with customers in relation to 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 implications associated with this report.

## 8. Financial and value for money implications

8.1 There are no financial implications arising from the recommendations contained within this report.

## 9. Legal, regulatory and charitable implications

9.1 Standard 6 of the SHR Standards of Governance and Financial Management requires the governing body of all RSLs to 'have the skills and knowledge they need to be effective'. Our Board succession planning and recruitment helps us to achieve this; in addition, having a Board with a range of skills and experience helps ensure strong governance with necessary skills and experience to help ensure we have arrangements in place comply with our legal, regulatory and charitable objectives.

9.2 Our Membership Policy helps to ensure we manage membership of Loretto Housing in adherence with our Rules.

## 10. Risk appetite and assessment

10.1 Our agreed risk appetite in relation to both our governance structure and our adherence to laws and regulations is "cautious". We mitigate risk in these areas through our approach to succession planning and regular review of our governance-related policies.

## 11. Equalities implications

11.1 There are no direct equalities implications arising from this report.

11.2 Within our Membership Policy however, we have a stated commitment to comply with the Equality Act 2010; to promote equality of treatment and opportunity and encourage diverse membership for all groups in society without discrimination or prejudice on any grounds.

11.3 We take into consideration any specific member requirements that will support an individual to undertake the role of a Board Member eg provision of specific methods of transport, subsistence and expenses allowances, accessibility to our meeting venues.

11.4 The gender and skills balance of our Board is subject to annual review and reporting and our member applications are encouraged from individuals with a broad range of knowledge, experience, skills or expertise which are complementary to our objects.

**12. Key issues and conclusions**

12.1 Board planning, both in terms of personnel as well as annual business, is a key strength and helps us to ensure that we have effective arrangements in place to achieve our strategic objectives.

**13. Recommendations**

13.1 The Board is asked to:

1) Approve the Membership Policy.
2) Agree recommendation to appoint Jackie Brock as a new Board Member subject to and effective from approval of the RAAG Committee.
3) Note the annual Board agenda planner.

LIST OF APPENDICES

Appendix 1 – Membership Policy [redacted] can be found here
Appendix 2 – Board Member candidate biography
Appendix 3 – Annual Board Agenda Planner

Loretto Housing

**Appendix 2**

**Jackie Brock: Board Member candidate**

**Biography**

Jackie has extensive leadership experience within both the Scottish Government, Scotland's public sector and the third sector with expertise in the area of children, young people and families. Jackie has previously held roles as Chief Executive of Children in Scotland (2012-21), Depute Director of Learning and Support at the Scottish Government (2009-2012) as well as various other positions across the Looked After Children, Youth Justice and Primary Care teams at the Scottish Government.

Jackie is an experienced Non-Executive Director and Charity Trustee, currently serving on the Board of Healthcare Improvement Scotland (HIS) which includes the role as Vice-Chair of the HIS Performance and Quality sub-committee. Jackie has wide ranging interests in other national influencing bodies, including memberships of the Scottish Council of Development and Industry Policy Committee and the Royal Society of Edinburgh's Education Committee as well as holding several Consultant and Associate roles.

**Interests:**

- Programme Manager What Matters to You – BBC Children in Need/The Hunter Foundation.
- Healthcare Improvement Scotland - Non-Executive Director
- Consultancy support to The Yard a play charity for children with disabilities
- Cattanach Trust: Scottish Early Years Charity Funding Associate
- Bruce Tait Recruitment Consultancy Associate

Loretto Housing

**Loretto Housing**
**Appendix 3: Annual Board Agenda Planner 2023**

| Meeting date | Items |
|---|---|
| 9 February 2023 | 1. Rent and service charges 23/24<br>2. 23/24 Financial Projections<br>3. 5-year Development Programme and new build performance<br>4. 5-year Investment Plan<br>5. Customer Insights Update (pulse survey results and update on management of neighbourhood)<br>6. Performance Report<br>7. Finance Report<br>8. Governance update (inc membership policy)<br>9.Group Sustainability Framework<br>10. Corporate risk register |
| 27 March 2023 | 1. Assurance Update<br>2. Finance and 23/34 budget<br>3. Damp and Mould policy and procedure<br>4. Home Safe Building Compliance Update<br>5. Repairs update<br>6. Cyber Security update<br>7. Governance update<br>8. Procurement policy |
| 15 May 2023<br><br>(Board meeting and strategy workshop) | 1. 22/23 ARC return and year end performance<br>2. Delivery plan 23/24-*KPIs and targets*<br>3. Finance report-*loan portfolio submission, summary sheet, financial data and projections*<br>4. Corporate risk register<br>5. Fire prevention and mitigation<br>6. Acquisitions and disposals update<br>7.Complaint handling and performance<br>8. Group Social Media Policy |

| Meeting date | Items |
| --- | --- |
| 21 August 2023 | 1. Governance Update- AGM, Modern Slavery, Board Appraisals, succession plans<br>2. Financial Statements-letter of rep, letter of comfort<br>3. Complaint handling and performance<br>4. Annual Internal Audit Report and opinion<br>5. Performance Report<br>6. Finance Report<br>7. Corporate risk register |
| 19 September 2023<br><br>(Board meeting and AGM) | 1. Development mid-year update<br>2. Finance Report<br>3. Health and safety update |
| 20 November 2023 | 1. 2024 rent setting<br>2. Governance update - *Assurance statement*<br>3. Q2 Performance<br>4. Finance report<br>5. Corporate Risk register<br>6. Assurance update<br>7. Complaints half year update |
| Unallocated | Updated Loretto Homes Limited strategy<br>Tenant Satisfaction Survey - planned approach<br>Tenant Satisfaction Survey – results<br>Further repairs updates<br>Foundation update |

Loretto Housing

**Report**

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Stephen Devine, Director of Assets and Sustainability** |
| **Approved by:** | **Frank McCafferty, Group Director of Repairs and Assets** |
| **Subject:** | **Group Sustainability Framework** |
| **Date of Meeting:** | **9 February 2023** |

---

## 1. Purpose

1.1 To ask the Loretto Housing Board to note the attached Group Sustainability Framework.

## 2. Authorising and strategic context

2.1 Decisions on group strategy are for Wheatley Group Board under our standing orders.

2.2 'Setting the benchmark for sustainability and reducing carbon footprint' is a stated key outcome in Your Home, Your Community, Your Future. This Sustainability Framework provides the direction for how this vision will be realised.

