



**LORETTO HOUSING ASSOCIATION
BOARD MEETING**

**Wednesday 29 March 2023 at 2pm
Wheatley House, 25 Cochrane Street Glasgow**

AGENDA

1. Apologies for absence
2. Declarations of interest
3. Minute of meeting held on 6 February 2023, matters arising and action list
4. Chair and Managing Director updates

Main Business Items

5. Repairs, damp and mould update
6. Home Safe building compliance update
7. Strategic Agreement with Glasgow City Council
8. 2023/24 budget
9. [redacted]
10. Glasgow City Council: Draft Local Housing Strategy

Other Business

11. Finance report
12. Governance update
13. Group Procurement – annual strategy and policy updates
14. Broadband development opportunity
15. AOCB

Dates of future meetings:

- Monday 15 May at 10.00-17.00 (Board and strategy workshop)
- Monday 21 August at 14.00
- Tuesday 19 September at 17.00 (AGM and Board meeting)
- Monday 20 November at 14.00

Report

To: Loretto Housing Board

By: Danny Lowe, Director of Group Repairs, Investment and Compliance

Approved by: Frank McCafferty, Group Director of Repairs & Assets

Subject: Repairs, damp and mould update

Date of Meeting: 29 March 2023

1. Purpose

- 1.1 To update the Board on how we are continuing to improve our repairs service and how we are building on our already strong processes for dealing with reports of mould and damp in our customers' homes.

2. Authorising and strategic context

- 2.1 As outlined in our Terms of Reference, the Board has an ongoing role in monitoring our approaches to risk, performance and strategic projects as well as monitoring the implementation of agreed risk mitigation actions.

3. Background

- 3.1 Following the work undertaken through 2022 to drive further improvement in our repairs service, a commitment was made to update our Board on the agreed actions.
- 3.2 Ensuring we deal with any reports of damp and mould has always been a priority for us. A detailed policy and procedure were approved by the Board in February 2022. This was further enhanced in November 2022.
- 3.3 In November 2022, the coroner's report into the tragic death of a child, Awaab Ishak, at his social rented property in Rochdale was released. This cited that he died of a respiratory condition caused by mould in his home.
- 3.4 Following this case, the Scottish Housing Regulator wrote to ask all governing bodies and committees to consider the systems they have in place to ensure their tenants' homes are not affected by mould and dampness and that they have appropriate, proactive systems to identify and deal with any reported cases of timeously and effectively. This report sets out how we are continuing to build on our already strong approach in this area to ensure our culture and processes take a "zero tolerance" approach to mould and damp.

4. Discussion

Repairs Service Improving Management of Repair Works

- 4.1 Customer insight and feedback on how customers viewed our repairs service identified two main areas for improvement:
- improving the communication around repairs appointments
 - improving the management of complex repair works (reducing the number of visits to complete a repair)
- 4.2 Both of these areas are a focus of the service in terms of developing and implementing improvements.

Management of Repair Works

- 4.3 The re-designed MyRepairs operating structure for Glasgow and the West went live on 23 January 2023. Since then, we have continued to increase the staffing of MyRepairs throughout February which has allowed the service offering for the frontline Customer First Centre (CFC) and Housing Officers to be increased by transferring any complex repairs cases to the new team.
- 4.4 This service individually case manages complex repairs providing customers with a single point of contact, having a focus on ensuring that repair works are completed satisfactorily in line with the commitment given to customers and that the customer is kept informed throughout about timescales and appointments.
- 4.5 As noted above, engagement has also started with each of the service areas involved in the delivery of the repairs service through a series of Think Yes sessions. Through these, we are looking for ways to improve the qualitative aspects of service delivery by focussing on the customer experience/journey.
- 4.6 The MyRepairs service is now handling call transfers and emails from the CFC and Housing Officers concerning existing repairs. It is anticipated that over time this will lead to improved call handling times for repair enquiries at the CFC, whilst our longer-term goal will be to reduce the call volumes, particularly around existing repair enquiries.
- 4.7 The service has also been overseeing the delivery of complex repairs referred to it by Locality Housing Directors and is liaising with the customers on these to provide a single point of contact. This has now been expanded out further for referrals directly from Housing Officers

Improving communications

- 4.8 The “Book It, Track It, Rate It” pilot, to undertake live testing of the system with repairs operatives prior to any launching with customers, commenced in Glasgow on 21 November 2022 as planned. The pilot testing identified a technical issue with delays in processing of messaging which would be issued to customers e.g. texts and map link. Following a pause of the pilot to identify a solution, these issues have now been resolved.

- 4.9 The expanded roll out of the pilot for Book It, Track It, Rate It was re-commenced in mid-February 2023, with live communications with customers commenced in mid-March 2023. The Rate It part of the pilot is programmed to go live at the end of April 2023.
- 4.10 It is expected that in addition to increasing customer satisfaction through improved communication around repairs, the introduction of Book It, Track It, Rate It will also lead to a reduction in “no access” repairs visits and calls to the CFC enquiring about when appointments are scheduled for and tracking progress with the tradesperson on the day of the repair.
- 4.11 Actions are also underway with the service delivery teams involved in the Repairs Service, including City Building to improve communications with customers around follow on repairs where these are needed so that the customer remains fully informed of what remains to be done and the timescales for these. The need for this improvement has been highlighted through a series of Think Yes Together sessions which commenced in Glasgow and the West at the end of February and will continue to be an area of focus for City Building (Glasgow) operational managers meetings and toolbox talks with the trades operatives.
- 4.12 Individual case management will also be undertaken through the new MyRepairs operating structure as highlighted above.

Other Improvement Areas

- 4.13 As part of our continued focus on improving the repairs service we are also concluding the development of a single suite of Key Performance Indicators for use across the Group to monitor the performance of the repairs service and which will enable direct comparison of performance and assist in the identification of areas for improvement. It is expected that this development work will be concluded, and the new reporting arrangements will be in place, for the new financial year.

Damp, Mould and Condensation

- 4.14 Our Group dampness, mould and condensation policy recognises the four main causes of dampness:
- penetrating dampness
 - rising dampness
 - defective plumbing
 - condensation
- 4.15 All of these have the potential to lead to mould growth, which in turn is recognised as a potential public health issue.
- 4.16 These also take account of contributing factors such as fuel poverty, roof repairs, blocked or broken ventilation and customer management of the home etc. and provide detailed guidance on how reports of dampness, mould and condensation should be managed consistently. This highlights the importance of using insight and intelligence to inform our proactive approach.

- 4.17 Our process was enhanced through August and September of last year. This now includes an automatic visit for every complete damp and mould repair by a Housing Officer to ensure our customer is satisfied and that the repair has been effective in preventing the return of any mould and/or damp.
- 4.18 Having further reviewed our processes and procedures, we have taken further action to reinforce our strong approach to damp and mould. This includes:
- daily review of all cases, with actions on an individual property basis tracked and monitored by a central team comprising senior managers with expertise in property maintenance and housing management/tenant support
 - we will aim to offer to visit a customer's home within **48 hours** of a report of mould
 - if the customer reports, or if any of our staff members observe, a significant mould issue, this will be treated as an emergency and the customer will be visited by specialist trades staff **within 3 hours**
 - a new target to **complete** repairs within 15 working days, down from the previous target of 30 working days (noting that some repairs may be larger or more structural in nature – for example where a new roof is needed, in which case a management and monitoring regime will be instigated for every affected property to contain the issue and support the customer pending completion of these works; this may on occasion involve the decant of tenants)
 - enhanced reporting arrangements – mould and damp figures are now included as routine in Board performance reports
 - increasing the resources within our repairs team with additional specialist resources such as in-house building surveyor skills, and integrating this with the City Building rot team
 - augmenting our internal team with an on-call building surveyor firm to provide specialist technical input on an as-needed basis – this will include assistance in the diagnosis of root causes of damp, mould and condensation and with the verification and validation of our proposed actions
 - refreshing the customer factsheet highlighting actions that can be taken to prevent mould and condensation
 - training for staff and access to a full range of support services for customers including the “Here for You” fund
 - writing to tenants to remind them of the support we have available over the winter months – including our Here for You fund – and to re-affirm that they should call us immediately if they are aware of any issues with mould, damp and condensation in their homes
 - a new forced access approach, whereby if a customer has reported mould but has not permitted access following 3 visits, we will force access to the property to inspect on health and safety grounds.

- 4.19 We reviewed and considered other possible measures we could take to reinforce the **“zero tolerance”** approach to reports of mould and damp, including any other measures that can enhance the rapid rectification of reports of damp and condensation including:
- the review of existing damp, mould and condensation policy and operational procedures (attached as Appendix 1)
 - review of our no access approach
 - continuing to improve format and IT processes supporting daily reporting and case management
 - enhancement of the quality assurance process
 - enhancement of staff and partner training materials to assist with the identification, reporting and advice
 - improving customer factsheets/support materials
 - establishing stocks of damp and mould prevention products for customers
- 4.20 The first year of a rolling five-year survey of the condition of our housing stock across the Group has recently been completed by our independent property consultants JLL. This involved “in person” visits to assess the condition both internally and externally of over 2,500 of our homes. This will increase to cover over 8,500 inspections, representing 20% of Group homes over the five-year period of the contract. JLL worked together with qualified building surveyors from JMP Construction and Property Consultants, and the properties surveyed were spread across a variety of archetypes in Loretto Housing.
- 4.21 The results of the surveys confirm a high level of confidence in the stock condition data held on our asset management system PIMMS and validate our lifecycle assumptions on component replacements. The inspections themselves provide an opportunity to highlight any specific issues within inspected properties including unreported damp and mould cases. Across the properties surveyed no systemic damp and mould issues were identified, however, we have taken the decision to supplement the general stock condition surveys with targeted inspections by JMP of a sample of properties within archetypes that are more susceptible to damp and mould issues to provide additional third-party assurance. As at 3 March 2023, 2,396 surveys had been completed (40%). There were no cases where mould/damp had been identified for immediate follow up action through the MyRepairs team in our stock.

Good Practice in Managing Mould and Damp

- 4.22 The Housing Ombudsman Service for England recently published its one year follow up report “Spotlight on damp and mould – it’s not lifestyle” on 2 February 2023.
- 4.23 Whilst the Housing Ombudsman Service is not a Regulatory body in Scotland, given that this report highlighted areas of best practice as well as identifying areas of continued concern across the housing sector in England it was considered appropriate to carry out a self-assessment against the 10 key factors. These are areas that the Housing Ombudsman Service considers will have an impact on how successful any action plan is in practice, and which helps in testing the adequacy of these.

- 4.24 Appendix 2 notes the outcome of our self-assessment and provides detail of the current status against each of the 10 key factors as well as further actions being taken or underway.
- 4.25 Overall this summary reinforces that we are in a good position with regards to processes and procedures around dealing with reports of damp and mould and taking the further actions noted will assist in strengthening this position even further.
- 4.26 We will also continue to engage across the Housing sector, reviewing any best practice guidance issued and attending awareness/training events to identify best practice which can further strengthen/enhance our approach.

Current Performance

- 4.27 A breakdown of the current status of all live mould cases, with categorisation for those that have already had an inspection, is as follows:

Live Cases	Cat 3	Cat 2	Cat 1
18	8	0	0

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 an 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.

- 4.28 The service target is to treat/remove any mould present within 48 hours of this being reported and this is generally undertaken at the first visit to the property. For category 1 repairs noted above there may be an element of further repair works needed to resolve leaks or water penetration issues and which will require further repair visits to fully resolve the underlying cause of the mould.
- 4.29 We will continue to focus on the management and reduction of live mould, damp and rot cases. It is anticipated that as we move forward into spring/summer, increased temperatures will also help with reducing the live caseload through a reduction in condensation related referrals.

5. Customer Engagement

- 5.1 Customers will continue to be engaged through a number of means, including winter preparation campaigns/information, newsletters and annual customer conversations.

6. Environmental and sustainability implications

- 6.1 This report has no environmental or sustainability considerations.

7. Digital transformation alignment

- 7.1 This report aligns with the Group digital strategy, where we will use our systems to support the monitoring, tracking and analysis of damp and mould cases.

8. Financial and value for money implications

- 8.1 Costs for repair and investment work related to remediating damp and mould in our properties including additional staffing resource is provided for in the 2022/23 business plan and annual budget.

9. Legal, regulatory and charitable implications

- 9.1 Ensuring tenant and resident safety is a critical part of the work of social landlords in Scotland. The Scottish Housing Quality Standard requires that the homes provided by social landlords:

- Meet the Tolerable Standards
- Be free from serious disrepair
- Be energy efficient
- Have modern facilities and services
- Be healthy, safe and secure

- 9.2. All RSL boards have approved that forced appointments can be used where customers do not allow access to enable reported issues of damp and mould to be addressed.

10. Risk Appetite and assessment

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

11. Equalities implications

- 11.1 As part of the work referenced to develop a new end to end process for the management of dampness, mould and condensation we will review and look to strengthen our advice/guidance to customers and make these available in a range of formats and mediums that are readily understood and practical. We will also engage through customer focus groups to develop bespoke solutions where needed to meet the needs of individuals and families as part of a proactive approach to the management and prevention of mould, dampness and condensation in our homes.

12. Key issues and conclusions

- 12.1 Damp and mould are a serious health concern and are being treated across the Group in the same manner as other key compliance workstreams, such as gas safety checks and fixed electrical testing.
- 12.2 We have robust processes to deal with reports of mould and damp, and these were strengthened during 2022. We will continue to keep the Board updated on our work in this area.

