



LORETTO HOUSING ASSOCIATION

BOARD MEETING

Monday 29 March 2021

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minute of 15 February 2021 and matters arising

Main Business Items

4. Business update
5. Housing First update (presentation)
6. Cube restructuring – transfer to Loretto Housing
7. Group protection update (presentation)
8. Model complaint handling procedure
9. 2021/22 UK and Scottish Government Budget update
10. a) 2021/22 Budget
b) Finance Report for the period to 28 February 2021
(to include approval for funding amendments required – removal of Cube)

Other Business Items

11. 2021 Customer satisfaction surveys
12. a) Assurance update
b) Internal Audit Approach and Plan2020/21
13. Governance update
14. AOCB

Report

To: Loretto Housing Association Board

By: Laura Henderson, Managing Director

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

Subject: Business update

Date: 29 March 2021

1. Purpose

1.1 This report provides an update on our response to the impact of the current pandemic on our services, customers and communities.

2. Authorising context

2.1 The activities addressed in this report are principally of an operational nature, and are therefore delegated to the Group CEO under the Group Standing Orders. The Board has been kept regularly apprised of our progress through email updates.

3. Risk appetite and assessment

3.1 The unprecedented nature of the current situation raises risks in a number of key areas. These include:

- i. *Customers* - risks that our customers may suffer hardship and distress, not just through the risk of catching or through having the virus itself, but through the current government measures causing other effects such as hunger, isolation and mental and physical health problems;
- ii. *Staff* - risks that staff are exposed to the virus, especially those engaged in customer-facing activity; that we have a reduced workforce due to illness and/or self-isolating, and that those working from home may not be able to function effectively; and
- iii. *Financial viability* - risks to our financial position, such as increasing rent arrears and reduced cash flow.

3.2 These areas and the steps we continue to take to mitigate the risks are addressed below.

4. Background

- 4.1 This report provides a further update to Board members on our contingency operations to support both essential business and the new issues faced by our customers.
- 4.2 It outlines our current remobilisation status across key customer facing areas following the Scottish Government's move to tier 4 restrictions on 26 December and then to a lockdown from 5 January applying to the whole of the Scottish mainland.
- 4.3 Maintaining service delivery in line with restrictions, ensuring safety and providing the best customer service possible continues to remain a challenging operation. Rapid changes in Scottish Government guidance and in local situations means our service planning and our staff have to be highly agile. We continually review our services in the light of guidance but also from our own learning, seeking to ensure that our approach and processes remain exemplars for the sector.
- 4.4 Staff and customer communication is at the heart of this approach to ensure that they understand what we are doing, why and to be reassured that our processes keep them safe. Despite these challenges we have continued to meet or exceed the targets we have set for our remobilisation plans.

5. Discussion

- 5.1 Over the latter part of last year, we expanded from our essential services, scaling up delivery as restrictions have allowed. This allowed us to bring many services back to normal volume levels.
- 5.2 Our agility and rapid ability to scale up services allowed us to create a much stronger position going into 2021 than would otherwise have been the case. However, the latest lockdown means that we have had to review and amend our services in line with new restrictions. Our experience and agility means that we have strong planning mechanisms to help us consider service areas and move quickly to alternative models.
- 5.3 We continue to provide support to our customers through our wraparound services and through our specific provision during Covid. Although our housing officers continue to be based primarily from home they have made over 17,000 outbound calls to customers since March 2020. Though the current restrictions have meant that work of the home visiting team has had to be curtailed, we continue to safely deploy housing officers to sign customers up in new tenancies and accompany City Building on gas appointments. Operating Safety Manuals are being adhered to and PPE is being issued as standard.
- 5.4 We have continued to utilise the Emergency Response Fund to support vulnerable households, with an increase this quarter in requests – assessed and made by our frontline staff on behalf of customers – for high value items, such as white goods and furniture. There was also an increase on assistance needed for tablets for parents to home school that we were able to assist our customers with.

- 5.5 We have also delivered over 552 food packages, as well as distributing supermarket vouchers to more than 140 customers totalling £4,430. Those supported included customers who have lost their jobs, had their incomes cut drastically, been furloughed and/or are awaiting UC payments. The service was targeted – by using frontline knowledge, data and experience to those that need it the most.

Letting

- 5.6 Letting continues to take place using safe working procedures for viewings and sign ups. Despite the challenges faced we have now let 95 homes in the year to date in an average of 18.76 days against a 26-day target. 47 of these homes were to let to homeless customers.
- 5.7 We continue to prioritise lets to homeless households as part of our letting remobilisation. In the year to date 50% of let's have gone to homeless households. We have been working closely with our Local Authority partners to ensure that nominations given to them are also prioritised for homeless households.

Rental income

- 5.8 Maintaining our rental income so that we can continue to provide services, alongside supporting our customers to be able to pay their rent have been key priorities through the pandemic. Housing officers continue to successfully operate our virtual model of support through telephone and digital contact. This has enabled us to provide support and advice to customers at the point they need it most.
- 5.9 The 6-month notice period for Notice of Proceedings and evictions extended by the Scottish Government remains in place until 31 March 2021. In line with our revised escalation process we continue to take action where appropriate for 'won't pay' households and reviewing each individual case, providing support to those who 'can't pay'.
- 5.10 Our Housing staff continue to focus on supporting customers out of rent debt. Our income collection performance has improved significantly over the last year and continues to exceed our 4.8% target for 20/21 at 4.08%, a reduction of 1.03% since financial year end.

Fire safety, anti-social behaviour, Group Protection

- 5.11 We have had 13 Accidental dwelling fires in 2020-21. Visits continue for vulnerable households and our fire safety team have continued to undertake fire risk assessments for our care properties.
- 5.12 168 anti-social behaviour cases have been recorded on our Streetwise system in the year to date. Over 80% of these cases relate to low level noise, aggressive behaviour and neighbour disturbance that could directly be related to lockdown circumstances. Police Scotland have also noted a similar trend in their figures. We have continued to support people through our adapted service model which uses telephone and digital methods of contact wherever possible.

- 5.13 Our Home Safety Team continue to support our most vulnerable customers with safety and security advice and guidance and where relevant home safety pioneering products. This includes support to a number of domestic abuse Multi Agency Risk Assessment Conferences (“MARAC”) referrals. Priority access to products has been given to some of our customers who have experienced domestic abuse and this has enabled them to feel safer in their home.
- 5.14 There is particular concern for the victims of domestic abuse during lockdowns, they may be confined to a home that is not safe, and may have less opportunity to seek out support. Our staff are well trained on domestic abuse, having been provided with the opportunity to participate in bespoke training developed and delivered jointly by us and National Domestic Abuse Charity Safe Lives. This allows them the knowledge, skills and experience to best support victims and their families, and connect them with our internal wraparound support services, or signpost to tailored bespoke Domestic Abuse advocacy support with partners such as ASSIST or Women’s Aid.

Stair cleaning and environmental services

- 5.15 The temporary suspension of stair cleaning remains. In line with Scottish Government guidance, the confined space available within stairs which makes it very difficult to distance if anyone needs to pass and the information on the increased transmissibility of the new Covid variant. Customers have been informed of the decision and the reasons for this. We will reinstate these services when it is safe and permissible to do so.
- 5.16 Wider environmental services continue as normal including continuing to remove bulk waste on a monthly basis. This helps to mitigate the risk of fire in our communities given that local authorities have suspended these services.