2.3 The Group Sustainability Framework presented here was approved by the Group Board at its meeting on 14 December 2022, and considered previously by Wheatley Solutions, who lead on sustainability, and our expert PNAG (Pathway to Net Zero Advisory Group). Both were supportive of the framework.

## 3. Background

3.1 As a group we already undertake a wide range of actions that lead to positive sustainability outcomes include through our investment in existing homes, the quality of our new build properties and our varied programmes to improve neighbourhoods and communities. To date our strategic direction on sustainability has been set through our commitment to 'setting the benchmark for sustainability' in Your Home, Your Community, Your Future and through related targets including to reduce emissions of $CO_2$ from our existing homes by 20,000 tonnes by 2026 and to be carbon neutral in our corporate estate by the same date.

## 4. Discussion

4.1 The Sustainability Framework provided at Appendix 1 is a first for our Group. It is intended to provide a focus on sustainability, group wide with particular emphasis on our main sources of emissions - our existing homes and their heating systems, our new build properties and our business operations. The first two of these are particularly applicable to our Board including in meeting stated Government policy requirements for:

- improved energy efficiency in existing homes.
- the need to install new or replacement fossil fuel heating systems to be phased out (in off-gas grid areas) from 2025 and all areas in 2030, and to install zero-emission heating systems.

4.2 The main themes in the framework have been discussed previously by the Group Board and other Group partners, especially Wheatley Solutions, and PNAG. These discussions were lively and varied and have helped shape the framework.

Key points from discussions included:

- that focus was essential and that we should not over commit ourselves to delivering against all global sustainability goals;
- the need to tailor approaches to improving fabric-first energy efficiency by property architype;
- the prominent role that heat networks are likely to play in decarbonising heating systems in our properties;
- recognition of our willingness to go beyond challenging levels set through building standards in our specification for new build homes;
- that any particular activities to promote bio-diversity in our communities should involve extensive customer engagement to ensure buy in;
- that approaches in rural areas will differ from those in urban;
- the importance of developing behaviours to support sustainability objectives, alongside particular initiatives.

4.3 Our intention is to launch the framework during the final quarter of 2022/23. Launch activities will focus particularly on staff, with the customer and stakeholder focus being on projects – such as retrofitting homes, deploying connected response and green infrastructure (e.g. cycle stores, EV charging etc) – under our greener homes, greener lives banner.

4.4 Launch activities will include developing an easily accessible summary version for staff, engaging leaders through existing collaboration forums so they have the necessary understanding to share the framework with their teams, and staff workshop session that build on the sustainability taster and mobilisation sessions we ran earlier this year in conjunction with Planet Mark.

## 5. Customer Engagement

5.1 Discussions were held with customers, form our Customer Voices network, on the main areas of the framework. There was broad support for the ideas in the framework and especially the importance of improving energy efficiency in existing homes, ensuring that customers were not financial disadvantaged by changes we make and providing on-going advice and guidance to help customers get the most from their heating systems.

5.2 These initial discussions were helpful in ensuring the framework has relevance and in engaging customers in sustainability priorities. Further engagement with customers, and staff, will be essential in implementing the framework to build understanding and to provide a platform for action in daily lives to address the climate emergency. This is a significant aspect of the framework.

## 6. Environmental and sustainability implications

6.1 This report and the attached framework focus on environmental and sustainability implications.

## 7. Digital transformation alignment

7.1 Where applicable digital techniques and innovation will be used to support execution of the framework.

## 8. Financial and value for money implications

8.1 As set out our in the framework there are significant financial implications in achieving sustainability outcomes. The framework makes clear that we do not expect customers to pay for this through increased rents or reduced services. As now, we will work closely with our funders, government, and other partners to identify funding sources that will be needed to achieve the objectives in the framework.

## 9. Legal, regulatory and charitable implications

9.1 The framework, and the actions resulting from it will help focus our efforts including to ensure we meet regulatory objectives relating to sustainability

## 10. Risk Appetite and assessment

10.1 Our risk appetite for setting the benchmark for sustainability and reducing carbon footprint is as follows:

- ***Financial or VFM: Open*** *- A significant investment in retrofitting will be required to increase the energy efficiency and reduce the carbon footprint of our existing homes. In this context we are prepared to invest for reward, considering both the value and benefits which this investment will bring. However, we must still minimise the possibility of financial loss by managing risks to a tolerable level.*

- ***Reputation and Credibility: Open*** *- We aim to establish Wheatley Group as a role-model for sustainability nationally and beyond, as well as influencing the rest of the sector to raise its standards. We seek to partner with the Scottish Government and other organisations (e.g. Sustainable Glasgow) to achieve our common climate change and sustainable development goals. We are prepared to be innovative to deliver these aims and take decisions that might expose us to additional scrutiny, but only where success is likely, and we have taken appropriate steps to minimise any negative exposure.*

- ***Operational Delivery: Hungry*** *- We are eager to be innovative and pioneer new approaches to sustainability through the delivery of innovative energy generation opportunities. We will prioritise solutions that enhance control and cost savings for customers, and work with research partners to solve long standing challenges for improving energy efficiency in non-standard construction types. We are prepared to take greater risks where we believe opportunities will significantly support our aim to 'break the mould' and establish us as a leader in sustainability and reducing carbon footprint.*

- ***Compliance: Legal / Regulatory: Cautious*** *- this area is gaining more importance for stakeholders, including potential investors, staff and customers. We must be able to demonstrate that we have taken action to comply with all existing and emerging legislative and regulatory requirements in this area and be reasonably sure we would win any challenge.*

10.2 The framework presented here is in keeping with this risk profile and provides direction for how these risks will addressed.