13. Recommendations

- 13.1. The Board is asked to:
 - 1) Note the contents of this report; and
 - 2) Note the updated Group Managing Dampness, Mould and Condensation Policy which was approved by the Group Board on 15 March 2023

LIST OF APPENDICES:

Appendix 1: Group Managing Dampness, Mould and Condensation Policy [redacted] can be found [here](#)

Appendix 2: Self-assessment: Housing Ombudsman Service

Appendix 2

Housing Ombudsman Service

“Spotlight on damp and mould – it’s not lifestyle – published 2 February 2023

Outcome of Self-Assessment against 10 key Factors

From Reactive to Proactive	Current position and sources of assurance	Further enhancements in progress
<p>Find your silence</p> <p>Complaints systems are there so people can raise their issues and get them addressed quickly. Landlords should analyse who is not using their complaints process, and why. This will help prevent receiving unexpected Letters Before Claim and/or press enquiries. Most importantly, however, finding your silence will help to ensure parity in accessing the complaints process and help to identify any shortfalls in its reach. Receiving a high volume of complaints is not necessarily indicative of a failing. Rather, it could indicate your complaints process is accessible, you are open and transparent, residents feel they can complain and believe there is a value to doing so. The Housing Ombudsman is as concerned by low levels of complaints as high ones, particularly with larger landlords.</p>	<p>Our complaints policy and process are published on our website. Complaints can be reported via multiple channels including in person through local staff eg Housing Officers and NETs operatives, in writing, by phone and via our Web Self Service.</p> <p>The volumes of complaints received and the breadth of these would suggest that the complaints process is easily understood and accessible.</p> <p>We have consciously diversified our customer voices profile to ensure that a wider range of voices are informing our work, feeding back customer experience and co-creating the way we deliver services which will include how we tackle harder to reach tenants.</p> <p>Each Housing Officer undertakes an annual visit. Part of this includes ensuring that the customer has no issues they have been unable to raise or have resolved. We have a translation service to ensure customers who do not speak English have a mechanism to communicate any issues with us and Housing Officers are aware of this service.</p>	<p>As part of the new end to end processes being developed to deal with reports of damp/mould we will incorporate contact with customers 1 month after the repair completion and again after 3 months to ensure that there are no further issues.</p> <p>The introduction of book it, track it, rate it will allow customers to provide real time feedback on repairs and request an immediate call back if they're dissatisfied with a repairs appointment (including mould and damp). The follow up visit to the customer by the housing officer within 5 days of notification of completion of the work will also present an opportunity for the customer to note back any concerns.</p>

<p>Proactive communication strategy</p> <p>Advice given to residents needs to be provided in multiple formats. The tone of the advice is key. The resident should not be patronised, insulted or blamed, for example, by making impractical suggestions about keeping the heating on all the time. The onus for resolving the issue should not be placed solely on the resident with a subtext that the issue is within their control. Our call for evidence highlighted there is good practice regarding what actions landlords are taken, but this often isn't communicated effectively to residents.</p>	<p>Our staff training and all associated procedures are extremely clear that the guiding principle for all customer interaction is that there is no fault with customers and that 'lifestyle' is not a factor. It is also clear that rectifying the issue is our responsibility as a landlord, not the customers.</p> <p>We provide advice through multiple channels and formats, including in writing via our websites, through fuel advisors, Housing Officers and technical staff such as Repairs and Investment officers. The focus of advice is that it is practical and workable and where appropriate has assistance such as fuel vouchers to cover the cost of running temporary heaters or dehumidifiers.</p>	<p>Customer communications are currently being fully reviewed, including having key information accessible/translatable in multiple languages via our website. This will include how the updated policy and procedure is communicated to tenants. When complete these will be subject to review by Customer Voices focus groups.</p> <p>Damp and mould will become a formal element of our future winter ready campaigns. The specific advice and communication as part of this will be reviewed in advance by a selection of customer Voices.</p>
Take Responsibility	Current position and sources of assurance	Further enhancements in progress
<p>Treat residents fairly</p> <p>Each case needs to be treated individually, even where similar cases have been seen before. This will help to prevent assumptions being made. Behind each report of damp and mould, there is a person or people who may be suffering and that should be the focal point.</p>	<p>Every case is managed individually and where it is a repeat occurrence in the same property in most cases this will trigger a surveyor or technical specialists to ensure that we identify the underlying issue.</p> <p>Our categorisation is not confirmed until an initial assessment is physically undertaken i.e. individually not based on an assumption linked to similar cases.</p>	<p>Further works to be planned with customer groups to consider bespoke solutions/advice/guidance.</p>

This case management is by a specialist team to ensure it has the appropriately skilled staff however this is coordinated with the local Housing Officer given their existing relationship with the customer. Within 5 working days of notification of the damp/mould works being completed the Housing officer will undertake a reassurance visit to ensure that the works have been successful in dealing with the damp/mould and to provide any other guidance/support that may be needed which can include access to funding and the like. The follow up visit to the customer by the housing officer, typically around 5 days, of notification of completion of the work will also present an opportunity for the customer to note back any concerns.

The need to manage each case individually is reinforced as part of our training. Our bespoke training module for frontline service teams which will assist in the identification of damp and mould and with conversations with customers on the joint solution to the specific issue. This is being rolled out across the frontline service teams and completion of this will be mandatory.

<p>Improve record keeping</p> <p>An intelligence-based approach is essential, but this requires good knowledge and information management. Good record-keeping is an integral part of service provision, not an optional extra. It benefits all concerned. Landlords have clarity on what the issues are and can evidence actions they have taken. It helps to prevent complaints being raised and/or escalated as landlords are able to communicate efficiently with residents and answer queries without the need for the resident to continuously chase</p>	<p>All our repairs, including damp and mould, are recorded on our IT systems. We have already undertaken a review of the data held and:</p> <ul style="list-style-type: none"> ▪ Improved the data capturing arrangements to allow for better analysis, monitoring and case management such as capturing images for all cases and introducing categorisation of cases ▪ Additional staff resources and skills, such as Building Surveyors, to aid the diagnosis of structural issues and fixes required ▪ Undertaken analysis of cases with multiple mould and damp related repairs and fed this into our future investment programme; ▪ 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 	<p>We have undertaken a full process mapping for damp and mould for all three repairs services (CBG, WHE and WHS) and identified where we can and need to harmonise the data we capture, change the date we capture and update our system to record data in a different way. The findings are now being converted into a range of actions which will be implemented over the coming months and will improve:</p> <ul style="list-style-type: none"> ▪ The automation of data reporting ▪ The ease by which we can analyse data such as trends and patterns ▪ Case management functionality within ASTRA which will enhance visibility of cases for the CFC ▪ The recording of all protocols and processes in a central repository for both exiting and new staff
<p>Know your residents</p> <p>Occupancy factors may include overcrowding and the availability and use of heating and ventilation systems. They also include individual circumstances such as disability, financial hardship, and health conditions</p>	<p>The initial diagnosis following a report of mould/dampness will take account of individual/family circumstances and this will be further taken account of when the Housing Officer attends to undertake the follow up visit on completion of the works to determine the effectiveness of the repairs/actions taken and to assess whether any further supports are needed.</p>	

Focus on the Fabric	Current position and sources of assurance	Further enhancements in progress
<p>Check net zero plans</p> <p>Landlords need to consider whether a green drive will push people into fuel poverty, particularly as electrical heating costs more than gas. Landlords need to be equipped to offer appropriate and empathetic signposting and referrals to agencies who may be able to support</p>	<p>We have dedicated fuel advisors who support and assist tenants.</p> <p>As part of our assessment of heating systems we consider how they fit with the wider energy efficiency of the property with a focus on keeping costs down for tenants.</p>	<p>We are strategically considering how heating systems and future regulations will impact tenants. This includes retrofit and new build properties. The costs of running systems will be a key factor in determining future works programmes specifications</p>
<p>Know your stock</p> <p>Structural factors include property age, design, and modifications. For example, certain types of properties such as converted street properties, buildings of concrete construction or traditional solid type construction are more susceptible to damp and mould than others and can require significant investment to address the issues. Property 'MOTs' and audits can help landlords to identify which of their properties are at risk of damp and mould, or already have this problem and works are needed before making this property available.</p>	<p>Reviewing where reports of mould/damp are being made from alongside other property information gathered through the ongoing survey of 10% of the stock to determine what proactive actions can be taken in relation to house types.</p> <p>Reviewing contract specifications based on works already completed</p>	<p>Analysis of data on what's being reported and from where (areas and property types etc) will be undertaken to determine any general improvement actions needed against stock types etc as part of a prevention plan.</p> <p>The first year of a rolling five-year validation survey of the condition of our housing stock across the Group has recently been completed by our independent property consultants JLL. This survey will inspect 20% of our homes over the 5 year period and involves "in person" visits to assess the condition both internally and externally our homes. This year we have enhanced this survey to cover 6,000 properties.</p>

		<p>As well as validating stock condition, these surveys will also identify any cases of mould and damp, and escalate any cat 1 issues for immediate resolution. In undertaking these surveys, JLL is working together with qualified building surveyors from JMP Construction and Property Consultants, and the properties surveyed were spread across a variety of archetypes in Wheatley Homes Glasgow, Wheatley Homes East, Wheatley Homes South and Loretto. A large proportion of homes in Wheatley Homes South were surveyed in 2019 in conjunction with the partnership discussions at that time and were not included in the properties selected for survey this year but will form part of the sample from year two (2023/24) onwards.</p> <p>The results of the surveys carried out so far confirm a high level of confidence in the stock condition data held on our asset management system PIMMS and validate our lifecycle assumptions on component replacements. The inspections themselves also provide an opportunity to highlight any specific issues within inspected properties including unreported damp and mould cases. Across the properties surveyed no systemic damp and mould issues</p>
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		<p>were identified, however we have taken the decision to supplement the general stock condition surveys with targeted inspections by JMP of a sample of properties within archetypes that are more susceptible to damp and mould issues to provide additional third-party assurance.</p>
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Zero Tolerance Culture	Current position and sources of assurance	Further enhancements in progress
<p>Dedicated damp and mould strategy</p> <p>This should include looking wider than the individual report (s) raised and look for themes and trends. It also requires a review of parallel processes, such as mutual exchange and the void standard, to ensure these are aligned with the damp and mould strategy.</p>	<p>Our allocations policy currently permits mutual exchanges which can be used to alleviate overcrowding.</p> <p>No void property would be relet where any damp or mould was identified.</p>	<p>Our next allocations review will consider whether overcrowding that is likely to increase the likelihood of damp and mould</p> <p>Review of the current procedural documents are taking place on completion of the new “to be” processes and procedures being developed from a range of operational workshops. This work will be linked across to other workstreams including void works to ensure that consistent practices are followed when dealing with mould and damp related matters</p>
<p>Empower staff</p> <p>We encourage landlords to consider the Chartered Institute of Housing’s Professional Standards if they have not already done so. In particular the ‘Skilled’ standard requires housing professionals to ‘solve problems, be flexible, adaptable and respond to situations creatively, in the moment’ and considers practical application of this standard to include ‘taking pre-emptive action and proactively problem solving’ and ‘finding solutions, even if they lie outside “normal” activity.’</p>	<p>There are a range of training and development arrangements in place for Housing Officers including the “Ignite” programme. Housing Officers can also undertake the Chartered Institute of Housing’s Professional standards Qualification on a voluntary basis.</p> <p>There are also specialist technical staff engaged in the resolution of mould/damp cases including professionally qualified and accredited Building Surveyors. External specialist consultants are also engaged wherever additional technical support is needed</p>	<p>We will continue to review training and development opportunities for officers engaged at all points in the resolution process for damp/mould reports.</p>

<p>Use the complaints system to learn</p> <p>Continue to use the complaints process, even where legal action has been suggested, as there still may be an opportunity to resolve the matter. Analyse the complaints received to look for common as well as emerging themes and trends. Use this insight to make improvements to your service delivery and/or complaints process.</p>	<p>Analysis of the reason for complaints currently takes place to understand the underlying cause and to determine any actions needed to prevent any similar complaint types in future</p>	<p>A bespoke training module has been developed for frontline service teams which will assist in the identification of damp and mould and with conversations with customers on the joint solution. This is being rolled out across the frontline service teams and completion of this will be mandatory.</p>
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Report

To: Loretto Housing Board

By: Brian Stewart, Director of Investment, Repairs & Compliance

Approved by: Frank McCafferty, Group Director of Repairs & Assets

Subject: Home Safe building compliance update

Date of Meeting: 29 March 2023

1. Purpose

- 1.1 This report provides an update to the Board on our Home Safe building compliance work streams during 2022/23.

2. Authorising and strategic context

- 2.1 Under our Terms of Reference, our Board is responsible for the on-going monitoring and scrutiny of our compliance with relevant legislation and regulation. This report provides our Board with an operational update and details of compliance works that are undertaken and ongoing activities.
- 2.2 In line with our strategy we will maintain our commitment to “make the most of our homes and assets”. We will ensure through our Home Safe compliance programmes that we protect and maintain our existing assets.

3. Background

- 3.1 Our compliance work programmes includes gas servicing, lift servicing, thermostatic mixer valves (TMVs), water management including legionella prevention and electrical works such as electrical inspections and smoke and heat detector renewals / replacement.
- 3.2 Landlords have a mandatory legal duty to repair and maintain gas pipework, flues and appliances in a safe condition, to ensure an annual gas safety check on each appliance and flue, and to keep a record of each safety check.
- 3.3 Landlords also have other obligations under legislation or approved codes of practice (ACOPs) for a variety of building maintenance and inspection activities related to firefighting equipment (dry risers/sprinklers), lifting equipment, alarm systems etc.
- 3.4 Landlords also have a mandatory responsibility for electrical safety including carrying out Electrical Inspections, commonly referred to as EICR or FIT testing.

3.5 The arrangements for examples of some of our compliance work programmes is illustrated in the table below.

Work Stream	Cycle	Status
TMV maintenance and Installation	Annual	Rolling programme ongoing since remobilisation
Smoke and Heat Detector re-life programme	Every 10 years but is dictated <i>annually</i> by build date / LD2 install date	Rolling annual programme
Electrical (EICR)	Maximum Every 5 years	Rolling annual programme
Gas Servicing	Annual (10-month cycle)	Rolling annual programme
Lift Insurance Inspections	Six monthly	Rolling programme continued through the pandemic
Proactive Lift Maintenance	Monthly checks	Ongoing programme
Mechanical and Electrical Works	Subject to asset requirements: examples are CCTV. Pumps, aerials, hoists	Ongoing programme

3.6 *Key Objectives for our Home Safe compliance work:*

- To increase customer safety within their homes by undertaking both statutory and good practice compliance activities in line with lifecycles/recommendations.
- Increasing access levels for our JV partners, internal maintenance delivery teams and other specialist contractors.
- Package up home safety visits where practical and minimise the number of visits to decrease inconvenience to the customer while enhancing value for money and productivity.
- Increase the visibility of compliance works with frontline staff, particularly colleagues who can engage with customers while raising day to day repairs on their behalf.
- Promote the value of home safety works to our customers through regular marketing campaigns on our social media channels / RSL websites.
- Abide by guidance and requirements set by the Scottish Housing Regulator for mandatory work programmes such as Gas and Electrical.

One and done approach

- 3.7 Our approach to delivering compliance activities is embedded in our Group Repairs and Maintenance Policy Framework:

“The Groups approach is to offer a one-stop shop service through compliance trades teams for compliance events required within a customer’s home.... The aim of this service is to minimise disruption to the customer and to provide assurance on the safety of our homes.”