Repairs, Investment & Compliance

- 5.17 During the lockdown period we have reverted to “Safety First” repairs only. Guidance has been issued to all staff so that they are clear on what repairs can be done. Housing Officers and call centre staff can also use their own judgement to categorise something as essential based on customer circumstances, particularly where the customer is vulnerable.
- 5.18 In line with Scottish Government guidance, internal capital investment work remains on hold. Customers who had a planned date for work to start have been contacted and informed of the situation. External investment works continue with appropriate safety procedures in place.
- 5.19 We are working through the backlog of medical adaptations which built up during earlier restrictions. We have now completed 22 medical adaptations year to date with 14 completed in February 2021. Prior to undertaking work, we contact customers to assess with them whether it is appropriate to do the work at this time.
- 5.20 Repairs to voids continue with safe working practices in place. This supports our letting to households in need in line with the Scottish Government guidance that house moves, while allowed, should only be undertaken where essential.

5.21 Our repairs teams work closely with housing and care staff to ensure that all essential repairs are undertaken safely within our care properties. This includes a recent example where a boiler broke down in South Lanarkshire and was replaced within a day. Care staff ensured all residents were safely housed in temporary accommodation for the duration of the breakdown and were able to liaise closely with repairs staff around progress.

5.22 Gas safety compliance has been consistently 100% since August 2020 and will continue to be a priority.

6. Value for money implications

6.1 We continue to work to provide value for money to our customers; prioritising their needs within the constraints of the limitations on staff movement imposed on us.

7. Impact on financial projections

7.1 Set out above. These will continue to be updated as the situation persists over the coming weeks and months.

8. Legal, regulatory and charitable implications

8.1 We have maintained regular dialogue with the Scottish Housing Regulator and they have appreciated our role, for example, in the housing sector National Resilience Group along with Scottish Government and local authority representatives, and our offer of support to smaller RSLs who may be unable to effectively deliver services in the current conditions.

9. Partnership implications

9.1 We continue to utilise our strong relationships with Scottish Government, local authorities and national agencies to support delivery during the crisis but also to influence planning to the benefit of our customers and services. We work closely at a local level with third sector organisations to benefit local communities.

10. Implementation and deployment

10.1 Co-ordination of all activity set out in this paper continues to be led by the Group Chief Executive and Executive Team.

11. Equalities impact

11.1 None noted.

12. Recommendation

12.1 The Board is asked to note this update.

Report

To: - Loretto Housing Association Board

By: - Stephen Devine, Director of Business Growth

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

Subject: - Cube restructuring - transfer to Loretto Housing

Date of Meeting: - 29 March 2021

1. Purpose

1.1 This paper provides the Board with an update on the proposed transfer of Cube assets and activities outside Glasgow to Loretto Housing.

2. Authorising context

2.1 Under the Group Authorise/Manage/Monitor Matrix, the Loretto Board has responsibility for authorising new operating/service delivery models in its areas. Transferring Cube outside Glasgow to Loretto will see changes to how Loretto operates as management of the Cube stock is brought into existing Loretto structures.

2.2 The strategic significance of Loretto and Cube joining together to further collective ambition, commitment to excellence and transformation mean that the proposed transfer has also been subject to consideration and approval by Wheatley Group Board.

3. Risk appetite and assessment

3.1 The possible transfer from Cube is covered by the Operating model (modernising services etc) category in the Group's risk appetite framework. Risk appetite in this area is "**Hungry**". This level of risk tolerance is defined as "eager to be innovative and choose options offering potentially higher business rewards (despite greater inherent business risk)".

4. Background

4.1 The Loretto Board agreed to the possibility of the transfer from Cube in October 2020 and received an update on progress at its most recent meeting. This update included that Cube tenants had overwhelmingly supported the transfer in a ballot and that findings from due diligence to that point had not identified any issues of particular significance.

5. Discussion

Bringing Cube into Loretto's operating structures

- 5.1 Since the Board's recent meeting, Loretto's existing patch structure has been revised to include Cube stock, while maintaining our commitment to housing officers having patches of around 200 homes. In doing this, alignment reflecting local authority boundaries has been sought with some patches unchanged, while others now include former Cube and Loretto stock and others are made up entirely of former Cube stock. Housing officers including staff who were previously with Cube who are transferring to Loretto have been assigned to their new patches with the changes expected to take effect at transfer. Consultation on this is on-going at present, and we do not anticipate any issue in completing the required staffing changes in advance of the transfer.
- 5.2 As part of ensuring a smooth transition, housing officers with former Cube customers will receive a kit providing supporting information on the transfer, as well as flyers for use in providing tenants with their details. Information will also be available for the housing officer to send to their customers by text and GIF (which proved to be a fun and engaging way of reaching customers during consultation around the ballot on the transfer). Most importantly of all, housing officer will make contact with their transferring customers immediately after the transfer to say hello and begin to establish a relationship or, in some cases, to maintain the already existing relationship they had as Cube housing officer and tenant. Rapidly making the connection between the transferring Cube tenant and their 'new Loretto' housing officer will be vital in ensuring continuity and a warm welcome.
- 5.3 Intensive engagement around the time of transfer will be supported by written communications to customers including:
- At the end of March, a short newsletter to remind tenants about what is happening, when and the benefits;
 - About a week before transfer, a letter signposting customers to what is coming the following week when the transfer happens and what to look out for; and
 - At time of transfer, two letters - one saying *goodbye from Cube* and the other welcoming the tenant from Loretto. The letter from Loretto will also set out some practical steps for tenants including around updating their Universal Credit journal and information on logging on to their online account.
- 5.4 Delivering on the promises made to Cube tenants as part of seeking their approval to transfer will be essential in maintaining positive momentum post-transfer. The first year of the commitment on rent increases has already been put in place and in-depth investment planning is underway taking account of the feedback Cube tenants provided as part of consultation on joining Loretto and wider intelligence on investment priorities for the stock. This will be used to develop investment proposals built around specific Cube homes and locations. Customer choice, through our YouChoose approach, will play a major part in ensuring that some of the promised investment is controlled by customers and used for local priorities that would not be met otherwise.

Completing the transfer from Cube

- 5.5 As highlighted to the Board previously the transfer from Cube is through a Transfer of Engagements. This allows one Cooperative and Community benefits society to transfer its business to another. There are particular requirements in doing this, including that specific resolutions are approved by Cube shareholding member at special general meetings. There is also a requirement that Loretto Board accepts the transfer in the time period between Cube's two special general meetings. Necessary arrangements will be made for this to happen in early summer.
- 5.6 As set out previously, diligence has been carried out on Cube to support the proposed transfer to Loretto. Headline findings from this diligence are presented below. Further details are available, should members require, in the reports provided by the external advisors.

Legal

- 5.7 Thorntons LLP has carried out legal diligence on Cube. Amongst other things, this diligence has looked to ensure that Cube and Loretto could legally complete the transfer, identify existing agreements that Cube has that should transfer to Loretto, detail particular actions that should be taken as part of the transfer and confirm there are no barriers, from Loretto's perspective to completing the transfer.
- 5.8 As part of its diligence, Thorntons considered key aspects of Cube's business in relation to the transfer including:
- Constitutional requirements and corporate approvals;
 - Licenses, permits etc;
 - Contractual arrangements with external parties;
 - Trading assets; and
 - Wider issues such as branding, intellectual property, computer systems, litigation, insurance, environmental etc.
- 5.9 Thorntons have commented that ***'our diligence exercise has not disclosed any material matters of an exceptional nature which would lead us to recommend against pursuing the Transaction'***.
- 5.10 As expected, Thorntons identified some matters that should be completed around the transfer. Those that were flagged as most important are listed below along with our intended approach.