**11. Equalities implications**

11.1 Equalities implications will be assessed as part of the actions that are undertaken in implementing the framework.

**12. Key issues and conclusions**

12.1 The Group Sustainability Framework is a first for Wheatley and is intended to define how we will 'set the benchmark for sustainability' as we have committed to in Your Home, Your Community, Your Future.

**13. Recommendations**

13.1 The Board is asked to note the Group Sustainability Framework at Appendix 1.

LIST OF APPENDICES:

Appendix 1: Group Sustainability Framework [redacted} can be found here

Loretto Housing

## Report

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Laura Henderson, Managing Director** |
| **Approved By:** | **Hazel Young, Group Director of Housing and Property Management** |
| **Subject:** | **Corporate Risk Register** |
| **Date of Meeting:** | **9 February 2023** |

---

### 1. Purpose

1.1 This report asks the Board to consider and approve the proposed changes to its Risk Register.

### 2. Authorising and strategic context

2.1 In accordance with the Board Terms of Reference, the Board is responsible for managing and monitoring its Corporate Risk Register and Risk Appetite. The Group Board is responsible for managing and monitoring the Wheatley Group Risk Management Framework.

2.2 Risk registers are in place across the Group and are reported to each subsidiary board on a quarterly basis. These capture risks that may impact on the delivery of the Board's strategic aims.

### 3. Background

3.1 The paper gives an overview of our current risk position for consideration by the Board. As set out in the Group Risk Management approach, this update focuses on risks to bring to the attention of the Board. This includes risks in the following categories:

A. Risks outwith risk appetite;

B. Risks with a residual risk score of 12 of more or an inherent risk score of 20 or more, for which the Board has not received an update on the operation of the controls in the last 6 months; and

C. Risks highlighted for consideration by the Board. This will include new risks, risks to be removed from the Risk Register, or risks with a significant change in scoring. Section C also includes brief details of any significant changes to the external environment that may impact on the Board's risk profile.

## 4. Discussion

4.1 The chart below shows all risks within the Corporate Risk Register. These are colour-coded as follows:

- Red font – risks highlighted for Member consideration (as set out in paragraph 3.1) and discussed further below;
- Purple font – risks with a high residual risk or inherent risk score where Boards have received an update on the operation of the controls in the last 6 months;
- Black font – lower scoring risks that have remained stable within the current period.

| Impact \ Likelihood | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 5 | | | | | |
| 4 | | | • Failure to recruit, develop, retain and succession plan | • Cyber Security (A)<br>• Impact on our customers of the Cost-of-Living crisis<br>• Reduced availability of financial support from SGov't/Local Govt | |
| 3 | | • Business Continuity/ DR<br>• Damp and Mould (C)<br>• Group Development Programme<br>• Rent Arrears arising from UC | • New operating model implementation<br>• Care & support services (A)<br>• Financial impact of rent control legislation (A)<br>• Future waves of pandemic<br>• Fire Safety (A)<br>• Compliance with funders<br>• Customer Satisfaction<br>• Customer Satisfaction of Shared Owners<br>• Governance Structure<br>• Securing new fundings and adverse market changes<br>• Political and Policy changes<br>• Group Credit Rating (A) | • Climate change impact on Group assets and services | • Supply chain disruption |
| 2 | | | | • Laws and Regulations | |
| 1 | | | | | |

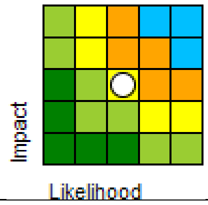
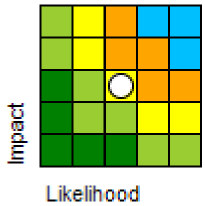
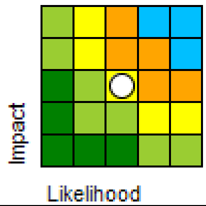
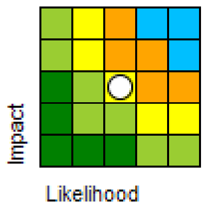
Impact

Likelihood

4.2 The remainder of this section provides additional commentary on those risks highlighted in red font. A full description of each of these risks, and associated controls, is set out in Appendix 2.

*Section A - Risks outwith risk appetite*

4.3 There are five risks with a residual risk score that is greater than the approved risk appetite. These are set out in the table below.

| Risk | Residual Risk Score | Risk Appetite Level | Commentary |
|---|---|---|---|
| [redacted] | | | |
| RISK005 – Care and support services |   | Minimal | We will review the scoring of this risk following a year one review of the Care Quality Framework in April 2023. It is anticipated that this will result in a reduced residual risk score. |
| RISK022 – Financial impact of rent control legislation |   | Minimal | The Scottish Government has confirmed that the rent control legislation will lapse from 1 April 2023 for social housing. The legislation will remain in place for private and MMR properties, and there will be a 3% rent increase cap in place until 1 October 2023. There is still a risk of further Scottish Government intervention in future, and until the position is more settled, the risk scoring will be maintained. |
| RISK 003- Fire Safety |   | Minimal | The risk scoring reflects the high potential impact associated with fire and the Group's limited ability to influence the behaviour of those external to the organisation. |
| RISK 010 – Group Credit Rating |   | Minimal | The residual risk score has increased due to the uncertainty within the external economic and policy environment. We will continue to monitor the potential impact on business plans and keep the scoring of this risk under review. |

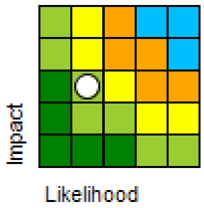
4.4 The implementation of any identified actions will be monitored and residual risk scores will be reviewed as part of the scheduled quarterly review of all risks.