- 3.8 To that end, working with City Building Glasgow (CBG), we have a dedicated Home Safe delivery team to work collaboratively with our Asset Landlord Compliance team at the joint venture. This CBG Home Safe Team consists of key leads across, Gas, Electrical, Water Management and Lift Safety.
- 3.9 The one and done approach is tailored to meet all compliance activities within our tenanted properties. Wherever practical for similar related compliance activities within our stock we will endeavour to package works together taking cognisance of asset compliance cycles, property attributes and individual customer requirements.

Type of Package	Stock Targeted	Type of works
Home Safe Bundle 1: Gas and Water Mgt works	Gas properties	<ul style="list-style-type: none">▪ Annual gas servicing▪ Temperature checks at water outlets▪ TMV works▪ Test/servicing of smoke/heat/carbon monoxide detectors▪ Complete all certification
Home Safe Bundle 2: Electrical installs and servicing	All properties	<ul style="list-style-type: none">▪ Installation of smoke and heat detectors (re-life programme)▪ Carry out EICR inspections
Home Safe Bundle 3: Joinery and electrical	Electric only (no gas) low-rise properties	<ul style="list-style-type: none">▪ Test/servicing of smoke and heat detectors▪ Service void dwelling windows and doors

- 3.10 When one of our properties are vacant, we will also use the opportunity to carry out any required compliance activities. The purpose of the void compliance works is to ensure that every new tenant moves into a home which is safe and secure for them to live in, while also maximising the access opportunity to undertake as much cyclical or capital compliance works as possible while the property is vacant.

4. Discussion

Gas Safety

- 4.1 With exception of the impact of the early phases of the pandemic lockdown, we have always had 100% gas safety compliance (i.e. no outstanding CP12s) and our service has been recognised nationally including through City Building Glasgow winning Gas Contractor of the year on two separate occasions. Achieving this compliance requires an annual inspection of every property with gas. We have 2,468 homes on the gas servicing contract.
- 4.2 Since 12 August 2020, Loretto Homes recovered its long-standing historical 100% performance position and returned to zero failed CP12s and 100% compliance with SHR ARC performance indicators. We have maintained zero CP12 fails since reaching that level in August 2020.
- 4.3 In addition to the formal appointment letters that are posted we also carry out proactive outbound calling through our customer first centre (CFC), to maximise access into our tenant's homes and allow them the flexibility to change appointments to suit them by speaking directly with our call handlers.
- 4.4 Only as a last resort after we have exhausted all reasonable efforts to obtain access through communication and liaison do we move to a forced appointment, to guarantee we maintain 100% compliance and ensure the safety of our tenants and protection of our assets.

Gas Services Completed	Total Gas Services Required	Percentage completion
2,468	2,468	100%

Water Management

- 4.5 Legionella testing is part of our overall water management strategy and is a year-round rolling programme of works.
- 4.6 Our regime varies on a site-by-site basis taking into consideration the water system installed, the type of property and the customer demographic. Works can include individual tasks such as visual inspections of the tanks, risk assessments, temperature checks of both the water inlet and of resting water within the tank, bacterial testing which checks the water supply for various bacteria including e-coli and legionella and chemical testing for metal and mineral contents to ensure that water meets the relevant water quality standards as set by the Water Supply (Water Quality) (Scotland) Regulations 2001.

- 4.7 The table below provides details of progress against the current rolling annual programme. **100% compliance in the table below will be achieved by end of March 2023**

Inspections/tasks completed so far	Total Inspections/tasks Required	Percentage completion
292	315	92.69%

TMV Servicing – Qualifying households

- 4.8 The table below provides the total number of households within this programme in Loretto.

Business Area	Qualifying Households
Loretto	562

Inspections completed so far	Total Inspections Required	Percentage completion
452	562	80.42%

** Further no access return visits still planned in for completion during Mar 23*

- 4.9 Our TMV programme is not mandatory, it is a best practice approach, which involves a rolling annual programme, and includes potentially vulnerable customer groups within qualifying households (e.g. those containing under 5s or over 75s and also some Care sites). As this programme is predominantly based on age demographics the qualifying household list is reviewed and updated annually.
- 4.10 Due to the amount of specialised accommodation for other vulnerable client groups within Loretto Housing, a separate TMV check programme is carried out across these locations via our M&E contractor Equans.

Smoke and Heat Detectors

- 4.11 All **2,732** properties of our have LD2 smoke and heat detectors installed either at newbuild or which are upgraded as part of our rolling programme of re-life works (10-year cycle). All customers are offered a minimum of two appointments to enable the works to be completed at a time suitably convenient for them. As a last resort we move to a forced appointment to ensure we maintain compliance in this area.

Periodic Electrical Testing (EICR)

- 4.12 In May 2020 the Scottish Government updated its guidance to social landlords via the Scottish Housing Quality Standards (SHQS), requiring that periodic electrical inspections be undertaken in all properties on a cycle of no more than 5 years. This brought the social housing sector in line with guidance issued to the private rented sector in 2015. Landlords must make “reasonable efforts” to ensure that homes are accessed to carry out the inspection.
- 4.13 Historically we budgeted for periodic inspection on a 10 yearly cycle, reflecting the following risk mitigation considerations:
- significant internal investment works that were carried out in our properties over the last decade included electrical upgrades as required
 - Age (build year) of the stock
 - availability of electrical safety repairs for customers 24/7/365
 - inspections and electrical repairs/upgrades undertaken at void
 - on-going one-off investment works which identify issues with electrical installations.
- 4.14 We also undertook periodic electrical inspections in customers’ homes (as required) when we were installing the new LD2 smoke and heat detector systems to minimise disruption to customers.
- 4.15 We currently have an ongoing programme of work to access all homes that still require an updated electrical inspection certificate. The table below shows the position with obtaining access to carry out the electrical inspection, which takes up to two hours to complete, the property must have sufficient credit in the electricity meter and clear access to all power outlets in all rooms/cupboards. Our RIC asset team is currently liaising with our frontline teams to facilitate access to allow the EICR to progress.

Stock	EICR Total Outstanding	Percentage completion
2732	6	99.78%

**Figure above as at 22.03.23*

Lift Inspections and Maintenance

- 4.16 Lift inspections by our insurance engineers are completed on a rolling programme. Proactive servicing of our lifts is carried out monthly via our approved Insurance company (Houghton’s).
- 4.17 Lift performance, such as time to complete any minor defects or major repairs is routinely monitored and managed by our Asset team at the JV.

- 4.18 All emergency callouts are being dealt with within set SLA timescales for example 1 hour for trapped passenger(s) and all other emergencies within 4 hours.

No. of lifts	Total Inspections Complete	Percentage completion
28	28	100%

Mechanical and Electrical Works (M&E)

- 4.19 For some of our assets our specialist M&E contractor (Equans) and their supply chain work under our instruction to undertake all statutory compliance works which are accessible within common areas of our blocks or within landlord controlled areas (tank rooms, risers etc.), this work included water testing, dry riser testing, fire alarm maintenance, CCTV repairs and maintenance.
- 4.20 Performance remains satisfactory with emergency callouts being dealt with within timescales.

Management and Delivery

- 4.21 Our asset team based at CBG will continue to provide day-to-day management of our Home Safe compliance work programmes including all project management functions, supporting our CFC model with customer communication and provide all performance, financial monitoring and reporting. The team's approach will ensure we continue to provide a robust landlord assurance function to maintain compliance across the various workstreams.

5. Customer Engagement

- 5.1 Experience tells us the value of proactively engaging our customers, and emphasising the importance of our compliance work programmes through our annual "Stay Safe" Messaging and use of social media and RSL websites. (See appendix 1)

We will continue to develop our approach to working with our customers to deliver our compliance activities in conjunction with our CFC and hybrid operating model, utilising the size and scale of our new Customer First Centre to engage our customers and work with City Building Glasgow and our M&E contractor (Equans), to continue to maximise our access rates.

- 5.2 We will further strengthen communications with customers at each stage to explain:
- what we are doing and why it's important
 - how we will ensure the work can be carried out safely
 - what we need them to do
 - how they can get in touch to talk to us.

- 5.3 Key messages in all our communications to customers on compliance will be:
- The safety of our customers and staff is our top priority and as a result we will continue to follow all recommended best practices on PPE.
 - Compliance activities are essential work aimed at keeping you and your home safe.
 - Promote positive messaging to improve the profile of compliance activities so that our customers see them as “value works”.
- 5.4 These key messages, supplemented where appropriate with detail of the individual project or work being carried out, will be communicated to customers using a range of channels including telephone calls, online, web and social media.
- 6. Environmental and sustainability implications**
- 6.1 There are no direct environmental and sustainability implications associated with this report.
- 6.2 However our approach to carry out associated compliance works in one visit will as a result lead to fewer travel visits by engineers and trade staff across our assets.
- 7. Digital transformation alignment**
- 7.1 We will look to align our compliance activities work programmes with our overall group digital transformation strategy. Giving customers more choice over appointment timeframes and offering a digital self-serve method for the customer arrange compliance works in their homes once that channel shift is available for home safety compliance activities.
- 8. Financial and value for money implications**
- 8.1 There are no direct value for money implications arising from this report.
- 8.2 Budgets for these work streams have already been agreed and improved as part of the 5-year Capital Investment plan already approved by our Board.
- 9. Legal, regulatory and charitable implications**
- 9.1 In considering the current legal implications, the organisation will respond to any changes to regulations from the Scottish Government and SHR as and when they may arise.
- 9.2 The amendments to the Scottish Housing Quality Standards in relation to Periodic Electrical inspections required us to increase our electrical inspection programme from a 10 year to a 5-year cycle.
- 10. Risk Appetite and assessment**
- 10.1 The organisation’s risk appetite relating to building compliance work streams is minimal” i.e. preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.

- 10.2 Risks relating to repairs and maintenance are set out in the Loretto Housing risk register. In addition, some compliance activities, for example gas servicing, are embedded in the Scottish Housing Regulator's reporting requirements.

11. Equalities implications

- 11.1 There are no equalities implications associated with this report.

2. Key issues and conclusions

- 12.1 We will continue to complete all essential compliance activities keeping our homes and customers safe. We will continue to develop our approach to maximising access for compliance works through our new operating model.
- 12.2 Our "one and done" approach will continue to be offered where possible for similar related compliance activities subject to asset cycles, property attributes and customer requirements. Ensuring we remain agile and alert to any changing legislation or best practice is key to maintain our commitment to providing a robust level of landlord assurance across the various compliance activities.
- 12.3 We will continue to robustly monitor and manage performance of our JV partner and our M&E contractor to ensure tasks are delivered on time and to required standards.

13. Recommendations

- 13.1 The Board are asked to note the content of this report and agree the proposed ongoing approach to managing and delivering compliance related works.

LIST OF APPENDICES

Appendix 1: 'Stay Safe' Messaging and use of social media and RSL websites

[My home](#)
[Ways we can help](#)
[About us](#)
[Find a home](#)
[Jobs and training](#)
[Contact us](#)
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[Home](#) > [My home](#) > [My safety](#) > [Stay Safe campaign](#)

Stay Safe campaign

We want to help you keep safe in and around your home.

Our Stay Stay campaign tells you what to do to avoid fires in your home, burns and scalds in the bathroom, accidents in the living room and more.

You should follow these five key tips to help you stay safe at home.

- get a free home safety visit – call 0800 0731 999
- make sure you have a smoke alarm and it works. If you don't, call us on 0800 952 9292 or speak to your housing officer
- don't leave rubbish or bulk items lying about communal areas – it's dangerous
- always put cigarettes out properly in an ashtray
- switch off electrical appliances at the wall when you leave your home or go to bed.

Find out more Stay Safe advice and tips below.

Home fire safety visit

Get your free home fire safety visit from Scottish Fire and Rescue.

Kitchen safety

Did you know more fires start in the kitchen than in any other room?

Bathroom safety

Avoid scalds and burns by reading our bathroom safety tips.

Living room safety

Stay safe in the living room by following out expert advice.

Bedroom safety

Reduce the risk of a fire in the bedroom by following our tips.

Closes, foyers and stairwell safety

Keep closes, foyers and stairwells clear in the event of a fire.

Trips and falls

Avoid trips and falls in the home by following these safety tips.

Get a home fire safety visit.

*It's free and it could save your life. Call Scottish Fire and Rescue Service on **0800 0731 999**.*

Report

To: Loretto Housing Board

By: Laura Henderson Managing Director

Approved by: Laura Pluck, Group Director of Communities

Subject: Strategic Agreement with Glasgow City Council

Date of Meeting: 24 March 2023

1. Purpose

- 1.1 To ask the Board to consider the attached draft Strategic Agreement (“the Agreement”) between Wheatley Group and Glasgow City Council (“GCC”) which was approved by the Wheatley Group Board at its meeting on 15 March 2023.

2. Authorising and strategic context

- 2.1. Under the Group Standing Orders, the Wheatley Group Board is responsible for approving group strategy and any changes to this. The Agreement is of strategic importance, as it sets out key elements of our working relationship with GCC, one of our most important partners.
- 2.2. Our five-year strategy *Your Home, Your Community, Your Future* makes clear, as part of enabling our ambitions, the importance of strong relationships with key stakeholders. This includes being ‘*clear in our engagement with partners about what our asks and expectations are of them, in order to achieve mutual objectives, placing a greater emphasis on the contribution they will make in support of Wheatley’s contribution*’. The Agreement with GCC is part of our continued approach to ensuring we have a productive relationship.
- 2.3. The Agreement is due to be presented to GCC Committees for approval over the coming months and may be subject to change. Any changes will be notified to the Board for discussion prior to the Agreement being finalised.

3. Background

- 3.1. Our relationships with GCC are critical to delivering our strategy. GCC has a statutory role as “Strategic Housing Authorities”, responsible for setting the Local Housing Strategies and Strategic Housing Investment Plans within which we work.

- 3.2. GCC also has responsibilities for the prevention of homelessness, the planning and building control system, commissioning care services (often jointly with the NHS), defining regeneration strategies and strategic energy plans such as local heat and energy zones. GCC is also responsible for the administration of grant funding for new build housing and property adaptations.
- 3.3. Across Wheatley, we have an extensive track record of working strategically with GCC. This relationship is based on delivery in many areas including new build development, strengthening our communities and innovation in care delivery. It is also reinforced through the Group's City Building (Glasgow) ("CBG") joint venture and the previous strategic agreement that was entered into with GCC in 2016 which has now expired. The Group, along with GCC, is now looking to refresh that strategic agreement.