Area	Matter raised	Intended approach
Data Protection	At a minimum, notices should be issued to all Cube's tenants as to the transfer of Cube Personal Data to Loretto as soon as reasonably practicable following the Transaction	This will be done through the welcome letters to Cube tenants transferring to Loretto
Grants	Consent of Scottish Ministers should be obtained in order for the obligations under grant agreements to be assumed by Loretto in succession to Cube	We have engaged with Scottish Government officials and explained the Transfer of Engagement process, and will notify them of the agreements involved at transfer. This follows the approach we agreed with the Scottish Government in a recent intragroup transfer from Barony to Dunedin Canmore which worked well

- 5.11 The matters identified by Thorntons are as would be expected and we do not anticipate any issue in taking the necessary actions as part of completing the transfer.
- 5.12 The Board may also want to note that because a Transfer of Engagements is proposed there is no need for any conveyancing. Section 110 of the Co-operative and Community Benefits Society Act 2014 ("CCBSA 2014"), states that "a registered society (Society A) may, by special resolution, transfer its engagements to any other society which undertakes to fulfil those engagements (Society B) ... [and] the property vests in Society B without any conveyance or consignment (or in Scotland, assignment)".

Tax diligence

- 5.13 EY has reviewed the proposed transfer and advised that '**based on this high-level review it is concluded that there are no adverse tax implications for Loretto as a consequence of the transfer to it from Cube**'.
- 5.14 EY's assessment stated that no corporation tax liabilities should arise to either Cube or Loretto. As part of its review, EY identified two main income streams transferring to Loretto for tax purposes - rental and service charge income from UK land and buildings; and income from the development and construction of social housing units. As the income from UK land and buildings will be used by Loretto for charitable purposes, it will qualify for an exemption from UK corporation tax. Similarly, income from the development and construction of social housing units relates to a charitable trade and as such the profits from it will qualify for an exemption.

- 5.15 EY also considered any Land and Building Transaction Tax (LBTT) implications from the transfer commenting that full relief from LBTT is available (schedule 6 LBTT(S)A 2013) where the buyer and seller are both registered social landlords. VAT implications were also considered. On this EY advised that both Cube and Loretto are part of the same VAT group, and as such, any supplies made between members of the same VAT group should be disregarded for VAT purposes. They also commented that income from providing social housing should be exempt from VAT and that where Loretto incurs VAT on costs which directly relate to this, the VAT on these costs should be irrecoverable (subject to the normal partial exemption rules) and therefore represent a cost to Loretto.

Pensions

- 5.16 Spence and Partners have confirmed there are no adverse pension related implications or liabilities for Loretto as a result of the transfer. They also commented that in the case of the SHAPS scheme it would certainly be much more straightforward to transition the benefits between organisations [Cube and Loretto] who are already in the Scheme. In addition, adding the Cube benefits to those of Loretto reduces the cessation risk to Loretto by ensuring that more members are actively participating within the scheme.

6. Key issues and conclusions

- 6.1 We are progressing as planned with the transfer of Cube outside Glasgow to Loretto. A key early part of this is ensuring a smooth transition for tenants from Cube to Loretto. This will be done through extensive engagement, especially by their 'new' housing officer around and beyond the transfer.
- 6.2 Technical aspects with the transfer including concluding due diligence have progressed to plan and no particular issues have been identified that should prevent agreeing to conclude the Transfer of Engagements from Cube in due course.

7. Value for money implications

- 7.1 The proposed transfer from Cube to Loretto is expected to positively impact our investment in homes value driver through accelerating improvement works for tenants in homes that transfer from Cube. Value for money for transferring tenants is already being improved through the 1% rent increase this year and the guarantee at this level for the next two years.

8. Impact on financial projections

- 8.1 The impact of the proposed transfer from Cube has been assessed previously on the Loretto business plan. No Issues have been identified from due diligence or as work has progressed to adversely impact the positive assessment presented previously or the Board's decision to progress the transfer.

9. Legal, regulatory and charitable implications

- 9.1 Legal advice has been sought and due diligence undertaken on Cube commensurate with the nature of transaction. No issues have been identified of significance to call into question what is proposed.

10. Partnership implications

- 10.1 Partners, including the SHR and funders have been kept informed throughout and we are working with them, as necessary, to conclude the aspects of the transfer from Cube that is applicable to them. An update on funder consent and the required approvals is contained within the agenda item on Finance.

11. Implementation and deployment

- 11.1 Subject to the board agreeing to continue developing the transfer, we are aiming for it to take place in late July/August 2021. This is at the end of the formal Transfer of Engagements process to be undertaken by Cube.
- 11.2 In advance of this, consent will be needed from the Group's lenders. An update on funder consent is considered within the funding update section of the Finance Report. Findings from the due diligence above will be shared with lenders, along with confirmation that the intragroup nature of the transfer means that it has a net neutral financial impact from their perspective. Discussions are on-going and no particular concerns have been raised with the transfer, the approach being taken or the timescales involved, although as we know from previous experience internal processes in some funders mean they do not always operate to our timetable.
- 11.3 The transfer from Cube will require various systems and operational changes including migrating to Loretto's operating and performance management environment. A group wide implementation team has been established to ensure a smooth migration. We expect necessary changes to be in place in line with the proposed transfer date.
- 11.4 We have also developed a detailed communications plan around concluding the transfer (and the associated transfer of Cube's stock to GHA in Glasgow) to ensure that tenants and stakeholders have the information they need. The plan, in keeping with the approach throughout includes the use of various channels to communicate with tenants, reinforces the benefits of joining with Loretto and makes sure that tenants have all the information they need in a timely manner. The plan is provided at Appendix 1 for information.

12. Equalities impact

- 12.1 The needs of individual tenants will be supported, as now, through our housing operating model.

13. Recommendations

13.1 The Loretto Board is asked to:

- 1) Note the contents of this report; and
- 2) Agree to proceed with the transfer from Cube, subject to the necessary steps being taken in due course to conclude the Transfer of Engagements.

List of Appendices

Appendix 1: Communications Plan

Cube tenants join new landlords

Communications Plan, March 2021

Introduction

Following a successful ballot result, announced in February, arrangements are now progressing for Cube tenants in Glasgow to join GHA and for Cube tenants outside Glasgow to join Loretto.

This means Cube tenants will have a new landlord. For those moving to GHA, this is expected to happen around April 28 and be a first step in establishing a new vehicle for housing in Glasgow. For those moving to Loretto, the transfer is expected to go ahead in June.

This means tenants should start to see the benefits, outlined in the communications in the run-up to the ballot, of joining their new landlord from March through to the end of the year and beyond.

It also means there will be some small changes they will need to be aware of and take action on, in particular those on Universal Credit will need to update their journal with their new landlord on or near to the day of transfer.

This phase of the Communications Plan sets out a framework for how we will communicate with tenants, stakeholders and staff in the run-up to Cube tenants joining with GHA and Loretto and in the months after.