*Section B – High scoring risks with controls due for review.*

4.5 There are no risks with a residual risk score that is greater than 12, and an inherent risk score of 20 or more, for which the Board has not received an update on the operation of the controls in the last 6 months.

*Section C – High scoring risks with controls due for review.*

4.6 Following review of the operating environment, the following risks have been highlighted for consideration by the Board. We will no longer ask the Board to approve minor changes. The table below summarises the key changes to the risks within the Corporate Risk Register; full details of these changes are detailed in Appendix 2.

| Risk | Residual Risk Score | Risk Appetite Level | Commentary |
|---|---|---|---|
| **NEW RISK:** RISK 053: Damp and Mould |   | Minimal | This risk has been added to the Strategic Risk Register in response to the risk to tenant health caused by damp and mould. The cost-of-living crisis, and in particular the increased cost of heating, increases the risk that tenants may face such issues, as properties become colder and less ventilated. Propose to add to risk register to monitor. |

4.7 The Board is asked to consider whether any matters discussed elsewhere during the Board meeting result in additional risks to be captured in the risk register.

## 5. Customer Engagement

5.1 No customer engagement implications arise directly from this report.

## 6. Environmental and sustainability implications

6.1 No environmental or sustainability implications arise directly from this report.

## 7. Digital transformation alignment

7.1 No digital transformation alignment implications arise directly from this report.

## 8. Financial and value for money implications

8.1 No financial or value for money implications arise directly from this report.

## 9. Legal, regulatory and charitable implications

9.1 No legal, regulatory or charitable implications arise directly from this report.

## 10. Risk Appetite and assessment

10.1 There is no single risk appetite associated with this paper. Instead, the review of risks within the Corporate Risk Register, as outlined in this paper is designed to provide assurance on the controls in place to manage risks such that the residual risk score is within risk appetite and to identify additional actions planned to reduce residual risk further, where required.

## 11. Equalities implications

11.1 This report does not require an equalities impact assessment.

## 12. Key issues and conclusions

12.1 The review of the Corporate Risk Register has identified five risks that are outwith risk appetite for Board consideration.

## 13. Recommendations

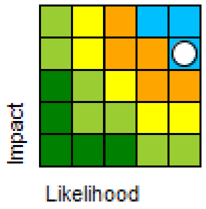
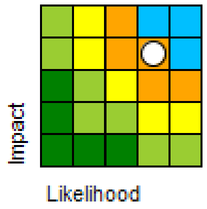
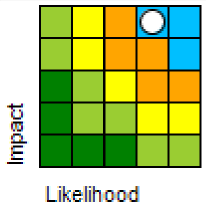
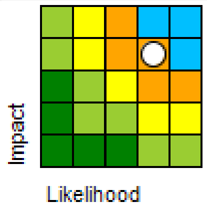
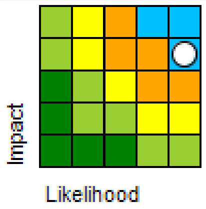
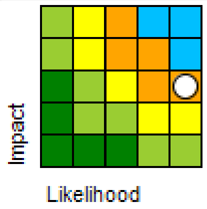
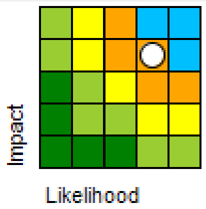
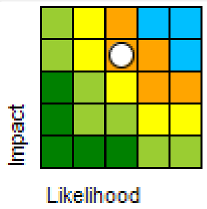
13.1 The Board is asked to:

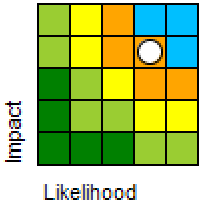
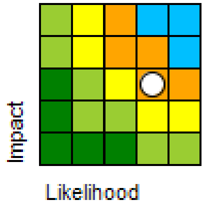
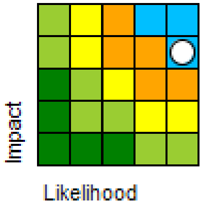
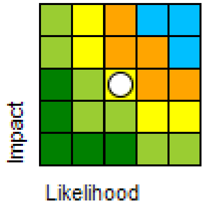
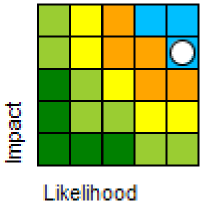
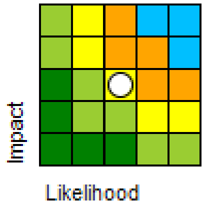
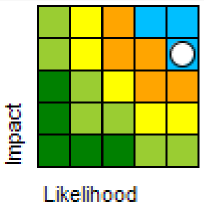
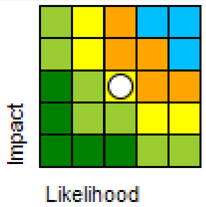
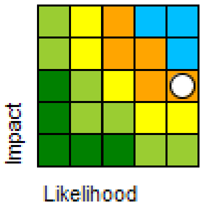
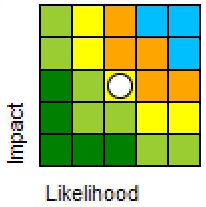
1) Approve the updates in this report.
2) Identify any further changes to the Corporate Risk Register arising from discussion at the meeting.