4. Discussion

- 4.1. The Agreement with GCC is attached at Appendix 1 for Board consideration. In preparing the Agreement with GCC officers, our objective was to update the previous document to reflect our current operating context and strategic objectives. The Agreement:
- takes a longer-term approach to partnership working and planning – the previous agreement was for three years, and this one sets aspirations over a 10-year horizon, including the objective to deliver 4,000 new homes in Glasgow. Priorities in the Agreement to support this include developing a pipeline of sites with GCC and City Property, progressing regeneration at the TRAs, Wyndford and Milton and improvements to planning processes;
 - continues to place Wheatley and its RSLs as the most significant housing and care delivery partner for GCC across a range of strategic priorities, thereby differentiating the Group strategically and operationally from others in the City;
 - identifies practical improvements in how we work together that will help accelerate the delivery of new homes, through the planning process and delivery of land for housing. This will include playing a key role in the Council's City Centre Living Strategy;
 - brings a shared focus on emerging and common areas with GCC that are increasingly key to our customers and business including sustainability resilience planning and digital connectivity; and
 - evidences the strength of our strategic partnership to our investors and rating agency.

- 4.2. The Agreement includes key shared outcomes with GCC which reflect priorities. These are:
- 6,000 homeless people/families provided with a home by Wheatley over the first 5 years;
 - 4,000 new homes in Glasgow between now and 2032;
 - 7,000 people being helped to continue living independently in their homes through our new adaptations partnership thereby helping reduce delayed discharge;
 - Broadband take-up rate among Wheatley customers is higher than the average for residents in Glasgow;
 - Harmful emissions from Wheatley Homes reduced; and
 - Creating over 2,500 employment opportunities for people in Glasgow including through our City Building Glasgow joint venture with its *state-of-the-art* training centre and focus on developing the skills and expertise it will need for 'green' jobs
- 4.3. The Agreement includes a high-level action plan with early priorities and a commitment to review progress at set points. These reviews will allow the actions in the plan to be updated as required and help ensure aspects of the Agreement, such as our forward plan for new build development, remain current. Having an action plan as part of the Agreement will also provide a basis for assessing what is achieved. There is also a commitment to a full review of the Agreement in five years.
- 4.4. GCC is currently progressing the Agreement through its governance arrangements and is expected to seek approval at its Policy Committee in May and Council Administration Committee in June. Until then the Council may request some modification to the Agreement at Appendix 1, although the version presented here has been agreed with senior Council officials and reviewed by their legal team. Any changes arising from this will be subject to Wheatley Group Board's approval.

5. Customer Engagement

- 5.1. Customer priorities have informed the development of the draft document.

6. Environmental and sustainability implications

- 6.1. The Agreement includes commitments to close working to deliver sustainability objectives including building energy efficient new homes, developing expertise in modern methods of construction and regeneration where it brings environmental, as well as wider benefits, for customers including helping to address fuel poverty and building homes that meet customer needs. Shared aims in reducing CO2 emissions and working towards retrofitting existing homes are also reflected in the Agreement.

7. Digital transformation alignment

- 7.1. Close working with GCC will help further our digital ambitions especially in ensuring connectivity for our customers.

8. Financial and value for money implications

- 8.1 The commitments in the Agreement, such as support for adaptations and new build, will support the delivery of the assumptions in our business plan.

9. Legal, regulatory and charitable implications

- 9.1. There are no legal, regulatory or charitable obligations associated with entering the strategic agreement. They are statements of commitment to partnership working and therefore not legally binding on either party, although it is intended to provide clear and agreed direction for joint working and priorities. The Agreement has been reviewed by GCC's legal team.

10. Risk Appetite and assessment

- 10.1. One of our stated strategic outcomes is to influence locally and nationally to benefit our communities. Our risk appetite in relation to our reputation and credibility in this area is open. This is defined as:

“Cementing our position as a leading influencer is a key theme for this strategy period. We aim to confidently and deliberately raise our profile further and take a leading role on the UK and international stage, which will also support our ambitions to raise future finance. We must ensure that the Group's existing reputation and credibility is protected while maximising the impact of future exposure. In this context, we are prepared to take decisions which have the potential to expose us to additional scrutiny if appropriate steps have been taken to minimise any negative exposure, and the overall benefit to the Group's profile will outweigh it.”

- 10.2. The Agreement with GCC will help reinforce our reputation with key partner local authorities and is in keeping with progressing the stated strategic objective and risk appetite.

11. Equalities implications

- 11.1. There are no equalities implications associated with this report.

12. Key issues and conclusions

- 12.1. An Agreement with GCC has been developed for Board consideration. This updates the previous document from 2016 and provides a strong basis for our future strategic relationship. Key areas in the Agreement include our shared commitment, with GCC, to:

- Housing Supply & Regeneration
- Homelessness, Health & Social Care
- Climate Emergency & Sustainability
- Tackling Poverty and Inequality and Increasing Opportunity for All
- Optimising Outcomes from our Joint Resources
- City Strategic Resilience
- Monitoring

- 12.2. The Agreement sets a strong platform for close partnership working including supporting the delivery of 4,000 new homes, and joint action on tackling homelessness, climate change and digital inclusion.

13. Recommendations

13.1. The Loretto Housing Board is asked to:

- 1) consider the attached draft Strategic Agreement with GCC; and
- 2) note that any changes to the draft Strategic Agreement will be notified to the Board prior to signature.

LIST OF APPENDICES:

Appendix 1: [redacted]

Report

To: Loretto Housing Association Board

By: Sarah Stocks, Finance Manager

Approved by: Lyndsay Brown, Director of Financial Reporting

Subject: 2023/24 Budget

Date of Meeting: 29 March 2023

1. Purpose

- 1.1 The purpose of this paper is:
- seek approval for the 2023/24 budget.

2. Authorising and strategic context

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

3. Background

- 3.1 At the previous meeting in February 2023 the Board were presented with the revised five year financial projections and agreed that the 2023/24 figures would form the basis of the 2023/24 annual budget, which is presented in Appendix 1. This paper provides additional detail and commentary.

4. Discussion

- 4.1 The detailed budget report in Appendix 1 tracks comparative figures from the Q3 2023/24 full year forecast to the 2023/24 budget to give the context of the year on year changes.
- 4.2 The 2023/24 budget reports an operating surplus of £2,631k, and a statutory deficit of £1,148k, both £771k favourable to the financial projections. The movement is due to the recognition of gift aid paid to Loretto from Wheatley Developments Scotland Ltd (WDS).
- 4.3 The 2023/24 budgeted operating surplus of £2,631k is £17,445k lower than 2022/23 forecast operating surplus. This year on year variation is driven by the decrease in the amount of grant income recognised on the completion of new build properties in 2023/24 with 24 units expected to complete in 2023/24, compared to 205 in 2022/23.

4.4 Other key points to note:

- Net rental income of £15,403k incorporates the agreed 3.9% (Loretto tenants) and 1% (ex Cube tenants) rent increases. Void losses have been prudently budgeted at 1.5% on general needs and 7% on supported housing.
- 24 social rent properties are due to complete in 2023/24 and grant income of £2,223k is recognised in the operating statement.
- Other Income is £771k higher than the financial projections due to gift aid from Wheatley Developments Scotland Limited (WDS) with corresponding higher costs in new build spend.
- Operating costs of £15,987k are in line with financial projections and include provision in employee costs for a cost of living increase and additional provision in repairs, reflecting the increase in demand in 2022/23 and inflationary pressures.
- Interest payable is in line with the financial projections and reports an increase on previous years, reflecting the funding required for the new build programme.
- The 2023/24 budget reports net capital expenditure of £13,788k, which is £771k higher than the financial projections due to recognition of a 5% management charge on the design and build services provided by WDS. This spend supports Loretto's continued investment in existing and new build properties in 2023/24.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

- 8.1 The financial projections incorporate cost efficiency measures, which are a key element of continuing to demonstrate value for money. These are reflected in the annual budget and performance will be monitored against budget each month.
- 8.2 Financial covenants are assessed for the RSLs within the WFL1 borrowing group as a whole. In preparing the 2023/24 budgets across the RSL borrower group, the overall budgeted operating surplus and covenant compliance for the WFL1 borrowers is in line with the RSL financial projections.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

- 10.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".
- 10.2 Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors.

11. Equalities implications

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

12. Key issues and conclusions

- 12.1 This paper presents the proposed 2023/24 budget.

13. Recommendations

- 13.1 The Board is requested to:
- 1) Approve the proposed 2023/24 budget.

LIST OF APPENDICES:-

Appendix 1: Loretto Budget 2023/24

The background features large, stylized blue geometric shapes, including a large 'V' shape on the left and a large 'W' shape on the right, both composed of two shades of blue.

Loretto Housing

Budget – 2023/24



Operating Statement

	2022/23 forecast £ks	2023/24 Financial Projections £ks	2023/24 Budget £ks	Budget Variance to FP £ks
INCOME				
Rental Income	14,803	15,859	15,859	-
Void Losses	(218)	(456)	(456)	-
Net Rental Income	14,585	15,403	15,403	-
Other Income	315	105	876	771
Grant Income New Build	19,880	2,223	2,223	-
Grant Income Other	110	116	116	-
TOTAL INCOME	34,890	17,847	18,618	771
EXPENDITURE				
Employee Costs - Direct	1,324	1,382	1,382	-
Employee Costs - Group Services	602	881	881	-
ER/VR	185	210	210	-
Direct Running Costs	1,962	1,813	1,813	-
Running Costs - Group Services	362	469	469	-
Revenue Repairs and Maintenance	2,865	3,198	3,198	-
Bad Debts	194	407	407	-
Depreciation	7,320	7,627	7,627	-
TOTAL EXPENDITURE	14,814	15,987	15,987	-
NET OPERATING SURPLUS / (DEFICIT)	20,076	1,860	2,631	771
<i>Operating Margin</i>	58%	10%	14%	
Interest payable	(3,225)	(3,779)	(3,779)	-
STATUTORY SURPLUS / (DEFICIT)	16,851	(1,919)	(1,148)	771
INVESTMENT				
Total Capital Investment Income	6,133	11,196	11,196	-
Investment Works	2,163	2,514	2,514	-
New Build	12,400	21,277	22,048	(771)
Other Capital Expenditure	278	422	422	-
TOTAL CAPITAL EXPENDITURE	14,841	24,213	24,984	(771)
NET CAPITAL EXPENDITURE	8,708	13,017	13,788	(771)

Comments

- The 2023/24 budget reports a net operating surplus of £2,631k and statutory deficit of £1,148k, which are both £771k favourable to the financial projections. The movement is due to the recognition of gift aid payable to Loretto from Wheatley Developments Scotland Ltd (WDS).
- Budgeted **net rental income** of £15,403k is in line with the financial projections.
- Other income** includes the recognition of a gift aid payment from WDS of £771k, with corresponding higher costs in new build spend.
- Grant Income** recognised on completion of new build units is budgeted at £2,223k with completion of 24 social rent units anticipated in 2023/24.
- Other Grant Income** of £116k for adaptations grant is also provided for in the budget.
- Direct and docosts** are in line with the financial projections and reflect the cost of living increase. ER/VR costs of £210k will help us deliver the cost efficiency targets in the financial projections through staff savings.
- Direct and group services running costs** are budgeted at £2,282k, which is in line with the financial projections. The budget includes group recharges for the Nets and W-360 services, property costs, such as cleaning and factoring charges, and running costs such as phones. A decrease of £149k in direct running costs from the 2022/23 forecast is linked to reduction in Initiatives spend.
- Repairs and maintenance** costs of £3,198k are in line with the financial projections and include additional provision to recognise inflationary pressures and increased demand experienced in 2022/23.
- Depreciation** costs which reflect a non-cash accounting adjustment are £307k higher than the expected 2022/23 charge, with the increase driven by the level of investment in our properties.
- Investment** expenditure has been budgeted at £2,514k, which includes provision for continued investment in our housing stock, capitalised employee costs in relation to investment staff and spend on disabled adaptations.
- New build** expenditure of £22,048k has been included in the budget, £771k higher than the financial projections due to recognition of a 5% management charge on the design and build services provided by WDS. These additional costs are reimbursed to Loretto through gift aid recognised in Other Income.
- Capital Investment Income** (grant) of £11,196k is expected to be received in the year for the new build programme and adaptations.

Underlying surplus

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 for the 2023/24 budget which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties.
- An underlying surplus of £971k is budgeted which is £1,157k lower than the forecast underlying position for 2022/23. This is due to the profile of the investment programme and a higher level of spend in 2023/24 and provision for higher repairs costs.

	2022/23 Fcast £ks	2023/24 Projections £ks	2023/24 Budget £ks
Net operating surplus	20,076	1,860	2,631
add back:			
Depreciation	7,320	7,627	7,627
less:			
Grant income new build	(19,880)	(2,223)	(2,223)
Gift aid income	0	0	(771)
Net interest payable	(3,225)	(3,779)	(3,779)
Total expenditure on Core Programme	(2,163)	(2,514)	(2,514)
Underlying surplus	2,128	971	971

Rental and Other Income

	2022/23	2023/24
Rental Income (£'000)	Forecast	Budget
Rent Receivable	14,803	15,859
Void Losses	(218)	(456)
Net Rental Income	14,585	15,403
<i>Void Loss %</i>	<i>1.5%</i>	<i>2.9%</i>
Average Stock	2,639	2,739
Average Rent per Property (£)	5,610	5,790

Other Income (£'000)	Forecast	Budget
Garages and lockups	8	18
Gift aid income	-	771
Mid-market rent	84	87
New build third party fee	20	-
WC management fee	203	-
	315	876

Grant Income (£'000)	Forecast	Budget
New build	19,880	2,223
<i>Other</i>		
Adaptations	110	116
	110	116

Comments

- Rental income is budgeted at £15,859k, £1,056k higher than 2022/23 forecast income. The budget applies the approved rent increase of 3.9% (Loretto tenants) and 1% (ex Cube tenants) for the forthcoming year.
- 2023/24 budgeted void losses of £456k includes a void loss assumption of 1.5% on general needs and 7% on supported housing. Our assumption on supported voids is prudent as some of the properties rely on Local Authority referrals.
- Other income of £876k is budgeted, £561k higher than the 2022/23 forecast, which is largely due to recognition of gift aid paid to Loretto from Wheatley Developments Scotland Ltd (WDS).
- New build grant income is recognised in the Operating Statement upon completion of units. During 2023/24, we expect 24 units to complete at Main St, Maddiston, compared to 205 in 2022/23.
- Other grant income relates to medical adaptations.