Objectives

The aim of this phase of the Communications is to:

- support the organisation to build the positive momentum established around the proposals to date;
- to help tenants, staff and stakeholders see the value of Cube joining GHA and Loretto.

It will do this by delivering clear, consistent communications which engage the target audiences with key messages at the right time.

The benefits and their importance

The benefits, communicated clearly and consistently throughout the pre-ballot campaign, were a cornerstone of the proposal to tenants and collectively formed the offer which led to the positive ballot result. Cube tenants transferring to GHA voted in favour by 85.8% to 14.2% against, and cube tenant transferring to Loretto voted in favour by 92.6% to 7.4%.

Our communications post -ballot will therefore keep tenants updated on the realisation of these benefits in their communities. It is vital they see the progress towards these commitments being honoured and continue to understand the value of their tenancies becoming part of GHA and Loretto respectively.

These benefits, which will continue to underpin this next phase of the communications plan, in summary are:

- Additional investment in homes and communities
- Rent increases being limited to 1% per annum for three years for all Cube tenants
- More new-build homes in Cube communities -
- Community regeneration in three areas in Glasgow including Wyndford
- The creation of thousands of jobs for local people – up to 2500 across GHA, Cube and Loretto communities
- A stronger voice for tenants.

What people need to know

As well as continuing to communicate and engage people in the benefits of Cube joining with GHA and Loretto, there is also some key information tenants need to know as the transfer to their new landlord happens. This includes:

Tenants on Universal Credit must update their journal within a tight and specific timeframe. This will notify the DWP of their move to a new landlord and ensure a smooth transition of their UC payment

Customers will be able to log into their online account to pay their rent and pay a bill with their normal log-in details but will start to see GHA or Loretto instead of Cube

Customers should go to GHA or Loretto website to keep up to date with all news and information about services and how we can help them. (note the Cube website will also signpost them to their new landlord's website)

Key messages

For the purpose of our key messages there are therefore two important aspects to consider – firstly what tenants need to know as their landlord changes and, secondly, how we engage them in the progress of the partnership, helping them understand its value for them and their community. All key messages are designed with Cube tenants in mind but will be adapted for our other key audiences such as GHA and Loretto tenants, staff and stakeholders.

Our key messages in this phase of the communications plan are:

- We're progressing plans for Cube tenants to join with GHA/Loretto after tenants voted overwhelmingly in favour
- Tenants will continue to receive all the great services you're used to, and more
- We are already delivering on some of the benefits we said joining with GHA/Loretto would bring – and there's a lot more to come
 - Rents have been pegged at lower than they would have been otherwise and there's more investment, new concierge stations, new homes, regeneration and local jobs coming soon
- We're giving tenants a stronger voice and want them to have a say in investment plans for their community. There are also opportunities for people to get more involved in decision-making through our Boards and customer panels
- Tenants may get a new housing officer – remember - they're here to help and support in a whole range of ways. Tenants should talk to us if they need help.

Specific detail on investment, new-build, jobs and regeneration will be included in communications tailored to each audience.

Key audiences

This plan takes into account the following key audiences –

- Cube tenants moving to GHA
- Cube tenants moving to Loretto
- Cube members who have a vote at the SGM
- Wheatley staff
- GHA and Loretto tenants
- Stakeholders, including key partners such as local authorities, elected members, investors and media.

While the messages will be tailored for these different audiences, we want to achieve a united approach with positive, consistent messages.

Channels and tactics

Our activity will use a range of communications channels including:

- letters and newsletters directly to tenants
- toolkit for housing officers including gifs and 'Meet your housing officer' leaflet
- Cube, GHA and Loretto websites
- all social media channels
- staff intranet
- Wheatley website including stakeholder section
- Phone calls to key stakeholders for example local MSPs in the major regeneration areas.

Measurement and evaluation

Because this phase of the Comms Plan is about supporting the business to engage tenants in the benefits of the transfer so that they see the value of it, the key measure of success will be how satisfied the customer group feels with their new landlord and with the benefits eg investment work, increased customer voice.

This will be measured by:

- Overall satisfaction levels of Cube tenants moving to GHA (tracked through annual survey) against previous Cube satisfaction levels
- Numbers engaging with the opportunities to engage and influence decisions eg You Choose, customer panels
- Satisfaction with improvements to homes and communities by the new landlord (tracked through feedback forms and annual survey)
- Customer and stakeholder feedback

In addition, we will measure:

- Reach and engagement of online content
- Percentages of tenants successfully updating online journal and logging into online account

Plan overview in phases

The communications activity will be structured in phases as shown in this table. A detailed plan is being developed.

Phase	Audience	Comms overview (purpose and channels)
Early March Post ballot results	Cube tenants joining GHA Cube tenants joining Loretto	All tenants notified of ballot result with newsletter
	Staff	WE Connect story announcing ballot results Recognition of the role played by staff
	Stakeholders	Announcement on stakeholders section of website, calls to key elected members and Board members' Recognition of the role played by staff
Week beginning 1 March 21	All Cube staff	Consultation on change of employer and T&Cs
End of March Plans are progressing	Cube tenants joining GHA	Short newsletter to remind tenants what's happening and when and the benefits This should go on website too
	Cube tenants joining Loretto	Short newsletter to remind tenants what's happening and when and the benefits This should go on website too
	Homeowners currently factored by Cube	Letter explaining what's happening and reassurance around their services staying the same
	Staff	Story and/or blog on WE Connect Reminder of the plans and the progress being made for the transfers to happen This should be more staff focused and carry any messages about Cube staff

Phase	Audience	Comms overview (purpose and channels)
Early April	GHA and Loretto tenants	Message about Cube tenants joining their landlord (GHA or Loretto) to be included in first available newsletter and/or on website/social channels. The message should reassure them that they will see no change to their services but that overall there will be increased investment
Week beginning April 21 One week to go for GHA transfer	Cube tenants joining GHA	<p>Letter signposting customers to what is coming next week when the transfer happens and what to look out for</p> <p>Housing officer kit Flyer with Meet your HO Gifs for HO to use</p>
Week beginning April 28 Transfer is happening – what you need to do/know	Cube tenants joining GHA	<p>Two letters – Goodbye from Cube. Welcome from GHA</p> <p>Must contain clear message around updating UC journal</p> <p>Info on logging on to online account</p> <p>Info on GHA website</p>
	Homeowners currently factored by Cube in Glasgow (new factor officially becomes GHA)	Letter explaining their new factor , reassurances over services remaining the same and details of any actions they need to take
	Key stakeholders including councillors, MSPs in Cube's Glasgow areas, Regulator and Scottish Government and GCC Chief Exec and key Housing Officials	Individual communication as required