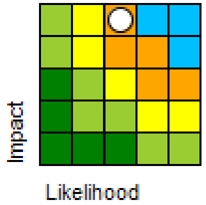
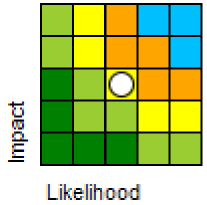
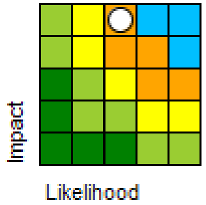
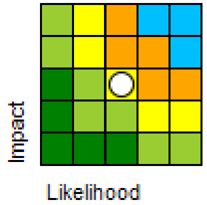
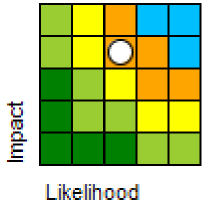
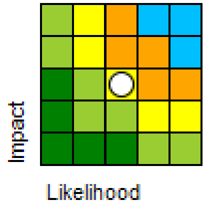
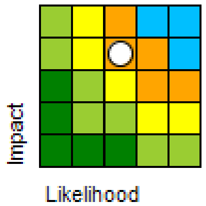
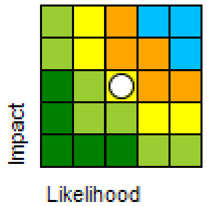
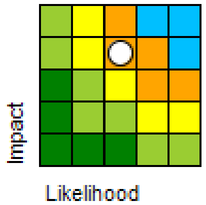
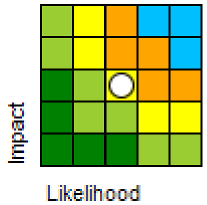
LIST OF APPENDICES:

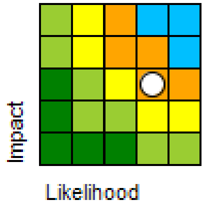
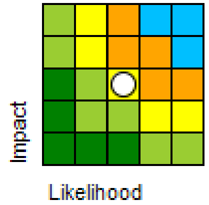
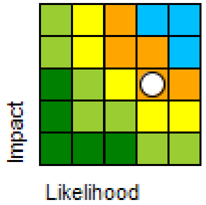
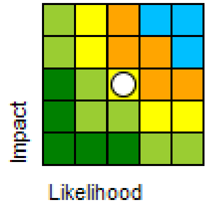
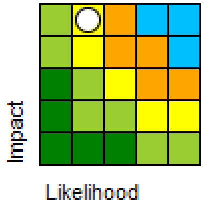
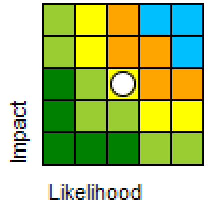
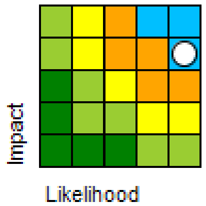
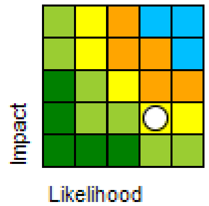
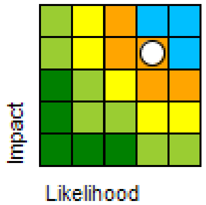
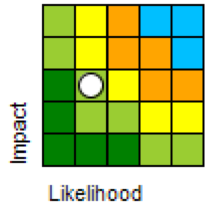
Appendix 1 – Summary status of Loretto Housing Risk profile
Appendix 2 – Loretto Housing Detailed Highlighted Risks

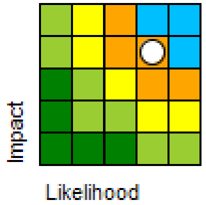
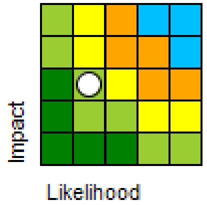
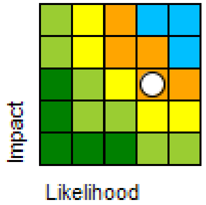
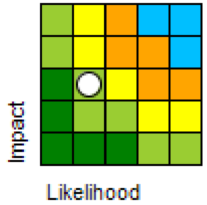
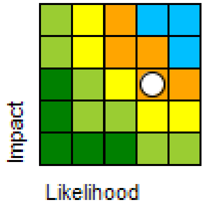
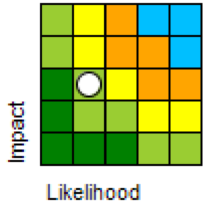
## Appendix 1 – Summary status of Loretto Risk Profile (full details available on Pentana)

| Code | Title | Original Score | Risk Appetite | Current Risk Score | Owner | Strategic Outcome | Ref to Appendix 2 |
|---|---|---|---|---|---|---|---|
| [redacted] | | | | | | | |
| RISK 001 | Impact on our customers of the cost of living crisis |   | Risk Appetite is **HUNGRY** (Blue) |   | Group Director of Communities | Supporting economic resilience in our communities | N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months) |
| RISK 021 | Reduced availability of financial support from Scottish Government and / or local government |   | Risk Appetite is **OPEN** (Orange) |   | Group Director of Finance | Raising the funding to support our ambitions | N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months) |
| RISK 018 | Supply chain disruption |   | Risk Appetite is **OPEN** (Orange) |   | Group Director of Governance & Business Solutions | Increasing the supply of new homes | N/A (High inherent and residual risk scores; Boards have received an update within the last 6 months) |
| RISK 015 | Failure to recruit, develop, retain and succession plan |   | Risk Appetite is **HUNGRY** (Blue) |   | Group Director of Finance | W.E. Work – strengthening the skills and agility of our staff | N/A (High residual risk score; Boards have received an update within the last 6 months) |