Employee and Running Costs

	2022/23 Forecast	2023/24 Budget
Employee Costs (£'000)		
Employee Costs - Direct	1,324	1,382
Employee Costs - Group Services	602	881
Employee Costs (Net of Capitalisation)	1,926	2,263
ER-VR Costs	185	210
Total Employee Costs	2,111	2,473

	2022/23 Forecast	2023/24 Budget
Direct Running Costs (£'000)		
Employee related	43	34
Running costs	260	256
Group recharges	781	895
Property costs	463	528
Initiatives	416	100
Total Running Costs - Direct	1,962	1,813
Running Costs - Group Services	362	469
Total Running Costs	2,324	2,282

Comments

Employee Costs

- The total employee costs budget for 2023/24 is £2,473k, an increase of £362k compared to forecast 2022/23 spend.
- The 2022/23 budget reflects the cost of living increase of 7.0% for both direct and group services employee costs.
- The increase in group services employee costs (and also running costs) reflects the continued implementation of the new operating model, most recently the creation of the MyRepairs team, following on from the Customer First Centre earlier in 2022/23.

Running Costs

- The total running costs budget for 2023/24 is £2,282k, a decrease of £42k compared to forecast 2022/23 spend, largely linked to a reduction in Initiatives spend.
- Running costs includes Partner Charges for supported properties, phones and mailing costs.
- Group recharges includes 1) Environmental running costs recharged from WH Glasgow (relating to vehicles, equipment and depot costs); 2) A recharge from WH Glasgow for Loretto's share of the running costs of the Wheatley 360 service; and 3) Payment to Wheatley Care of Loretto's temporary accommodation and Livingwell service charge income (for the services provided by Wheatley Care at these sites) less related property costs paid by Loretto on Wheatley Care's behalf.
- Property costs includes provision for cleaning costs for communal areas in supported properties, factoring charges, rent to external lease providers and council tax for the void Duke Street properties.
- Initiatives costs include provision for Tenancy Sustainment Service (delivered by Wheatley Care) and Think Yes. Here For You support will continue through existing Wheatley Foundation resources in 2023/24.

Repairs and Maintenance

	2022/23	2023/24
Repair & Maintenance Expenditure (£'000)	Forecast	Budget
Reactive repairs	1,294	1,485
Compliance cyclical*	935	1,034
Property cyclical	78	88
Communal Utilities	558	591
	2,865	3,198
*Includes gas servicing, M&E equipment servicing, electrical testing and TMVs.		

Comments

- Budgeted repairs and maintenance expenditure on our properties is £3,198k for 2023/24.
- The budget reflects an inflationary uplift in cost, and additional budget provision linked to the increased demand experienced in 2022/23.

Capital Expenditure

Capital Expenditure (£'000)	2022/23 forecast	2023/24 Budget
New Build Development - Grant		
Various sites	6,023	11,080
	6,023	11,080
New Build Development - Cost		
New build development programme	11,885	21,363
Capitalised employee costs	349	597
Capitalised interest	166	88
	12,400	22,048
Investment Works - Grant		
Medical adaptations	110	116
	110	116
Investment Works		
Core programme	1,339	1,630
Capitalised repairs	344	370
Capitalised salaries	91	123
Void repairs	231	275
Medical adaptations	158	116
	2,163	2,514
Other Capital Investment		
Group IT Investment	278	344
Office conversion/refurbishment	-	78
	278	422
TOTAL CAPITAL EXPENDITURE	14,841	24,984
NET CAPITAL EXPENDITURE	8,708	13,788

Comments

- This capital expenditure budget provides for investment in new build and existing properties and other fixed asset additions.
- Net capital expenditure is budgeted at £13,788k for 2023/24, an increase of £5,080k compared to 2022/23 forecast spend, largely due to the new build programme in 2023/24.
- New build spend and grant income are budgeted at £22,048k and £11,080k, respectively. Spend includes £771k for a 5% management charge on the design and build services provided by WDS.
- The budget includes developments at Croy, Dargavel, East Lane Paisley, Main St Maddiston and Duke St.
- Investment works includes £1.6m for core programme works (low rise fabric, kitchens, bathrooms etc.) and provision for capitalisation of large repair jobs and void repairs.
- Loretto continues to benefit from grant income from GCC and Scottish Government for disabled adaptations and spend has been budgeted in line with the anticipated grant income.
- Other capital investment of £434k includes Loretto's share of Group IT investment, which reflects our current strategy, and provision for the conversion/refurbishment of properties previously used by Wheatley Care as offices to lettable housing properties.

Report

To: Loretto Housing Board

By: Laura Henderson, Managing Director

Approved by: Laura Pluck, Group Director of Communities

Subject: Glasgow City Council: Draft Local Housing Strategy

Date of Meeting: 29 March 2023

1. Purpose

- 1.1 Glasgow City Council (“GCC”) is currently consulting on its draft Local Housing Strategy (“LHS”) for 2023-2028. This report summarises the contents of the strategy (full draft strategy attached at Appendix 1) and our proposed response for approval (Appendix 2).

2. Authorising and strategic context

- 2.1 Under our Terms of Reference, the Board is responsible for overseeing the implementation of relevant policies and frameworks. Our response to the LHS provides an opportunity for us to influence in this area. The final LHS will in turn affect the implementation of our own strategy, key policies, and development programme.
- 2.2 Our own strategy sets out our vision to provide better homes and better lives. The draft LHS sets out proposals for housing in the City over the next 5 years. In addition to both of these, we recognise that our relationship with GCC is critical to delivering our strategy and have also worked to develop a strategic agreement with GCC. The strategic agreement is also presented as a separate agenda item.

3. Background

- 3.1 Each Local Authority is legally required to produce a LHS under the Housing (Scotland) Act 2001. The LHS is a strategic document, which outlines the key priorities and objectives for housing in the relevant local authority area.
- 3.2 The document is informed by a Housing Need and Demand Assessment (“HNDA”). This tool provides an analysis of the housing system in a particular area, by assessing the backlog in housing need, and towards household projects. The HNDA calculates information on the number of future homes needed, broken down by tenure type.

- 3.3 The HNDA for Glasgow shows that there are currently over 64,000 people on RSL housing registers. It also highlights that there is demand for all property sizes, but demand is greater for larger properties. For example, there were, on average, ten applicants for every home let which rose to an average of sixty applicants for every 5+ apartment property let.
- 3.4 GCC has produced a draft LHS for 2023-2028. This is currently progressing through the consultation phase and the deadline for responses is 2 April 2023.
- 3.5 The draft LHS supports the key principles outlined in pre-existing national and local framework documents, such as the Scottish Government's Housing to 2040 vision; the fourth National Planning Framework; GCC's Strategic Plan 2022-2027; Glasgow's Climate Plan and Glasgow's Economic Strategy.
- 3.6 The draft LHS identifies the core principles of 'place', 'planet', and 'people', which are common themes that cut across each of the above strategic documents.
- 3.7 Appendix 3 shows a list of the key indicators and targets included in the draft LHS documents. This includes a key target for housing supply which is 13,000 new homes, of which 50% will be affordable, by 2028.

4. Discussion

Vision

- 4.1 The draft LHS identifies the strategic vision as:
- *“Everyone in Glasgow will have access to an affordable, suitable, climate-friendly home, which promotes good health and wellbeing and connects to communities and the opportunities the city offers.”*

Key Priorities

- 4.2 There are five key priorities identified in the draft LHS, and under each of these priorities are key missions. Each key priority is detailed below:
- **Priority 1:** Delivering more homes and great places that reduce poverty and inequality and increase opportunity and prosperity for all;
 - **Priority 2:** Improving the energy efficiency of Glasgow's homes, reducing fuel poverty, and supporting a Just Transition to Net Zero through decarbonising domestic heating and energy;
 - **Priority 3:** Improving the condition of Glasgow's homes, and preserving Glasgow's tenements and built heritage;
 - **Priority 4:** Supporting people to live independently and well at home in the community; and
 - **Priority 5:** Improving housing options, affordability and sustainability for tenants and owners, to prevent and reduce homelessness.

- 4.3 Priority 1 commits to the delivery of 13,000 new homes by 2028, 50% of which will be affordable. There is also discussion on tackling empty homes to bring these back into use and boost supply.
- 4.4 There is a key focus on continuing regeneration in the Transformational Regeneration Areas (“TRAs”). There is also discussion about repurposing vacant office and commercial buildings, particularly in the city centre. In addition, there are proposals to introduce new types of accommodation for sale and rent, including purpose-built student accommodation, and built-to-rent apartment blocks.
- 4.5 Priority 2 concentrates on improving the energy efficiency of homes across Glasgow via retrofit projects, with a view of simultaneously reducing fuel poverty through improvement works and ensuring the continuation of free and accessible energy advice.
- 4.6 Priority 3 looks at improving stock condition in Glasgow, with a specific focus on upgrades to pre-1919 tenements, whilst preserving their built heritage, ensuring owners are supported to maintain and improve existing homes.
- 4.7 Priority 4 is centred on supporting people to live well and independently at home, and in the community. The draft LHS proposes an increase in the supply of specialist homes for core social care groups. It also commits to adapting properties to enable people to live independently in their home environment for longer.
- 4.8 Finally, Priority 5 focuses on the reduction and prevention of homelessness in the city through joint working with the Health and Social Care Partnership and the Alliance to End Homelessness in Glasgow. It commits to working alongside tenants to identify and improve the rented sector.

Group Response

- 4.9 The proposed Group response is supportive of the ambitions contained in the draft LHS. Its proposed vision, which prioritises affordability, sustainability, accessibility and good health and wellbeing, presents many parallels to the Group’s own strategic vision and priorities.
- 4.10 We are the largest provider of new affordable accommodation in the city, and the largest provider of homes for homeless households. This coupled with our size and scale makes us a major key partner in delivering our shared vision.
- 4.11 We share the vision presented in the draft LHS. However, we recognise the difficult funding climate that could make the delivery of key objectives challenging.
- 4.12 We have highlighted some issues with the detail under each of the key priorities and missions. In particular, the draft response emphasises the scale of the challenges facing the housing sector in Glasgow. Specifically, we have stated that there is a critical shortfall in affordable homes and that the target of 6500 new affordable homes by 2028 may not meet the level of existing housing need. Whilst we are willing to deliver more affordable homes, we believe that the current funding climate makes even the 6500-target challenging.

- 4.13 The response also highlights the challenge that reduced care and support provides within communities. Our housing officers deal with customers daily that in the past might have received care or other support but now have to manage without this. This has a detrimental effect on tenancy sustainment, potential homelessness hospital admission and other areas.
- 4.14 We have highlighted the importance of the prevention of homelessness in this period. The high demand for housing through the homelessness route – both traditional and from refugees – makes it harder for us to accommodate others in housing need. Without new approaches to prevention, there is significant potential that more households will be forced down a homelessness route.
- 4.15 The response highlights our shared commitment to sustainability and net zero both in new build homes and through retrofit. It highlights the challenges that can be encountered with retrofit.

5. Customer Engagement

- 5.1 Our response to this consultation is based on our existing strategy and customer consultation.

6. Environmental and sustainability implications

- 6.1 There are no direct environmental and sustainability implications but a strong and effective partnership with GCC will help us to achieve our strategic objectives in this area.

7. Digital transformation alignment

- 7.1 There are no digital transformation impacts from this report.

8. Financial and value for money implications

- 8.1 There are no direct financial and value for money implications but partnership working may assist in funding key strategic projects going forward.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

- 10.1 The local housing strategy primarily relates to our “*Making the most of our homes and assets*” strategic theme. We have an open attitude to risk for most outcomes in this theme. This means we are keen to investigate new partnerships and develop technological innovation. Our appetite in relation to sustainability is “hungry” meaning we are willing to be innovative and pioneer new approaches in this area. Our response to the draft local housing strategy reflects this appetite,

11. Equalities implications

- 11.1 There are no equalities implications.

12. Key issues and conclusions

- 12.1 The draft LHS is a key document setting out GCC's proposals in relation to housing for the coming five years. The vision and priorities set out in the strategy are broadly consistent with ours and the wider Group's. The strategic agreement item on this Board agenda sets out how we will work in partnership with GCC to progress these objectives.
- 12.2 Our response to the LHS consultation does, however, identify some issues where greater commitments could be made. In particular, it highlights the funding challenges and the need for innovative approaches to overcome these challenges. We will work with GCC to help address these wherever possible.

13. Recommendations

- 13.1 The Board is asked to note and comment on the draft response.

LIST OF APPENDICES:

Appendix 1: [redacted]

Appendix 2: [redacted]

Report

To: Loretto Housing Association Board

By: Sarah Stocks,

Approved by: Pauline Turnock, Group Director of Finance

Subject: Finance Report to 28 February 2023

Date of Meeting: 29 March 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 28 February 2023.

2. Authorising and strategic context

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

3. Background

3.1 Financial performance

The results for the period to 28 February 2023 are summarised below.

	Year to Date (Period 11)		
£000	Actual	Budget	Variance
Turnover	32,866	31,362	1,505
Operating expenditure	(13,518)	(13,480)	(38)
Operating surplus	19,348	17,882	1,466
Net interest payable	(2,955)	(3,184)	229
Surplus	16,393	14,698	1,695
Net Capital Expenditure	7,140	8,628	1,489

4. Discussion

4.1 Period to 28 February 2023

We have reported a statutory surplus of £16,393k for the period to 28 February 2023, which is £1,695k favourable to budget. The key drivers for the variance are grant income, other income, void lost rent and interest payable.

Key variances against budget include:

- Void lost rent is £244k favourable to budget, with a year to date void rate of 1.43% against the budgeted rate of 3.23%.
- At 28 February 2023 grant income is £1,124k 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.
- Other income is £133k 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 £53k favourable to budget, with staff providing services to other group subsidiaries.
- Running costs (direct and group services) are £18k unfavourable to budget, linked to Loretto's contribution to the Here for You Fund.
- Repairs and maintenance costs of £2,804k are £284k higher than budget resulting from an increase in customer demand, with completed repairs reporting a 29% uplift compared to 2021/22..
- Interest payable is £229k 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 £1,489k lower than budget, mainly due to lower spend 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 the Forfar Avenue and Gartcosh developments.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

- 8.1 The statutory surplus for the period to 28 February 2023 is £1,695k favourable to budget, which is linked to higher grant income and other income, in addition 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 28 February 2023 is £3,284k 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 this report.