Phase	Audience	Comms overview (purpose and channels)
	Media	A short news release should be prepared for our own websites and for local Glasgow press about Cube tenants in Glasgow joining GHA
Week beginning May 3	Letter to Cube shareholding members	Letter would tell members about upcoming SGMs and remind them it is part of delivering the benefits of joining Loretto voted for by tenants
Week beginning May 10	Papers for SGM	Provide information that meets FCA/governance requirements for necessary resolution at SGM
Late May The value of being part of GHA – bringing it alive	Cube tenants who are now part of GHA	<p>This phase is about helping tenants feel the value of joining with GHA and see the tangible benefits – stronger tenant voice and increased investment</p> <p>We would introduce a YOU Choose type challenge here gathering views and votes on investment options in communities</p> <p>This would follow the pattern of the WLHP You Choose exercise in Whitburn</p>
Week beginning May 31	Papers for second SGM	Provide information that meets FCA/governance requirements for necessary resolution at SGM
June (four weeks before Loretto transfer) You'll soon be moving to Loretto	Cube tenants joining Loretto	<p>Short newsletter explaining the progress and reminding people of benefits</p> <p>This will be key as it will be the last Communication to Cube members who will vote at the SGM</p>
July/August (timing dependent on FCA): One week before Loretto transfer	Cube tenants joining Loretto	<p>Letter signposting customers to what is coming next week when they transfer happens and what to look out for</p> <p>Housing officer kit Flyer with Meet your HO</p>

Phase	Audience	Comms overview (purpose and channels)
		Gifs for HO to use
July/August (week of transfer) You're now moving to new landlord – here's what you need to know and do	Cube tenants joining Loretto	Two letters – Goodbye from Cube. Welcome from Loretto Must contain clear message around updating UC journal Info on logging on to online account Info on Loretto website
July/August	Tenants who have recently joined Loretto from Cube	This phase is about helping tenants feel the value of joining with Loretto and see the tangible benefits – stronger tenant voice and increased investment We would introduce a YOU Choose type challenge here gathering views and votes on investment options in communities This would follow the pattern of the WLHP You Choose exercise in Whitburn and use digital channels predominantly
	Tenants who have recently joined GHA from Cube	Online content, supplemented by short Newsletter, updating tenants on benefits realised so far – investment update Opportunities for getting involved -
October/November	Tenants who have recently joined GHA and Loretto from Cube	Newsletters and online content Updating both sets of tenants on progress on the benefits

Report

To: Loretto Housing Association Board

By: Laura Henderson, Managing Director

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

Subject: Model complaint handling procedure

Date: - 29 March 2021

1. Purpose

- 1.1 The purpose of this report is to inform the Board of the new Model Complaint Handling Procedure published by the Scottish Public Services Ombudsman on 31 January 2020 and to highlight the key changes; and
- 1.2 Advise the Board how we will implement these key changes to the Model Complaint Handling Procedure, including the roll out of mandatory training for staff, changes required to our performance indicators and our IT system (ASTRA).

2. Authorising context

- 2.1 Under the Group Authorise/Manage/Monitor Matrix, it is for the Group Chief Executive and Senior Management to ensure they manage any specific regulatory requirements and performance, including in relation to existing policies.
- 2.2 Any changes to our Complaints Policy are subject to Board approval. There are no changes required to our current policy as a result on the updated guidance.

3. Risk appetite and assessment

- 3.1 The risk appetite for complaint handling is within the Board Governance risk area which is defined as 'cautious' in their tolerance assessment on 22 November 2016. Cautious is defined as 'Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward'.
- 3.2 To mitigate this risk the complaints performance and development work has been updated to ensure compliance with the Scottish Public Services Ombudsman ("SPSO") Model Complaint Handling Procedures.

4 Background

- 4.1 The Group Complaints handling policy was refreshed in 2017 to include all subsidiaries including housing, care and commercial partners. The policy reflected the model complaint handling guidance published by the Scottish Public Services Ombudsman in 2012.

5. Discussion

- 5.1 On 31 January 2020, the SPSO issued their new Complaint Handling Procedure which all public services in Scotland have to adopt. The new model includes key changes to the complaint handling service and these are detailed below.

Key Changes

- 5.2 There is no change to the two stage complaint process or the timelines for responding to complaints at Stage 1 or Stage 2. The changes outlined in the table below are applicable to all public sectors in Scotland, including Registered Social Landlords, and aimed to deliver consistency across all sectors in how we handle complaints. The new Model Complaint Handling Procedure must be adopted by no later than 1st April 2021.

	Key Change	Current Position
Resolving Complaints	<ul style="list-style-type: none"> ▪ Organisations may resolve a complaint by agreeing any action to be taken with the customer, without making a decision on whether to uphold / not uphold ▪ There must be a clear record of the resolution agreed and signposting to next stage 	<p>Complaints are currently closed as upheld or not upheld.</p> <p>As part of the pilot we have introduced a dissatisfaction code.</p> <p>In-house we will record these as dissatisfaction and resolved. We are waiting on information on how these will be recorded on ARC/SPSO returns. We will use these to improve performance</p>
Agreeing complaint and outcome sought at Stage 2	<ul style="list-style-type: none"> ▪ Organisations must agree the points of complaint and outcome sought with the complainant at the start of the Stage 2 investigation. ▪ Where the points of complaint and outcome sought are clear, this can be done by setting these out in the complaint acknowledgement letter. 	<p>Stage 2 complaints are acknowledged within 2 working days and confirm a response will be received within 20 working days. We already set out agreed points and outcome when responding to Stage 2 complaints.</p>

Time limit for making complaints	<ul style="list-style-type: none"> ▪ The six-month timeframe to make a complaint also now applies where the customer wishes to escalate to Stage 2 because they are unhappy with the Stage 1 response. 	<p>Complaints about services we provide must be received within 6 months of the event itself or finding out you have a reason to complaint but no longer than 12 months after the event itself.</p>
Supporting staff	<ul style="list-style-type: none"> ▪ Organisations must share relevant parts of the complaint and response with any staff members complained about ▪ At Stage 2, staff members must be given information about the complaint process and support available, and kept updated on any timeframe extensions 	<p>Staff are interviewed by line managers about complaints received about them. A record of the interview is recorded as part of the investigation process. Staff complaints are marked as sensitive to limit access to relevant staff.</p>
Equality and accessibility	<ul style="list-style-type: none"> ▪ Organisations will customise section 11 – ‘Supporting the Customer’ to reflect local context and customers right to equal access to complaints procedure. ▪ Organisations should set out what kind of actions staff may take to support equal access to the complaints process (including for vulnerable groups) ▪ Particular mention of Mental Health 	<p>Information about our complaints process is available on our websites, leaflets provided in local housing offices and it is also published in our newsletters.</p> <p>Staff should proactively check whether our customers' who contact us require additional support to access our services</p> <p>Providing interpretation and/or translation services for British Sign Language users; and helping customers</p> <p>Training of staff to help vulnerable people complain</p> <p>Sign-posting to Independent Advocacy</p>

<p>Complaints on social media (and other digital platforms)</p>	<ul style="list-style-type: none"> ▪ Organisations will customise section 20 to reflect local policy and approach to complaints received by social media / digital channels ▪ As a minimum, organisations must respond to complaints on their own social media channels by signposting to the complaints process and support available. 	<p>Communications and Marketing Team manage our social media pages and will explain to customers how to make a complaint by visiting Group subsidiary websites or by calling the Customer Service Centre or contacting local housing staff.</p>
<p>Contact from MPs / MSPs</p>	<ul style="list-style-type: none"> ▪ Organisations can set out details of local procedures but must ensure they comply with relevant legislation. ▪ Where a complaint is brought by an MP / MSP, the organisation must handle it in line with the Complaint Handling Procedure and ensure they do not operate a two-tier system 	<p>Our Member Services Team register enquiries received from Elected Members. These include general enquiries but also complaints about service received. Astra allows Elected Member details to be registered on the customers complaint records.</p>
<p>Performance indicators</p>	<ul style="list-style-type: none"> ▪ Organisations to report and publish on complaint statistics in line with performance indicators published by the SPSO ▪ These are currently being developed, and will include core performance indicators applicable to all sectors ▪ Additional performance indicators to support benchmarking are being developed for some sectors (including Local Authorities and Housing) in consultation with those sectors complaint handling networks. 	<p>Complaint performance information published quarterly on websites, annually in newsletters and ARC returns.</p> <p>Improve reporting information e.g. Power BI</p> <p>Be able to see what is reported about but also who is being reported about to pick up any early indicators or signs that a staff member requires help</p>

Implications of key changes

5.3 At their annual conference on 25 February 2020, further guidance was requested from the SPSO in relation to the ‘resolved’ complaint outcome. The existing SPSO guidance confirms *‘a complaint can be resolved when both the organisation and the customer agree what action (if any) will be taken to provide full and final resolution for the customer, without making a decision about whether the complaint is upheld or not upheld’*.