| Code | Title | Original Score | Risk Appetite | Current Risk Score | Owner | Strategic Outcome | Ref to Appendix 2 |
|---|---|---|---|---|---|---|---|
| RISK 023 | Climate change impact on Group assets and services |  | Risk Appetite is **OPEN** (Orange) |  | Group Director of Repairs and Assets | Setting the benchmark for sustainability and reducing carbon footprint | N/A (High residual risk score; Boards have received an update within the last 6 months) |
| RISK 004 | New operating model implementation |  | Risk Appetite is **HUNGRY** (Blue) |  | Group CEO; Group Director of Finance | W.E. Work- strengthening the skills and agility of our staff | N/A (High inherent risk score; Boards have received an update within the last 6 months) |
| RISK 005 | Care and support services |  | Risk Appetite is **MINIMAL** (Light Green) |  | Group Director of Communities | Shaping Care Services for the future | Page 14 (Outwith Risk Appetite) |
| RISK 022 | Financial impact of rent control legislation |  | Risk Appetite is **MINIMAL** (Light Green) |  | Group Director of Finance | Maintaining a strong credit rating and managing financial risk | Page 13 (Outwith Risk Appetite) |
| RISK 002 | Ongoing threat of future waves of COVID-19 and / or another pandemic |  | Risk Appetite is **HUNGRY** (Blue) |  | Group Director of Repairs and Assets; Group CEO | W.E. Work- strengthening the skills and agility of our staff | N/A |

| Code | Title | Original Score | Risk Appetite | Current Risk Score | Owner | Strategic Outcome | Ref to Appendix 2 |
|---|---|---|---|---|---|---|---|
| RISK 003 | Fire Safety |  | Risk Appetite is **MINIMAL** (Light Green) |  | Group Director of Repairs and Assets | Investing in existing homes and environments | Page 12 (Outwith Risk Appetite) |
| RISK 008 | Compliance with funders' requirements |  | Risk Appetite is **OPEN** (Orange) |  | Group Director of Finance | Raising the funding to support our ambitions | N/A |
| RISK 006 | Customer Satisfaction |  | Risk Appetite is **OPEN** (Orange) |  | Group Director of Housing & Property Management | Enabling customers to lead | N/A |
| RISK 006 | Customer Satisfaction of Shared Owners |  | Risk Appetite is **OPEN** (Orange) |  | Group Director of Housing & Property Management | Enabling customers to lead | N/A |
| RISK 009 | Governance Structure |  | Risk Appetite is **CAUTIOUS** (Yellow) |  | Group Director of Governance & Business Solutions; Group CEO | W.E. Work- strengthening the skills and agility of our staff | N/A |

| Code | Title | Original Score | Risk Appetite | Current Risk Score | Owner | Strategic Outcome | Ref to Appendix 2 |
|---|---|---|---|---|---|---|---|
| RISK 011 | Securing new funding and adverse market changes |  | Risk Appetite is **OPEN** (Orange) |  | Group Director of Finance | Raising the funding to support our ambitions | N/A |
| RISK 014 | Political and Policy changes |  | Risk Appetite is **OPEN** (Orange) |  | Group Director of Governance & Business Solutions; Group CEO | Influencing locally and nationally to benefit our communities | N/A |
| RISK 010 | Group Credit Rating |  | Risk Appetite is **MINIMAL** (Light Green) |  | Group Director of Finance | Maintaining a strong credit rating and managing financial risks | Page 15 (Outwith Risk Appetite) |
| RISK 016 | Laws and Regulations |  | Risk Appetite is **CAUTIOUS** (Yellow) |  | Group Director of Governance & Business Solutions | Progressing from Excellent to Outstanding | N/A (High inherent risk score; Boards have received an update within the last 6 months) |
| RISK 012 | Business Continuity / Disaster Recovery |  | Risk Appetite is **HUNGRY** (Blue) |  | Director of People Services | W.E Work – Strengthening the skills and agility of our staff | N/A |

| Code | Title | Original Score | Risk Appetite | Current Risk Score | Owner | Strategic Outcome | Ref to Appendix 2 |
|---|---|---|---|---|---|---|---|
| RISK 053 | Damp and Mould |  | Risk appetite is **MINIMAL** (Light Green) |  | Group Director of Repairs and Assets | Investing in existing homes and environments | Page 16 (New Risk) |
| RISK 172 | Group Development Programme |  | Risk Appetite is **MINIMAL** (Light Green) |  | Group Director of Repairs and Assets | Increasing the supply of new homes | N/A |
| RISK 007 | Rent Arrears arising from Universal Credit |  | Risk Appetite is **MINIMAL** (Light Green) |  | Group Director of Housing & Property Management | Maintaining a strong credit rating and managing financial risks | N/A |

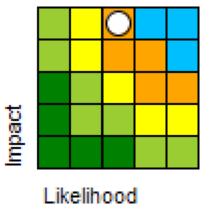
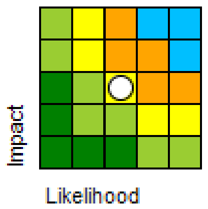
## Appendix 2 – Detailed risks highlighted for Board consideration

### [redacted]

| | | | | | |
|---|---|---|---|---|---|
| Strategic Outcome | | | | Risk owner | |
| *Description* | | | *Controls* | | |
| | | | | | |
| Inherent risk | Residual risk | Risk Appetite level: | Previous / Next detailed Board update on operation of controls listed above: | | |
| | | | | | |