10. Risk Appetite and assessment

- 10.1 The Board's agreed risk appetite for business planning and budgeting assumptions is "open". This level of risk tolerance is defined as "prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".
- 10.2 Delivery of financial results within approved budgetary limits is a key element in delivering our strategy and maintaining the confidence of investors.

11. Equalities implications

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

12. Key issues and conclusions

- 12.1 This paper presents the financial performance position for the period to 28 February 2023.

13. Recommendations

- 13.1 The Board is requested to:

- 1) Note the management accounts for the period ended 28 February 2023 at Appendix 1.

LIST OF APPENDICES:-

Appendix 1: Period 11 – 28 February 2023 Finance Report

Finance Report

Appendix 1 – period to 28 February 2023

1. Operating Statement	
a) P11 YTD 2022/23	2
b) Underlying surplus	3
2. Management Information	4-5
3. Balance Sheet	6

1a. Operating Statement – YTD February 2023

	Period To 28 February 2023			Full Year
	Actual £k	Budget £k	Variance £k	
INCOME				
Rental Income	13,563	13,558	5	14,823
Void Losses	(194)	(438)	244	(478)
Net Rental Income	13,369	13,121	249	14,345
Grant Income	19,075	17,952	1,124	18,875
Other Income	422	289	133	315
Total Income	32,866	31,362	1,505	33,535
EXPENDITURE				
Employee Costs - Direct	1,216	1,269	53	1,384
Employee Costs - Group Services	546	546	0	596
ER / VR	50	50	0	185
Direct Running Costs	1,704	1,671	(33)	1,812
Running Costs - Group Services	338	353	15	385
Revenue Repairs and Maintenance	2,804	2,520	(284)	2,569
Bad debts	150	361	211	394
Depreciation	6,710	6,710	0	7,320
TOTAL EXPENDITURE	13,518	13,480	(38)	14,645
OPERATING SURPLUS / (DEFICIT)	19,348	17,882	1,466	18,890
Interest Payable	(2,955)	(3,184)	229	(3,320)
STATUTORY SURPLUS / (DEFICIT)	16,393	14,698	1,695	15,571

Income and Expenditure account – key points

- Net operating surplus of £19,348k is £1,466k favourable to budget. Statutory surplus for the year is £16,393k, 1,695k favourable to budget. The main drivers of the favourable variance are grant income, other income, void losses and interest payable.
- Gross rental income of £13,563k is £5k favourable to budget due to early completions at the Sawmill Field and Vellore Road new build sites. This offsets the loss in rental income from ongoing delays in completions at the Dargavel new build, in addition to earlier delays in completions at Hallrule and Queens Quay.
- Void losses in the year to date are 1.43% against a budget of 3.23%.
- 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 45, 32 units at Hallrule, 80 units at Queens Quay, 24 units at Sawmill and 8 units at Vellore Rd (not in this year's programme).
- Other income reports a favourable variance to budget of £133k due to receipt of development fees for Queens Quay and Dargavel L&A damages.
- Direct employee costs are £53k favourable to budget due to landlord services income, linked to the NETs service provided to owners in Loretto mixed tenure blocks. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff.
- Direct running costs are £33k unfavourable to budget and includes Loretto's contribution to the Here for You Fund. Group Services running costs are £338k YTD and 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 £284k unfavourable to budget due to an overspend on reactive maintenance, reflecting a continued increase in customer demand (29% ytd increase in job numbers vs ytd 2021/22).
- Bad debts are £211k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £2,955k represents interest due on the loans due to Wheatley Funding Ltd. Costs are £227k 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 £7,140k is £1,489k favourable to budget.
- Capital investment income (grant) is £2,816k lower than budget mainly due to the Forfar Avenue and Gartcosh site starts 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 £1,485k lower than budget mainly due to the Forfar Avenue and Gartcosh site starts being delayed. This saving is partially offset by the Vellore Rd turnkey project and the timing of spend at Dargavel, Hallrule and Sawmill Field
- Investment programme expenditure of £1,974k relates to core programme works, capitalised repairs and voids. An underspend is reported due some of the programme being deferred until next year, and the Duke St spend forecast to move to next year.
- Other capital expenditure of £199k relates to the Loretto contribution to Wheatley Group IT and office refurbishments

	Period To 28 February 2023			Full Year
	Actual £k	Budget £k	Variance £k	
INVESTMENT				
Total Capital Investment Income	5,047	7,863	(2,816)	8,088
Investment Programme	1,974	4,686	2,713	5,339
New Build Programme	10,014	11,499	1,485	14,115
Other Capital Expenditure	199	306	107	434
TOTAL CAPITAL EXPENDITURE	12,187	16,491	4,305	19,888
NET CAPITAL EXPENDITURE	7,140	8,628	1,489	11,800

1b. Underlying surplus – P11 February 2023

Key comments:

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, including capital expenditure on our existing properties.
- In the period to the end of February 2023, an underlying surplus of £2,054k has been generated using this measure which is £3,284k favourable to budget. The variance is primarily driven by the timing of the work on Duke Street shown budgeted in the investment programme. The full year budget reflects an underlying deficit of £1,324k.

Loretto Underlying Surplus/(Deficit) - February 2023				
	YTD Actual £k	YTD Budget £k	YTD Variance £k	FY Budget £k
Net operating surplus	19,348	17,882	1,466	18,890
add back:				
Depreciation	6,710	6,710	0	7,320
less:				
Grant income	(19,075)	(17,952)	(1,124)	(18,875)
Net interest payable	(2,955)	(3,184)	229	(3,320)
Total expenditure on Investment Programme	(1,974)	(4,686)	2,713	(5,339)
Underlying surplus/(deficit)	2,054	(1,230)	3,284	(1,324)

Operating Statement – February 2023

	Period February 2023		
	Actual £k	Budget £k	Variance £k
INCOME			
Rental Income	1,269	1,250	20
Void Losses	(17)	(40)	23
Net Rental Income	1,253	1,210	43
Grant Income	762	314	448
Other Income	34	26	8
Total Income	2,049	1,550	499
EXPENDITURE			
Employee Costs - Direct	109	115	6
Employee Costs - Group Services	43	50	6
ER / VR	0	0	0
Direct Running Costs	209	141	(68)
Running Costs - Group Services	37	32	(5)
Revenue Repairs and Maintenance	296	238	(58)
Bad debts	11	33	22
Depreciation	610	610	0
TOTAL EXPENDITURE	1,316	1,218	(97)
OPERATING SURPLUS / (DEFICIT)	734	332	402
Interest Payable	(251)	(296)	45
STATUTORY SURPLUS / (DEFICIT)	483	36	447
	Period February 2023		
	Actual £k	Budget £k	Variance £k
INVESTMENT			
Total Capital Investment Income	77	608	531
Investment Works	114	582	468
New Build	620	1,427	807
Other Capital Expenditure	33	28	(5)
TOTAL CAPITAL EXPENDITURE	766	2,037	1,271
NET CAPITAL EXPENDITURE	689	1,429	740

Income and Expenditure account – key points

- Net operating surplus of £734k is £402k favourable to budget. Statutory surplus for the month is £483k, £447k favourable to budget. The main driver of the favourable variance this month is Grant income.
- Gross rental income is £20k favourable to budget due to early completions at the Sawmill Field and Vellore Road new build sites, and more service charge income for two supported sites because of service re-configurations either not happening yet or having a lesser impact than assumed.
- The favourable variance on void losses in the month reflects on YTD performance.
- Employee costs (direct and group services) both report small favourable variances to budget, due to landlord services income and a minor change in staffing at Group level.
- Running costs (direct and group services) are £73k unfavourable to budget mainly due to Loretto's contribution to the Here for You fund and higher insurance costs.
- Revenue repairs and maintenance expenditure is £58k unfavourable to budget due to the increased demand and timing of spend.
- Bad debts are £22k favourable to budget reflecting YTD performance.
- Gross interest payable of £251k represents interest due on the loans due to Wheatley Funding Ltd 1.
- The net capital position of £689k is £740k favourable to budget. This is due to the delayed site start for Forfar Avenue and Gartcosh, and the rephasing of the Duke St project to 2023/24.

2a. Repairs & Investment Programme – YTD Feb 2023

Repairs & Maintenance Expenditure	1 April 2022 - 28 February 2023			22/23 Budget £k
	Actual £k	Budget £k	Variance £k	
Reactive repairs	1,443	1,136	(307)	1,052
Cyclical maintenance (compliance)	1,023	795	(228)	877
Cyclical property maintenance	72	77	5	82
Communal Utilities	265	512	246	558
Total	2,804	2,520	(284)	2,569

Repairs and maintenance

- Revenue repairs and maintenance spend of £2,804k is £284k unfavourable to budget.
- Reactive repairs are £307k 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 and Gas servicing programmes.
- Communal Utilities costs are £246k favourable to budget, with the budget allowing for an uplift in costs.

Investment Programme	1 April 2022- 28 February 2023			22/23 Annual Budget £k
	Actual £k	Budget £k	Variance £k	
Investment Programme Grant Income				
Adaptations	90	101	(11)	110
Total	90	101	(11)	110
Investment Programme Expenditure				
Adaptations	153	101	(52)	110
Core programme	1,223	1,460	236	1,553
Capitalised repairs	305	177	(128)	191
Capitalised staff	83	83	0	91
Duke Street	0	2,462	2,462	2,954
Void repairs	209	404	194	440
Total	1,974	4,686	2,713	5,339

Investment Programme

- Overall investment programme expenditure of £1,974k for the year is £2,713k favourable to budget.
- Core programme works are £236k lower than budget mainly due to deferral of a windows and doors project to 2023/24.
- A favourable variance of £2,462k is currently reported against Duke Street, with the full project moved to 2023/24.
- The cost of adaptations is partially offset by grant income from GCC and Scottish Government.

2b. New Build Programme – YTD February 2023

	*Status	Contractor	Year To Date			Full Year
			Actual	Budget	Variance	Budget
Cobblebrae Farm	Complete	Sim Building	2	0	(2)	42
Dargavel	Complete	Robertson's	1,851	1,548	(303)	1,548
Duke St	TBC	TBC	7	231	224	347
Forfar Avenue	TBC	TBC	133	2,511	2,378	2,814
Gartcosh	TBC	Balfour Beatty	0	682	682	897
Hallrule Drive	Complete	MCTAGGART	690	288	(402)	288
Main St-Maddiston	On site	Miller Homes	2,279	2,101	(178)	2,322
Queens Quay	On site	CCG	673	593	(80)	593
Sawmill Field	On site	Bellway Homes	2,850	3,145	295	4,661
Vellore Road	Complete	Lovell	1,110	0	(1,110)	0
Prior year schemes	-	-	19	0	(19)	0
Total social Rent			9,614	11,099	1,485	13,512
Property Acquisition	-	-	71	0	(71)	0
Land Acquisition	-	-	0	92	92	100
Capitalised Insurance	-	-	11	0	(11)	0
Capitalised Interest	-	-	0	0	0	166
Capitalised Staff Costs	-	-	318	308	(10)	337
Total New Build Investment			10,014	11,499	1,485	14,115
Grant Income			4,957	7,762	(2,805)	7,978
Net New Build Costs			5,057	3,737	(1,320)	6,137
Grant Income Completions (Recognised in OPS)			18,985	17,851	1,134	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, completed in February 2023. The project is now in defects.

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 and design changes. Pre-Planning/Cost plan submission made to GCC in December. Revised Building Warrant and Pre Planning applications made in January and February 2023 and awaiting outcome of these. This site sits in Loretto rather than WH Glasgow due to a longstanding agreement with GCC that Loretto is the preferred developer.

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. Developer has been asked to provide an update on progress.

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. All grant fully claimed. Completions phased April 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 will be handed over once Planning sign off on conditions.

Sawmill Field: 36 units for social rent. Turnkey development. Bellway making good progress and engaging well. 24 Handovers are complete with the remaining 12 scheduled to complete in March'23. All SG grant monies have been drawn down and A&B Council have now issued an offer for Strategic Housing Fund Grant.

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

	28 February 2023 £k	31 March 2022 £k
Tangible Fixed Assets		
Housing Properties	146,359	141,082
Investment Properties	1,300	1,300
Other Assets	1,272	1,072
	<u>148,931</u>	<u>143,454</u>
Current Assets		
Rent and service charge arrears	327	97
Intercompany balances	195	13
Other debtors	1,870	2,086
	<u>2,392</u>	<u>2,196</u>
Cash at Bank and in Hand	770	(430)
	<u>3,162</u>	<u>1,766</u>
Short Term Creditors		
Amounts due within one year	(9,020)	(8,757)
Deferred Income	(2,451)	(16,479)
	<u>(11,471)</u>	<u>(25,236)</u>
Net Current Assets	(8,309)	(23,470)
Long Term Creditors		
Amounts due after one year	(78,420)	(74,176)
Deferred Income	(302)	(302)
Pension Liability	(383)	(383)
	<u></u>	<u></u>
Net Assets	61,517	45,123
Capital and Reserves		
Share Capital	-	-
Revenue Reserve - b/fwd	45,506	24,345
Current year surplus/(deficit)	16,394	21,161
Pension Reserves	(383)	(383)
	<u></u>	<u></u>
Association's Funds	61,517	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 £327k due to an increase in rent arrears, in part linked to the 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 £78.5m of loans due to Wheatley Funding No 1 Ltd, excluding deferred loan fees.

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: 29 March 2023

1. Purpose

1.1 This report provides an update to our Board on the following governance related matters:

- Board Member appointment/resignations
- Tenant Board Member Pathway Programme
- Gifts and Hospitality
- Register of Interests

2. Authorising and strategic context

2.1 We are required to operate in accordance with our Rules, as well as our Terms of Reference (as set out in the Group Standing Orders) and our intra-group agreement with Wheatley Group. Our Rules, as supplemented by our Terms of Reference, set out the process for the appointment of Board members. Appointments are made by our Board, with the appointment of independent Board members also requiring approval from the Group Remuneration, Appointments, Appraisals and Governance Committee.

3. Background

3.1 The Board receives an annual governance report as well as updates at meetings, as required. This report in particular addresses our forward planning and approach to succession planning for Board members who are tenants.

3.2 As part of joining the Board, Board members agree to be bound by a Code of Conduct. This sets out the standards that Board members are required to adhere to. It also requires Board members to manage any interests as well as offers of gifts and hospitality.