- 5.4 This approach has already been tested during our complaints pilot, where we introduced a 'Dissatisfaction' category that empowered staff to resolve the customers complaint to their satisfaction, rather than raise a stage 1 complaint. We plan to update our recording system to include the 'resolved' outcome within the Dissatisfaction workflow. This will allow us to report the number of resolved cases annually to the SPSO.
- 5.5 In some circumstances, particularly at stage 1, it may be difficult to decide if a complaint is 'upheld' or resolved. The difference is:
- **Upheld** complaints are where we have found some failing by our organisation. For example:
*A customer calls up angry, saying the workman did not turn up to fix their door. The staff member is unable to get a hold of the workman to confirm what has happened and has to rearrange the appointment. The staff member needs to investigate the complaint and discovers the workman had a car breakdown so missed the appointment. This complaint is **upheld** (and the staff member should also apologise and explain why the workman missed the appointment.)*
 - **Resolved** complaints are where we have taken action without reaching any conclusions about whether there were failings (for example, because we agree a solution before we look in to the problem). For example:
*A customer calls up angry, saying the workman didn't turn up to fix their door. The staff member apologises and confirms there is a slot available that afternoon and offers this. The customer is happy with this, and does not want to pursue the complaint further. This complaint is **resolved**.*
- 5.6 If we know our services have fallen short of our expected standards, we should always uphold (or partly uphold) the complaint, and apologise to the customer.
- 5.7 The new Model Complaint Handling guidance will be available to all staff and will include the above examples on using 'resolve'. In addition, that training and support will be provided jointly by Locality Housing Directors/Heads of Housing and the Group Complaints Team for frontline officers and Customer Service Advisors.
- 5.8 The 'resolved' outcome needs to be introduced by April 2021, the date all public sectors must comply with the SPSO Model Complaint Handling guidance. Introducing this category prior to April 2021 would impact reporting and performance indicators for the ARC return for year 2020 / 21.
- 5.9 Complaints about service raised by Elected Members on behalf of their constituents are handled by the Member Services Team. These will now be logged as complaints (if it is a complaint) and will be required to respond within the five and 20 days' timelines. This will include Elected Member letters addressed directly to the Executive Team.

- 5.10 The 5 working day timeline for Stage 1 complaints can be extended to 10 working days but must be agreed and confirmed with the customer. Stage 1 Complaints extended beyond the 5 working days will be reported as a breach of the SPSO timelines and complaints not closed within 10 working days will escalate to Stage 2.

6. Performance Indicators

- 6.1 The SPSO are currently developing additional complaint handling performance indicators to support benchmarking for the Housing sector. In their draft model complaint handling procedure, the SPSO published 6 Performance Indicators; the first 4 indicators are mandatory and indicators 5 and 6 are recommended. Complaint performance indicators are currently recorded and reported internally every month and to the Board linked to performance reports. Senior Managers are provided with details of the monthly complaints performance information; this is also confirmed in the ARC performance information.
- 6.2 We are required to report quarterly and publish annually their Complaint Performance Indicators. It is good practice to set key performance targets each year and report performance against these targets.
- 6.3 *Indicator One – Learning from complaints.* We are required to provide a statement outlining changes or improvements to services or procedures as a result of complaints received. This should include complaint trends and examples to demonstrate how complaints have helped improve services. We currently publish complaint information quarterly on our website, annually in newsletters and via the ARC return.
- 6.4 *Indicator Two – The total number of complaints received.* This includes a change to current complaint reports. Each complaint will only be counted once, regardless of whether it is considered at Stage One, Stage Two or both.
- 6.5 *Indicator Three – Complaint Outcomes.* The outcomes will include the option to close a complaint as upheld, partially upheld and not upheld. The current ARC return does not include a partially upheld indicator and our complaints register does not currently include the option to partially uphold complaints. It is also worth noting that the SPSO have not included the 'Resolved' outcome.
- 6.6 *Indicator Four – Percentage of complaints at each stage which were closed in full within the set timescales of five and 20 working days.* There is no change to how we currently report this indicator.
- 6.7 *Indicator Five (recommended) – Raising Awareness.* A statement to be published reporting actions taken to identify vulnerable and underrepresented groups and raise awareness of, and access to, the complaints handling process with them. The SPSO have suggested some activities we can undertake under this indicator.

- 6.8 *Indicator Six (recommended) – Staff training in complaint handling.* A statement to be published reporting levels of staff awareness and training. This may also cover those staff that have been trained in mediation. This should include the number of staff, including managers and senior managers to complete mandatory or bespoke training. The statement should also include the number of staff who are undertaking or have completed a recognised professional qualification in a relevant field.
- 6.9 The Scottish Housing Regulator has not provided any guidance on the change to the ARC indicators.
- 6.10 We plan to adopt all 6 Performance Indicators. Changes will be required to our existing performance reports. These changes will need to be applied by April 2021.

7. Value for money implications

- 7.1 Presently we are unable to determine the true cost of complaints to our Group. In 2021/22 it is our ambition is to build a new service that incorporates the end to end cost of complaints to our business. We anticipate that this will include using existing reports to collate staff time, costs of making good any remedial works, arranging resolutions such as mediation appointments or wrap around services and gestures of goodwill offered as part of the complaint resolution.

8. Impact on financial projections

- 8.1 We envisage some spend next year to improve reporting to evidence our ARC performance reports including new charter indicators as detailed in section 6 above. In addition, Elected Member enquiries will be captured within the new reports and we expect to meet the costs of this within existing budgets.

9. Legal, regulatory and charitable implications

- 9.1 There are no legal, regulatory and charitable implications beyond those covered in the body of the report.

10. Partnership implications

- 10.1 There are no known partnership implications.

11. Implementation and deployment

- 11.1 Our Complaints Policy and procedures are already in place but will require to be refreshed and issued from April 2021. This will be coordinated from within existing staff teams.

12. Equalities impact

- 12.1 None identified.

13. Recommendations

13.1 The Board is asked to:

- 1) Note the new SPSO guidance is mandatory from April 2021 and the plans in place to implement the guidance in Loretto Housing; and
- 2) Note we plan to adopt all 6 of the SPSO performance measures.

Report

To: Loretto Housing Association Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: 2021/22 UK and Scottish Government Budget update

Date of Meeting: 29 March 2021

1. Purpose

1.1 The purpose of this paper is to provide an update to the Board on the 2021/22 UK and Scottish Government Budget announcements and the implications for Loretto Housing.