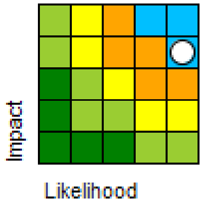
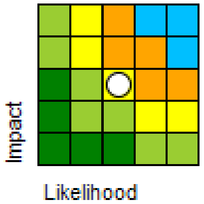
### RISK 003 Fire Safety – *Outwith Risk Appetite*

| | | | | | |
|---|---|---|---|---|---|
| Strategic Outcome | Investing in existing homes and environments | Risk type | Compliance: Legal/Regulatory | Risk owner | Group Director of Repairs and Assets |
| *Description* | | *Controls* | | | |
| There is a risk that a failure to comply with relevant fire safety standards for our buildings results in harm to the health or safety of our customers and/or | | Group Fire Safety Team focuses on identification of fire preventions actions for implementation by MDs. | | | |

| | | | |
|---|---|---|---|
| staff, leading to injuries or fatalities, enforcement action and reputational damage | | | Fire Working Group attended by Snr Mgt teams every 2 months feeds into a Group Executive Fire Liaison Meeting chaired by Executive Lead and attended by Directors to review performance, emerging issues and escalate matters as required.<br>Quarterly Bi-annual reporting of implementation of actions to Group Audit Committee.<br><br>Outwith relevant premises, Fire Prevention and Mitigation Framework, including our approach to high rise block inspections and Livingwell, and Fire Risk Assessments are completed on a rolling cycle.<br>Daily, weekly and monthly inspections of high-rise domestic premises maintained by Environmental Teams in between Fire Risk Assessments being completed.<br>Extensive compliance and investment regime to achieve compliance with building safety regulations (as required) and best practice guidance. |
| **Inherent risk** | **Residual risk** | **Risk Appetite level:** | **Previous / Next detailed Board update on operation of controls listed above:** |
|  |  | Risk Appetite is **MINIMAL** (Light Green)<br>**Outwith Risk Appetite** | Standing item at Group Audit Committee meetings. (Ongoing)<br>Annual Report to RSL and Lowther Boards on Fire Prevention and Mitigation Framework<br>Group, RSL and Lowther Boards - Fire safety performance related KPIs (ADFs and FRAs) as part of standing performance updates. (Ongoing) |

## RISK 022 Financial impact of rent control legislation – *Outwith Risk Appetite*

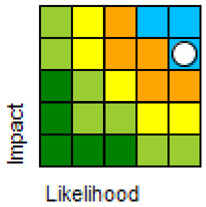
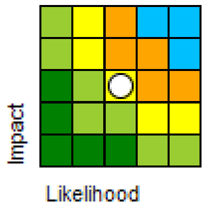
| | | | | | |
|---|---|---|---|---|---|
| **Strategic Outcome** | **Maintaining a strong credit rating and managing financial risk** | **Risk type** | **Financial or VFM** | **Risk owner** | **Group Director of Finance** |
| ***Description*** | | ***Controls*** | | | |
| There is a risk that the Group is required to significantly curtail future planned expenditure as a result of rent controls imposed by the Scottish Government, resulting in reduced spend on the new build programme, reduced capital | | The Group is involved in discussions with the Scottish Government, both directly and through the Scottish Federation of Housing, about its plans in relation to the extent and period of any | | | |

<table>
<tr><td colspan="3">investment in existing properties, and reduced services to customers, all of which may reduce customer satisfaction.</td><td>rent controls applied after 1st April 2023. This includes the Group Chief Executive’s membership of a Scottish Government-convened working group.<br>The Group has developed a flexible approach to the rent consultation so that customers contribute to the process in a meaningful way, within the constraints of the current period of uncertainty.<br>The Finance team has reviewed financial plans against a variety of assumptions and will continue to review business plans as additional information becomes available.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td>Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td>
</td><td>
</td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)<br><br>Outwith Risk Appetite</td><td>• Group Board workshop including discussion of cost-of-living crisis (August 2022)<br>• Group Board paper on rent setting approach (October and December 2022)</td></tr>
</table>

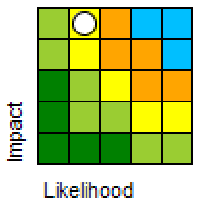
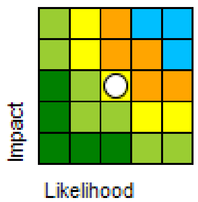
## RISK 005 Care and support services – *Outwith Risk Appetite*

| Strategic Outcome | Shaping Care Services for the future | Risk type | Compliance: Legal/Regulatory | Risk owner | Group Director of Communities |
|---|---|---|---|---|---|

| *Description* | *Controls* |
|---|---|
| A failure in the care of an individual could result in serious personal harm, leading to risk to life and limb, financial liability and loss of future work due to reputational damage. The commissioning environment relating to care and support services creates risks that funding is insufficient to allow services to break-even while paying staff fair wages. | Care and support services governance arrangements, including the authorising environment, are clear and have been approved. These include regular reviews of service financial positions and processes to hand back services which cannot be delivered in a financially viable manner.<br>Care Assurance Framework (which includes monitoring the results from Care Inspectorate service visits and Group Assurance inspections) in place which assesses the quality of care and adherence to Care policies and procedures across Group. Care Quality Framework approved by Care Board April 2022 is being implemented.<br>The Care Inspectorate has remobilised inspections of registered services as part of its scrutiny arrangements.<br>Regular management review of service users' care packages to monitor where people are leaving the services and how to redeploy resources or attract new users.<br>The Protecting People Policy Framework sets out arrangement for protecting the People We Work For, including those considered to be vulnerable. Work to deliver against the Framework is reported to the Wheatley Care Board. |

| Inherent risk | Residual risk | Risk Appetite level: | Previous / Next detailed Board update on operation of controls listed above: |
|---|---|---|---|
|   |   | Risk Appetite is **MINIMAL** (Light Green)<br>**Outwith Risk Appetite** | Finance reports are standing items at the Wheatley Care and Group Boards. (Ongoing)<br>Care business plan and ongoing care performance reporting to Group and Wheatley Care Board (minimum quarterly) |