4. Discussion

New Board Member appointment and resignation

- 4.1 The Group Remuneration, Appointments, Appraisal and Governance Committee (RAAG) has ratified our recommendation to appoint a new independent Board member namely, Jackie Brock. Jackie has therefore now joined the Board and will attend our next meeting.
- 4.2 The Board is also asked to note the recent resignation of Jennifer Williamson. Jennifer joined the Board following the transfer of Cube Housing Association stock having previously sat on the Cube Board (since 2016). Due to personal circumstances and other commitments, Jennifer is no longer able to continue as a member of the Board; however her contribution since 2016 has been greatly appreciated.
- 4.3 The above appointment and resignation means that our Board membership remains at eight. We now have five independents and three tenants therefore it is proposed that we initiate recruitment as outlined below.

Independent vacancy

- 4.4 We have previously agreed that we should have a Board with six independent members. We currently have five independent Board members therefore we would like to initiate recruitment for another independent Board member. Based on our succession plan and our existing skills matrix, it is proposed that we seek to recruit a Board member with a general business background or experience of property asset management.

Tenant Board member pathway programme

- 4.5 In order to help us continually develop a sustainable pipeline of future Board Members who are tenants, it is proposed that we develop a tenant board member pathway programme. The programme approach is also being introduced within other parts of the Group at the current time. The programme would see interested tenants be given the opportunity and support to join the Group Scrutiny Panel while also receiving training to develop their skills and transition to becoming a Board member.
- 4.6 It proposed that we advertise the for tenant board members on our website and that we also contact our registered Customer Voices. The process would entail the following two steps:
- 1) prospective candidates to complete an Expression of Interest setting out:
 - Why they are interested in joining the programme;
 - What they think is important about having tenants on the Board; and
 - What they can contribute to the programme and the future vision for the tenant voice
 - 2) Prospective candidates would meet the Chair and another Board member to discuss their Expression of Interest, with the Panel going through set questions designed to explore their suitability relative to the criteria/core requirements.

- 4.7 Thereafter, it is proposed that we apply the following criteria/core requirements for individuals seeking to join the programme:
- A willingness to consider issues from an organisational-wide perspective, recognising that this may vary from specific local circumstances;
 - An ability to constructively engage with others and adopt collective responsibility even when you might not personally agree with a decision;
 - Ability to recognise the need to make decisions based on what is best in the long term for the organisation;
 - A commitment to tenants being at the heart of decision-making in as diverse a range of ways as possible.
- 4.8 It is recognised that this is a programme for future Board members and the questions are focussed on potential rather than suitability for an immediate role.

Gifts and Hospitality

- 4.9 Board members are required to declare offers of gifts and hospitality when these are made or received. Our Group Policy (Payments, Benefits, Gifts and Hospitality Policy) forms part of our induction and was last reviewed by the Board in August 2022.
- 4.10 Under the policy, Board Members are required to declare any offers of gifts and hospitality. A register of the offer or receipt of any gifts or hospitality is maintained by the Governance Team.
- 4.11 No declarations have been received from any members of our Board during the current financial year.

Register of Interests

- 4.12 Under our Code of Conduct, Board members are required to ensure they register any interests and update their entry whenever a new interest arises. Information on Board member interests is also published on our website, along with Board member profiles. In addition, we are required to provide information to our auditors in relation to related parties.
- 4.13 We have a Group policy on Board member conflicts of interest which was last reviewed in August 2022. The policy sets out our Group position and must be read in conjunction with the constitution of each individual entity in our Group and our Group Code of Conduct.
- 4.14 A Register of Interests is maintained for our Board and is available on AdminControl. Declaration of Interests form a standing agenda item at each meeting of our Board where members are requested to declare any further interests, any amendments to the register of interests or declare any conflicts related to specific agenda items. As part of our year end procedures, we will seek confirmation from our Board members that they have no new declarations that require to be made.

5. Customer engagement

- 5.1 We want tenants to be at the heart of everything we do. Our approach to tenant board membership is consistent with our approach to customer engagement. We continue to recognise the benefit of sharing tenant board vacancies on our website; however our customer voices programme has provided us with an excellent opportunity to focus our recruitment on those customers who have expressed an interest in being involved in shaping our activities.

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'.
- 9.2 As a matter of corporate and charity law, it is important that we manage any potential conflicts of interest. We can support compliance with this by ensuring that we maintain a clear policy position and proactively manage gifts, hospitality and outside interests.

10. Risk appetite and assessment

- 10.1 Our agreed risk appetite for governance is "cautious". This level of risk tolerance is defined as a "preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward". This reflects our risk appetite in relation to laws and regulation, which is "averse", with the avoidance of risk and uncertainty being a key organisational objective and a priority for tight management controls and oversight.
- 10.2 Our strategic risk register contains the risk that, *"The governance structure is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively. Failure of corporate governance arrangements could lead to serious service and financial failures."*
- 10.3 We mitigate this risk by having clearly defined roles and responsibilities across our governance framework, regularly reviewing our framework and submitting our governance arrangements to external review.

11. Equalities implications

- 11.1 We have a strong commitment to equality and diversity and recognise the benefit of having people with different lived experiences on our Board. Our commitment is emphasised through our tenant board member pathway programme. This includes our commitment to making reasonable adjustments to support candidates who may have additional requirements.

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) note the update on our governance as reported;
 - 2) approve that we commence recruitment for a new independent Board member; and
 - 3) approve the commencement of the tenant board member pathway programme.

LIST OF APPENDICES

None

Report

To: Loretto Housing Board

By: Laurie Carberry, Director of Procurement

Approved by: Anthony Allison, Group Director of Governance and Business Solutions

Subject: Group Procurement - Annual Strategy and policy updates

Date of Meeting: 29 March 2023

1. Purpose

- 1.1 This report presents the annual updates to the Procurement Strategy, Procurement Policy, Group Sustainable Procurement Policy and Group Community Benefits Statement for review, prior to publication.
- 1.2 This report all provides specific updates on us and our performance from 2021-2022, with a look ahead to the delivery for 2023.

2. Authorising and strategic context

- 2.1 Under the Group Standing Orders, the Wheatley Solutions Board has delegated authority for approving the Group procurement strategy and policy. The procurement strategy and policy are levers to support us achieving strategic objectives within our strategy, such as sustainability, creating job and training opportunities and more widely maximising value for money.
- 2.2 As a Group wide policy and strategy which can impact both how we achieve value for money and support the delivery of our own five-year strategy we intend to present it to this Board on an annual basis.

3. Background

- 3.1 As a registered public body we are required to comply with procurement legislation as defined for Contracting Authorities within Procurement Regulations 2015. We have an overall compliance of contracted spend at of 90.56% against a target of 99%. The Group has an overall compliance of contracted spend of 97.06%.
- 3.2 The first Procurement Strategy was published in December 2016 and it is a legal requirement to review it annually by 31 March. The updated Procurement Strategy 2023 (Appendix 1) updated Procurement Policy 2023 (Appendix 2), proposed Group Sustainability Procurement Policy 2023 (Appendix 3), and updated Community Benefits Statement (Appendix 4) have all been developed in compliance with this requirement.

- 3.3 The Group Procurement Policy 2023 (Appendix 2) has been updated to capture other business activity underway, such as our revised Equality, Diversity and Inclusion (EDI) policy and action plan and the launch of the Group Contract Management System (CMS).
- 3.4 Our own external expenditure in 2021/22 was £21m of which 87% (£18m) was on capital and 13% (£3m) on revenue. The high level of capital spend was due to our new build housing programme.
- 3.5 Below are examples of Group wide procurement activity delivered to during 2022 that will directly benefit us:
- £3.6m Legal Services Framework – delivering choice and best value;
 - £55m Technical Consultancy Framework – securing the range of specialist skills we need to deliver our new build programme;
 - £500m Generation 3 – New Build Framework – securing a range of prospective contractors to maximise our choice in delivering our new build programme
 - £2.4m Hybrid Mail Contract – supporting operational efficiency and our transition from white mail to digital: and
 - Procured and launched Contract Management System – to continually focus on compliance and managing contracts to ensure both compliance and extraction of all benefits, especially community benefits.
- 3.6 As and when required, our own specific contracts have been delivered ensuring we continue the momentum of delivery of capital investment and new build projects being commenced including:
- *Group New Build, Technical Consultancy and Legal Services frameworks* all now designed to take into account delivery of services across the central belt, making sure we have the benefit of Group purchasing scale but developers, consultants and legal services designed for Loretto's specific need.
 - *253 Duke Street*, work is underway to contract a developer to complete the refurbishment works delivering 19 newly refurbished flats, tender is scheduled to be issued in May with an anticipated appointment of selected contractor by Autumn 2023.

4. Discussion

- 4.1 The Group Procurement Strategy 2023 is a legislative reporting requirement for all large Scottish contracting authorities. As a minimum, the strategy must include the following elements:
- 12-month retrospective review of contracts awarded;
 - 24-month forward plan of future contract opportunities;
 - Community Benefit Delivery;
 - Proposed Sustainability requirements; and
 - Embedded compliance to legislation.

4.2 The procurement strategy can contribute to delivering the key objectives in all themes of our strategy:

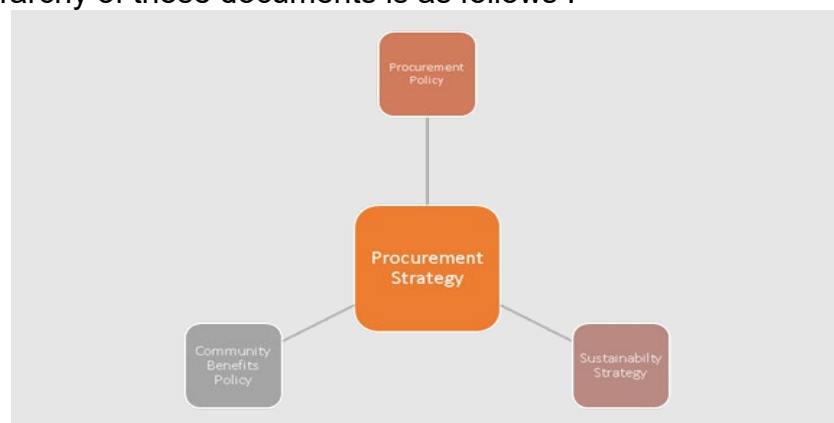
- creating jobs and training opportunities through the use of Community Benefit clauses;
- drawing on the value of group wide contracting arrangements which allow us to be more efficient and reinvest more money in our communities;
- build our overall resilience by having a wide range of supply chain options, which in turn can also drive competition and innovation;
- reducing potential counterparty risk and contractor financial exposure through the use of frameworks such as in development to reduce reliance on a small number of contractors; and
- driving wider change in our supply chains by making areas such as EDI and sustainability practices requirements to contract with us.

Procurement Updates

4.3 The Procurement Strategy is our road map towards achieving organisational objectives and to meet Scottish government's commitments to efficient and effective procurement, whilst reflecting important legislative changes which ensure that Group is in line with Scottish Government procurement legislation and best practice.

4.4 To support us in achieving standardised practises and procedures pertaining to procurement across the Group the Procurement Policy, Sustainability Policy & Community Benefit Policy were developed to deliver the overall Procurement Strategy. To ensure these documents remain fit for purpose they are required to be reviewed on an annual basis.

The hierarchy of these documents is as follows .



Procurement Strategy

4.5 The updated Procurement Strategy incorporates changes which have taken place, including changes to tender thresholds. From January 1st 2023 for all Works the threshold is £5,336,937, this was previously £4,733,252, Goods and Services threshold is £213,477, this was previously £189,330, and 'Light Touch Regime' Services threshold remains at £663,540 and has not been changed. For clarity, all threshold values are exclusive of VAT.

- 4.6 The Strategy pipeline has also been updated to reflect the recently procured contracts in the last 12 months and the upcoming procurements for the next 24-month period.

Procurement Policy

- 4.7 The updated Procurement Policy 2023 includes the addition of desirable requirements, which are for contractors to have an Equality, Diversity and Inclusion (EDI) policy and the increased legislative tendering thresholds. By adding the EDI policy as a desirable, this highlights to our potential suppliers the importance of EDI to us as an organisation. This helps support our Group EDI and Human Rights policy and our EDI aims more widely. In particular, this supports our aim to ensure 'EDI is embedded in all our policies and services with an ability to report on this' as contained within our Group EDI Action Plan, approved by the Wheatley Solutions Board in November 2022. Following the addition of the EDI policy requirement, we will be able to report on how many suppliers we procure with meet this requirement.
- 4.8 By having this as a desirable rather than an essential requirement, this helps ensure that this does not indirectly discriminate for example, small suppliers who may not have an EDI policy. It does however encourage and raise awareness with suppliers that they should be considering EDI in their operations and that our procurement process is cognisant of equalities. This approach is further confirmed through our Community Benefits.

Group Sustainable Procurement Policy

- 4.9 We have an ambitious target for our corporate activities to be Carbon Neutral by 2026. Using the breadth and depth of our service, combined with our experience and skills, our aim is to be a catalyst for change in the housing sector and a significant contributor to the national decarbonisation goals. Critical to this objective is how we work with our partners, stakeholders, customers, and suppliers to prioritise sustainable solutions and embed sustainability in each of our decisions. We have therefore created a new Group Sustainable Procurement policy as detailed in Appendix 3.
- 4.10 Our aim is to switch to carbon neutral capable fleet, where suitable electric, hybrid and hydrogen fuelled vehicles exist (i.e., have sufficient gross vehicle weight and range to meet our business need), by the end of 2026. In advance of doing this, we will work to ensure there is suitable charging infrastructure including at our depots and other corporate locations. We will also, where we have the ability to do so, deploy charging infrastructure in our communities, which will benefit our business operations, customers and the wider community in these locations. We will also explore options for reducing emissions associated with staff travel such as active travel, public transport and encouraging use of low emission vehicles.
- 4.11 Our wider long-term sustainability targets include, becoming carbon neutral across our corporate estate, eliminating fuel poverty, and reducing carbon emissions from our homes by at least 4000 tonnes per year. Procurement will take an active role in supporting these ambitions through sustainable sourcing of goods services and materials, as well as ensuring our supply chains also work towards these targets. It will be ensured that consideration of social, ethical, environmental, and economic impacts is present in each procurement activity. With the use of the newly launched Contract Management system, outcomes will be measured, monitored, and recorded.

- 4.12 Procurement shall continue to seek to eliminate and reduce where possible, the use of single use plastics, pesticides and chemicals that may cause harm to the environment, as part of all procurement activity across the Group. The commitment to zero waste going to landfill will also be a key contracting consideration.