2. Authorising context

2.1 This paper is provided for information only.

3. Risk appetite and assessment

3.1 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".

3.2 Budget announcements by the UK and Scottish Governments can have a material impact on our activities, for example in relation to the welfare system, housing grant budgets and taxation. A number of the budget announcements provide greater certainty for us, in particular the Scottish housing capital budget, although at UK level risks remain, such as the uncertainty over the long term position for the £20 weekly Universal Credit increase and the impact this could have on customers.

4. Background

4.1 The Budget was delivered by the Chancellor of the Exchequer, Rishi Sunak, on 3 March 2021. It covered the current state of the UK economy and provided updates with respect to existing COVID-19 financial relief measures in place and the Government's plans to address the longer term economic effects of the pandemic.

- 4.2 Certain fiscal powers are devolved to the Scottish Government and they released their draft budget in January 2021, prior to the UK Budget announcement. As part of the UK announcement, an additional £1.2 billion of funding was allocated to Scotland under the Barnett formula and a range of subsequent announcements were made by the Scottish Government on 8th March as part of agreeing a budget deal with the Green Party.
- 4.3 Following the Scottish Budget, the Scottish Government released their policy document “Housing to 2040”, which has a number of longer term budget implications.

5. Key issues and conclusions

Extension of the Coronavirus Job Retention Scheme

- 5.1 The Budget confirmed an extension of the Coronavirus Job Retention Scheme (“CJRS”) more commonly known as the ‘Furlough Scheme’, for a further six months until September 2021. For the self-employed, the UK Government has also provided additional grant funding under the Self Employment Income Support Scheme (“SEISS”), capped at £7,500 per quarter for the next 6 months.
- 5.2 These measures provide some short term mitigation to the risks of unemployment increasing, but we will remain in close contact with our customers who we know to be furloughed or who have lost their jobs, to understand their financial situation and provide support where necessary. We continue to make conservative budget provision for increasing rent arrears in the context of the risks associated with the end of furlough.

Universal Credit and Working Tax Credit

- 5.3 The UK Government increased Universal Credit, Working Tax Credits and expanded Statutory Sick Pay at the beginning of the pandemic. The standard rate of Universal Credit was increased by £20 per week for an initial one-year period from 6 April 2020 which provided up to £1,040 for claimants during the year. The 2021 Budget announced that this would continue for a further 6 months. The increase has been an important part of supporting our UC customers and we will continue to lobby DWP to make this permanent.
- 5.4 The UK Government also announced a one-off payment of £500 to new and existing Working Tax Credit recipients, which will provide additional income support over the next six months.

Taxation

- 5.5 VAT is the most significant tax for us, since we are generally unable to reclaim this. No changes were made to VAT which would materially impact on our activities.
- 5.6 On corporation tax, the UK Government will increase the rate of corporation tax paid by businesses from 19% to 25%. This change will come into effect in April 2023 when, it is assumed, Covid-19 restrictions on trading and the economy will no longer be required.

- 5.7 While the Group's RSLs and charitable entities are exempt from paying corporation tax, this measure is of particular importance to Lowther Homes, which as a non-charitable, profit generating commercial entity is the only subsidiary in the Group projected to carry a corporation tax liability. From April 2023 corporation tax will be charged at 25% of profits after Lowther's planned gift aid payment to the Foundation. Over the first 5 years of the financial projections, Lowther will incur an additional £0.3m of corporation tax. This would have a direct impact on the level of Lowther's retained profits reducing them over the first five years from £5.7m to £5.4m. This may have some impact on its ability to provide gift aid to the Wheatley Foundation.

UK funding support

- 5.8 The UK budget stated that a £4.8 billion UK-wide Levelling Up Fund would be delivered, and local areas would be able to submit bids for the first round of funding starting in 21-22. This fund, as well as the previously announced UK Shared Prosperity Fund, involve the UK Government taking a role in directly funding Scottish projects, without a role for the Scottish Government.

Scottish Government Budget 2021/22

- 5.9 The Scottish Government budget and subsequent announcements provide for a total of £831.6m government grant on delivering new build affordable housing in Scotland in 2021/22, compared to the £843m allocation for the current financial year.
- 5.10 This funding is in the context of the Scottish Government's announcement that it will invest £3.5 billion in the Affordable Housing Supply Programme over five years if re-elected in May, and seek to deliver 100,000 homes by 2032.
- 5.11 Other funding announced for 2021/22 includes £81.6m for regeneration programmes, including £5m to regenerate Scotland's vacant and derelict land, and £150m for fuel poverty and energy efficiency measures. The detail of these funds and application processes is not yet clear, although we expect the majority to be administered via local authorities.
- 5.12 The Scottish budget included £15 million to establish the Apprenticeship Employer Grant and £30million to support the continuation of Foundation and Graduate Apprenticeships in Scotland. We will follow up on any opportunities to access this funding to support our apprenticeship programmes.
- 5.13 The application of the Barnett formula provides each of the devolved administrations with a share of UK central government funding to be allocated according to its own priorities. The UK Government Budget included an additional £2.4 billion to the devolved administrations through the Barnett formula, with the Scottish Government receiving £1.2 billion extra.
- 5.14 The Scottish Government announced a range of measures with this funding, including Pandemic Support Payments of £130 to households receiving Council Tax Reduction and two payments of £100 to families of children qualifying for free school meals. This augments the Scottish Child Payment discussed at the last Board meeting.

6. Value for money implications

6.1 No implications.

7. Impact on financial projections

7.1 The changes set out above do not materially change the assumptions in the financial projections considered by the Board at its last meeting.

8. Legal, regulatory and charitable implications

8.1 No implications.

9. Equalities impact

9.1 Not applicable.

10. Recommendation

10.1 The Board is requested to note the contents of this paper.

Report

To: Loretto Housing Association Board

By: Pauline Turnock, Director of Financial Reporting

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

Subject: 2021/22 Budget

Date of Meeting: 29 March 2021

1. Purpose

1.1 The purpose of this report is to seek approval for the 2021/22 budget.

2. Authorising context

2.1 Under the terms of the Intra-Group Agreement between Loretto Housing and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, sets out that, whilst the Group Board is responsible for the overall approval of the plan and parameters, the Loretto Board has autonomy to agree its individual business plan within said parameters.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in Loretto Housing Performance against Group is “Open”. This level of risk tolerance is defined as “Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level”.

3.2 This report provides information on financial projections to help inform risk assessment within the business.

4. Background

4.1 At the previous meeting on 15 February 2021 the Board were presented with the revised five year financial projections and agreed that the 2021/22 figures would form the basis of the 2021/22 annual budget, which is presented in Appendix 1. This paper provides additional detail and commentary.

5. Discussion

5.1 The detailed budget report in Appendix 1 tracks comparative figures from the Q3 2020/21 full year forecast to the 2021/22 budget to give the context of the year on year changes. Key variances between the financial projections and the budget are also highlighted for explanation. The budget includes the Cube transfer of engagements which is planned to take place on 31 July. The financial projections are presented for comparison against the budget on the same basis.