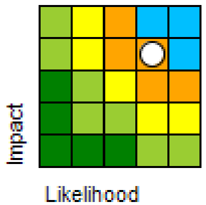
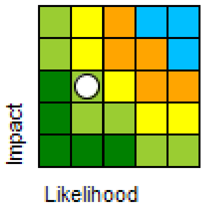
## RISK 010 Group Credit Rating – *Outwith Risk Appetite*

<table>
<tr><td>Strategic Outcome</td><td colspan="2">Maintaining a strong credit rating and managing financial risks</td><td>Risk type</td><td>Financial or VFM</td><td>Risk owner</td><td>Group Director of Finance</td></tr>
<tr><td colspan="3">Description</td><td colspan="4">Controls</td></tr>
<tr><td colspan="3">There is a risk that external factors such as a downgrade of the UK's credit rating or a default by another organisation within the social housing sector results in a downgrading of the Group's credit rating to BBB+ or below, resulting in a potential requirement to repay our European Investment Bank loans, a reduction in the availability of future borrowing, and/ or an increase in the cost of current debt.</td><td colspan="4">The Group’s business plan is designed to maintain a strong standalone credit rating, for example excluding build for sale. Our financial Golden Rules include maintaining strong levels of liquidity to mitigate refinance risks. Ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risk of unexpected rating changes which are controllable. Mitigation drafting used in legal clauses - in the event the rating fell to BBB+, the legal clauses are specific that this is not an event of default (thereby avoiding cross-default). Negotiation period – the legal clauses provide for a period to negotiate with EIB on mitigating measures, such as revisions to covenants or posting of increased security/collateral. Standby funders to replace EIB if necessary - A strong relationship is maintained with EIB to mitigate future risk from external factors causing a credit rating downgrade. Strong investor/lender relationships are maintained with a number of other organisations at all times in case of unanticipated funding need. Annual review (April) and quarterly meetings held with the S&P ratings team to enable pre-emptive actions where required.</td></tr>
<tr><td>Inherent risk</td><td>Residual risk</td><td>Risk Appetite level:</td><td colspan="4">Previous / Next detailed Board update on operation of controls listed above:</td></tr>
<tr><td></td><td></td><td>Risk Appetite is <u>MINIMAL</u> (Light Green)<br><br>Outwith Risk Appetite</td><td colspan="4">Business plan projections for all Boards set out how we will maintaining financial position (Feb 22)<br>The Group and WFL1 Boards receive quarterly treasury reports on the current credit market conditions and any credit rating updates. (Quarterly through 2021 and 2022)</td></tr>
</table>

## RISK 053 Damp and Mould – *New Risk*

| Strategic Outcome | Investing in existing homes and environments | Risk type | Compliance - Legal / Regulatory | Risk owner | Group Director of Repairs and Assets |
|---|---|---|---|---|---|

| ***Description*** | ***Controls*** |
|---|---|
| There is a risk that housing stock is in a poor-quality condition as a result of damp and mould, resulting in harm to tenants' health. | ***Existing controls***<br>The Group has a Damp and Mould Policy, which is supported by detailed procedures.<br>Mould and damp are recorded as specific work order descriptions, with agreed timescales for completion of the works. Timescales for completion of mould works have been reduced from 30 to 15 days and all jobs include a full inspection arranged by the RICO team within 48 hours. Additional staff, who will specialise in mould and damp, are being recruited to provide additional resource to the existing team.<br>A process in in place to contact tenants with completed mould and damp jobs to determine whether the reported issue has been resolved.<br>Trades staff are made aware of condensation and its causes, as well as being trained in application of products used to manage it.<br>There are annual visits to all properties as part of technical compliance programme, with those in attendance advised to report any issues noted while in a property, including damp and mould.<br>Housing Officers also access properties at least once per annum (usually more frequently). Housing Officers have access to information about current mould and damp jobs, factsheets to provide to tenants and are able to direct tenants to videos on how to manage issues. These are also available on Group websites.<br>Training has been developed for all frontline staff who work with tenants including housing, wraparound services, CFC and care staff. CFC staff have specific script for probing when someone raises concern about damp or mould so we understand clearly the extent of concern at the outset.<br>A No Access Policy to cover the Group's approach to forced access, including in instances where repeated issues of damp and mould are raised but access is refused, has been recently rolled out.<br>***Planned controls***<br>The Group Health & Safety team has sourced products that can be made available to tenants to help manage condensation, such as dehumidifiers, air dryers for clothes and anti-mould sprays. These will be stored locally and fuel advisors will be able to issue these products to assist tenants.<br>All staff with reason to visit customer homes are being trained to recognise signs of damp and mould.<br>Daily PowerBI reporting on numbers of mould and damp work orders is in development.<br>The group is developing a pilot exercise to test environmental sensors in a small number of properties. |

| **Inherent risk** | **Residual risk** | **Risk Appetite level:** | **Previous / Next detailed Board update on operation of controls listed above:** |
|---|---|---|---|
|   |   | Risk appetite is **MINIMAL** (Light Green) | Property Condition Assurance Approach reported to Subsidiary Boards in November 2022 and Group paper on approach to Damp and Mould at the December Group Board. |