Community Benefits Statement

- 4.13 The formation of this statement takes note of Scottish Government Guidance, legislation, and the need for requirements to be proportionate (Appendix 4). This guidance is in-line with Scottish Procurement Legislation and Regulations.
- 4.14 Procurement has an important role in the delivery of Community Benefits. Working in partnership, Group Community Benefits are a shared responsibility for all contract leads across the Group. Where possible there is a focus on maximising jobs and training places and supporting local community activity.
- 4.15 We are therefore able to deliver new jobs, apprenticeships, training opportunities and supply chain development activities for the community. Procurement and contract leads ensure compliance in terms of Construction related contracts and the obligation of the Contractor therein, which is a mandatory requirement captured through the terms of the Contract.
- 4.16 This also supports our Group EDI aims, as going forward we will use our customer equality data and Wheatley Foundation equality data to inform our Community Benefit approach through analysis of our employability programmes.

Contract Management System (CMS)

- 4.17 Procurement have implemented a Contract Management System (CMS) to digitise our contracts and assist Contract Owners with their contract management responsibilities. All Contract Owners will receive log in details to the CMS and will have access to administer, monitor and manage their suppliers/contracts. The CMS has three modules:
- Sourcing – Use to add new suppliers, amend supplier details and routinely check supplier information (insurances, bank details etc). For sole use of Procurement currently.
 - Contract Management – this module is where contracts are set up and documentation is uploaded to ensure that all information relevant to the contract can be viewed in one place. To be used by both Procurement and Contract Owners (predominantly Procurement)
 - Supplier Relationship Management (SRM) – this module is used to collate supplier performance via scheduled supplier requests aimed at understanding performance against pre-determined Key Performance Indicators (KPIs) or other performance targets. To be used by both Procurement and Contract Owners (predominantly Contract Owners).
- 4.18 Procurement shall work with Contract Owners to set up their contracts in the first instance and maximise the CMS' functionality. Contract Owner shall be responsible for contract/supplier interactions thereafter. The CMS will alert the Contract Owner when an action is due and will repeat the alert until action is taken.

Challenges for Procurement 2023

- 4.19 In line with the challenging Scottish Government policy on carbon reduction to net-zero, we seek to ensure that sustainability is rooted within all procurement activity. For example, the new build properties are designed to a high standard of energy efficiency, and boilers that are being installed in customers' homes are specified to ensure low consumption rates.
- 4.20 However, these challenging targets will require a common-sense approach to developing our community's ensuring sustainability is an objective to each and every procurement that is undertaken. This was a major factor as to why our new sustainability strategy has been developed, the targets and initiatives detailed within will play an important role in all procurement activities.
- 4.21 The UK insurance market for Housing Associations has significantly changed in the last 12-18 months and we are still very much in a hard insurance market. Limited capacity in the market has also impacted insurer appetite with them being more selective and only considering better quality risks, and also increased premiums irrespective of claims experience. We have recently seen our Group property insurance renewal increase and during the process noted a reduction in the number of prospective providers. We will explore ways, such as how we package our properties, to reduce the risk or extend the market options in future.
- 4.22 The new build contracting market continues to require strong monitoring with suppliers now increasingly requesting to mitigate their risk on costs in the way they contract and ask for cost increases. Our approach has been to seek fixed costs and have contractors take the risk on cost inflation.
- 4.23 [redacted].
- 4.24 [redacted].

5. Customer Engagement

- 5.1 Each procurement exercise will take into consideration customer engagement. Customer consultation will be carried out when applicable. Community Benefit delivery aspirations also involve key customer engagement activities.
- 5.2 The use of the new CMS system will ensure we are driving all the additional value and community benefit offerings from Group contracts, ensuring the best possible outcomes for our customers.

6. Environmental and sustainability implications

- 6.1 Our aim is to be carbon neutral in our corporate activities by 2026. Scotland has set a target to phase out the sale of new fossil fuel vehicles by 2032. To ensure delivery of these requirements we have a dedicated fleet team to oversee the transition of Group fleet to carbon neutral by 2026.
- 6.2 Sustainability outcomes will continuously be measured against Group targets and Procurement will take an active role in supporting these ambitions through sustainable sourcing of goods services, materials and supply chains.

7. Digital transformation alignment

- 7.1 The new Contract Management System (CMS) allows for integrated use of IT systems and acts as a central repository for all contracts. It will provide a much more automated and structured way to manage contracts which will be both more efficient for staff time and increase the robustness of supplier monitoring.

8. Financial and value for money implications

- 8.1 Value for money and financial efficiency continue to be a key focus in procurement, alongside quality. These objectives are being achieved by leveraging our size and scale. Effective procurement is a key approach to meet the Group business plan, sustainability targets, and identified savings targets.

9. Legal, regulatory and charitable implications

- 9.1 By publishing the Group Procurement Strategy by March 2023, we are meeting our legal obligation and adhering to government requirements. All procurement within the Group adheres to legislative procurement requirements.

10. Risk Appetite and Assessment

- 10.1 Our agreed risk appetite relating to laws and regulations is “**Averse**”. This level of risk tolerance is defined, as “Avoidance of risk and uncertainty is a key organisational objective”.
- 10.2 The key procurement strategic risk (SSR15) for the Group is Non-Compliance with current Scottish Procurement Legislation/Regulation relating to procurement and award of contracts. In order to mitigate any risks to Group the following measures are embedded:
- Compliance with Group standing orders;
 - Annually reviewed Group procurement policy;
 - Visibility of our Contract Register;
 - Mandatory training for all staff authorised to procure ‘Passport to Procure’ eLearning tool;
 - Procurement plans for above threshold procurements; and
 - Dedicated Procurement team with specialist knowledge / training Support from legal advice as required.
- 10.3 The Procurement Policy 2023 and the updated Procurement Strategy 2023, proposed Sustainable Procurement Policy 2023, and updated Community Benefits Statement 2023 help us mitigate the risks of non-compliance of regulation and legislation.

11. Equalities Impact

- 11.1 Through its procurement approach, relationships with Group wide and local suppliers, and awareness of equalities legislation, the Procurement Team promote equality across all areas of procurement business.
- 11.2 Updates made to our Procurement Policy and Community Benefits approach supports out EDI aims as a Group, contained within our Group EDI Action Plan as approved in November 2022 by the Solutions Board. This supports the implementation of our Group EDI and Human Rights policy.
- 11.3 Our procurement strategy outlines how we will work to ensure our procurement process is inclusive for example through: Equal Treatment, Non-Discrimination, Transparency and Proportionality; Prevention of Modern Slavery; Fair and Ethical trading; the Living Wage; Supporting SMEs and social enterprises.

12. Key issues and conclusions

- 12.1 We must comply with legislative requirements for procurement and contracting arrangements due to the classification as Contracting Authority.
- 12.2 By noting the suite of procurement documents presented and the following publication on our website we are ensuring our compliance.

13. Recommendations

- 13.1 The Board is asked to note the following documents:
 - 1) Wheatley Group Procurement Strategy (2023 – 2025);
 - 2) Wheatley Group Procurement Policy 2023;
 - 3) Wheatley Group Sustainability Procurement Policy 2023; and
 - 4) Wheatley Group Community Benefits Statement 2023.

LIST OF APPENDICES:

Appendix 1 – Group Procurement Strategy 2023 – 2025 [redacted]
Appendix 2 – Group Procurement Policy 2023 [redacted]
Appendix 3 – Group Sustainability Procurement Policy 2023 [redacted]
Appendix 4 – Group Community Benefits Statement 2023 [redacted]
Can be found [here](#)

Report

To: Loretto Board

By: Stephen Devine, Director of Assets and Sustainability

Approved by: Frank McCafferty, Group Director of Repairs and Assets

Subject: Broadband development opportunity

Date of Meeting: 29 March 2023

1. Purpose

- 1.1 To update the Board on an opportunity for the roll out of fast broadband to our homes and to seek agreement to arrangements that will support this.

2. Authorising and strategic context

- 2.1. Delivering Exceptional Customer Experience is one of the key themes in Your Homes, Your Community, Your Future. As part of achieving this we commit to:

“invest(ing) in digital infrastructure to enhance our ability to provide services and engage with our customers, while continuing to use our national influence to advocate for an expansion of digital inclusion in our communities, such as low cost broadband availability.”

- 2.2. The proposal here is part of how we are looking to use our influence to address digital exclusion through encouraging the availability of low cost broadband in our communities. Board consideration and agreement is being sought given the strategic nature of this proposal.

- 2.3. The agreements and wayleaves discussed later in this report have been considered and agreed the Group Board. Our approval is also being sought as these would be in our name, along with the other two group partners who operate in Glasgow and whose customers would benefit from what is proposed: Lowther Homes and Wheatley Homes Glasgow. Subject to respective Board agreements, these wayleaves and agreements would be signed in line with our Disposals and Acquisitions Policy Framework.

3. Background

- 3.1. Like society in general, broadband connectivity is increasingly essential for our customers. It is also worth noting that connectivity alone is no longer enough with people requiring faster connections to allow multiple devices to access the internet simultaneously and for streaming.
- 3.2. Information available indicates that broadband take-up among our customers is low at about 54% compared to typical levels in Glasgow of around 67%. Take up of fast broadband, typically above 300mbps, is lower still at 5% compared to 8% in Glasgow overall.
- 3.3. Availability of fast broadband in our homes is estimated at around 30% whereas basic broadband is available from at least one provider in most locations. Pricing for basic (less than 300 mbps) broadband is typically between £21 and £30 a month, whereas fast broadband is between £30 and £50 a month. Operators also offer what they term 'social tariffs' to customers on certain benefits.
- 3.4. The most attractive of these is Hyperoptic's Fair Fibre tariff at £20 for 150 mbps although others are available. Typically, these social tariffs provide speeds and pricing below those of basic broadband. Take up of basic social tariffs is low with Ofcom indicating levels of less than 5% of those eligible. It is likely this is because of the price/speed on offer, and requirements for customers to demonstrate eligibility each month to operators.
- 3.5. Other factors including contract length, which typically range between 18 and 24 months with no break without penalty, are also likely to have a bearing on take up among our customers.

4. Discussion

- 4.1. Our approach to ensuring customers have broadband connections and, more generally, are not digitally excluded includes:
 - facilitating network deployment by operators through working with them to put wayleaves in place that permit operators to safely deploy connections to our buildings.
 - supporting the development of digital skills among our customers through the work of the Wheatley Foundation.
- 4.2. These two elements come together through agreeing a contribution to the Wheatley Foundation for its digital skills work as part of agreeing wayleaves with network providers.

- 4.3. While this approach has, and is working, as illustrated by the broadband availability figures above, digital exclusion among our customers remains high. The price of broadband service is likely to be a major factor in this but so is the strategy of most operators who target their service on potentially most profitable communities. Broadband speed from existing operators is also an issue with their offer for our customers being at lower speeds including through 'social tariffs'.
- 4.4. In recent months, we have been in discussion with a new entrant to the Glasgow market ([redacted]broadband) on an approach that could potentially boost broadband take up and therefore digital connectivity among our customers.

4.5. – 4.12 [redacted]

5. Customer Engagement

- 5.1. We do not intend engaging customers on the value, or otherwise, of [redacted] offer as we do not believe it is for us to make a judgement on this on behalf of customers who will have individual requirements and circumstance. We will, however, ensure that customers are aware that [redacted] is building its network in their area and able to provide broadband service. Doing this has advantages for us and customers in ensuring they are informed and in pre-empting any concerns relating to works in their community.

6. Environmental and sustainability implications

- 6.1. This report relates to a network build by a third party and, as such there are no direct sustainability implication for us. Having quality broadband fits with the UN Goal of Sustainable Cities and Communities, and also, at a more local level, will benefit our customers and our sustainability objectives through allowing customers to access services and education without the need to travel.

7. Digital transformation alignment

- 7.1. Increasing availability of broadband connectivity among our customers is a key enabler of digital transformation. As well as this, [redacted] offer to us includes availability of network capacity that we could make use of in the future to support deployment of IoT technology such as sensors.

8. Financial and value for money implications

- 8.1 [redacted] offer to customers is good value relative to what is available in the market currently, and as such will help, to a limited extent, customers with the cost of life crisis. The savings for customers will depend on their current broadband arrangement although typically around £[redacted] a year might be expected.
- 8.2 Assuming [redacted] builds as planned, the contribution to the Wheatley Foundation would be over £1.2m. This would be offset to some extent by the proposed contribution to providing 'free' broadband to customers in the first month. The estimated cost to Wheatley of this (assuming [redacted]% penetration in line with [redacted] business plan objectives) would be £[redacted]. It should be noted that payments to the Foundation will always be in advance of any cost to Wheatley because customers will not be able to take service before the network is built and ready for service.

9. Legal, regulatory and charitable implications

- 9.1. There are no legal, regulatory or charitable obligations associated with this report. Our in-house legal team are familiar with putting wayleaves in place and have supported the development of the draft agreements with [redacted]. No issues have been identified.

10. Risk Appetite and assessment

- 10.1. Encouraging provision of fast broadband to our customers aligns with our strategic commitment to Progress from Excellent to Outstanding, and relates to financial or VfM risk consideration. Our risk appetite in this area is Cautious (We aim to deliver the highest levels of customer service whilst optimising VfM for the services provided). The proposal here is in fitting with this as we look to reduce the cost of everyday services for customers.

11. Equalities implications

- 11.1. Extensive availability of broadband at an affordable price is expected to help digital exclusion among our customers.

12. Key issues and conclusions

- 12.1. Broadband take-up among our customers is low relative to others in the city. There are various reasons for this including lack of choice among operators and price. [redacted], a new entrant to the market, has come to us with a stated intention of providing a more attractive broadband offer to our customers. This offer and the support that [redacted] is looking for from us to deploy its network have been assessed by experts in the telecommunications market at Analysis Mason. Analysis Mason have highlighted that what [redacted] is proposing is good value for customers. Possible risks and issues for Wheatley have also been highlighted but none are considered particularly significant or a reason not to work with [redacted] for the benefit of our customers.

13. Recommendations

- 13.1. The Board is asked to note the opportunity presented through [redacted] Broadband's proposal to roll-out its services to our customers and agree the terms of this as set out in the letter at Appendix 1 and Wayleave at Appendix 2.

LIST OF APPENDICES

Appendix 1: [redacted]

Appendix 2: [redacted]

Appendix 3: [redacted]