- 5.2 The 2021/22 budget reports an operating deficit of £571k, and a statutory deficit of £3,085k. When interest payable and depreciation (EBITDA) are removed the budgeted surplus is £5,265k.
- 5.3 The operating deficit in the 2021/22 budget is lower than the forecast surplus for 2020/21 due to COVID-19 restrictions reducing expenditure in many areas during 2020/21. The 2021/22 budget allows for a return to normal levels of service, subject to the new service delivery model.
- 5.4 The transfer of the units from Cube will increase the number of units managed by Loretto by over 40% and this significantly increases both the income and expenditure in Loretto.
- 5.5 Net rental income of £11,795k incorporates the agreed 1.7% (Loretto tenants) and 1% (Cube tenants transferring) rent increase and 8 months of income from the properties transferring from Cube. Void losses have been prudently budgeted at 1.3% on general needs and 7% on supported housing.
- 5.6 Direct running costs are budgeted at £1,752k, which is £70k lower than the financial projections. The reduction is related to additional savings identified within office and property costs which can be achieved under the new home working operating model. The budget also includes £256k of initiative spend, including a donation to the Wheatley Foundation. The majority of the budget covers office and property running costs, including insurance and property rental costs.
- 5.7 Repairs and maintenance costs of £1,941k are assumed in the budget, £70k higher than the financial projections. This includes an additional provision of £70k set aside for any costs of postponed repairs from the fourth quarter of 2020/21.
- 5.8 Interest payable will increase in 2021/22, to £2,514k in conjunction with the continued funding of the new build capital programmes.
- 5.9 The 2021/22 budget reports net capital expenditure of £8,882k, which reflects Loretto's continued investment in existing and new build properties in 2021/22. No new build properties are due to complete during 2021/22 and recognised grant income of £167k relates to medical adaptations only.

6. Key issues and conclusions

- 6.1 This budget, once approved, will be used as the basis to monitor performance in the management accounts provided to the Board throughout the year.

7. Value for money implications

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

8. Impact on financial projections

- 8.1 Covered in section 7 above.

9. Legal, regulatory and charitable implications

9.1 No implications.

10. Equalities impact

10.1 Not applicable.

11. Recommendation

11.1 The Board is requested to approve the proposed 2021/22 budget.

List of Appendices

Appendix 1: Budget 2021/22

Budget – 2021/22
Loretto Housing Association

Operating Statement

	2020/21	2021/22	2021/22	2021/22
	Q3 forecast £ks	Financial Projections £ks	Budget £ks	Budget Variance to FP £ks
INCOME				
Rental Income	8,205	12,188	12,188	-
Void Losses	(278)	(393)	(393)	-
Net Rental Income	7,927	11,795	11,795	-
Other Income	285	295	295	-
Grant income	215	167	167	-
TOTAL INCOME	8,427	12,257	12,257	-
EXPENDITURE				
Employee Costs - Direct	1,314	2,120	2,120	-
Employee Costs - Group Services	254	398	398	-
ER/VR	11	-	-	-
Direct Running Costs	1,382	1,822	1,752	(70)
Running Costs - Group Services	147	287	287	-
Revenue Repairs and Maintenance	1,000	1,871	1,941	70
Bad Debts	109	328	328	-
Depreciation	3,701	6,003	6,003	-
TOTAL EXPENDITURE	7,919	12,828	12,828	-
NET OPERATING SURPLUS / (DEFICIT)	508	(571)	(571)	-
Interest payable	(1,881)	(2,514)	(2,514)	-
STATUTORY SURPLUS / (DEFICIT)	(1,373)	(3,085)	(3,085)	-
EBITDA	4,209	5,432	5,432	-
EBITDA (excl grants)	3,994	5,265	5,265	-
INVESTMENT				
Total Capital Investment Income	6,598	6,260	6,260	-
Investment Works	615	2,834	2,834	-
New Build	3,679	11,956	11,956	-
Other Capital Expenditure	83	351	351	-
TOTAL CAPITAL EXPENDITURE	4,377	15,142	15,142	-
NET CAPITAL EXPENDITURE	(2,221)	8,882	8,882	-

Comments

- The 2021/22 budget reports a net operating deficit of £571k and statutory deficit of £3,085k.

Budget Variance to Financial Projections

- The budget includes the Cube transfer of engagements from 31 July 2021 in line with the agreed timetable and the financial projections are presented on the same basis.

- Changes in 2021/22 budget compared to 2020/21 forecast

There are three significant changes:

- The transfer of the units from Cube will increase the number of units managed by Loretto by over 40% and this significantly increases both the income and expenditure in Loretto.
- COVID-19 restrictions reduced expenditure in many areas during 2020/21. The 2021/22 budget allows for a return to normal levels of service.
- Direct running costs are £70k lower than the financial projections. This reflects the efficiencies which are forecast to be generated through the new operating model, reducing the budgeted costs for property and utilities in 2021/22.
- Repairs and maintenance budget is £70k higher than the financial projections setting aside additional provision in the year for any postponed works from the last quarter of the 2020/21 financial year.

Other changes include:

- The 2021/22 budget incorporates the rent increase of 1.7% for Loretto tenants, 1% for Cube transferring tenants and pay uplift of 1.5% consistent with the financial projections.
- Whilst progress on new build developments continues, there will be no new build completions in 2021/22. Recognised grant income of £167k relates to medical adaptations.
- The provision for bad debts takes a prudent approach to the impact of Universal Credit.
- Interest payable will increase in 2021/22, to £2,514k in conjunction with the continued funding of the new build capital programmes.
- Net capital expenditure is budgeted at £8,882k for 2021/22. This includes new build, major repairs on existing properties, and other fixed asset additions.

Rental and Other Income

	2020/21	2021/22
Rental Income (£'000)	Forecast	Budget
Rent Receivable	8,205	12,188
Void Losses	(278)	(393)
Net Rental Income	7,927	11,795
<i>Void Loss %</i>	<i>3.4%</i>	<i>3.2%</i>
Average Stock	1,492	2,485
Average Rent per Property (£)	5,499	4,905

	2020/21	2021/22
Other Income (£'000)	Forecast	Budget
WC management fee	203	203
Mid-market rent	82	75
Garages and lockups	-	17
	285	295

	2020/21	2021/22
Grant Income (£'000)	Forecast	Budget
Adaptations	40	167
New build	175	-
	215	167

Comments

- Rental income is budgeted at £12,188k, £3,983k higher than 2020/21 forecast income. This reflects 8 months of rental income (£3,824k) from the properties transferring from Cube and the approved rent increase of 1.7% (Loretto tenants) and 1% (ex Cube tenants) for the forthcoming year.
- 2021/22 budgeted void losses of £393k includes a void loss assumption of 1.3% 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. The budget is £115k higher than forecast void losses for 2020/21; £123k of this relates to the ex Cube stock.
- Income from garages and lockups is new in 2021/22 and relates to the properties transferring from Cube.
- New build grant income is recognised in the Operating Statement upon completion of units and since no units are expected to complete in 2021/22, none is budgeted.

Employee Costs

	2020/21	2021/22
Employee Costs (£'000)	Forecast	Budget
Salaries - direct	511	734
Pension past service deficit contribution	484	885
Group recharges*	520	967
Capitalised staff costs	(201)	(466)
	1,314	2,120
*Share of Joint Venture, New Build, Nets and W-360 employee costs		

Comments

- The total employee costs budget for 2021/22 is £2,120k, an increase of £806k compared to forecast 2020/21 spend.
- The uplift largely reflects the impact of the Cube transfer (£794k) with an increase in Loretto's staff team from the Cube transferring staff.
- Cube is also a member of the SHAPS pension scheme and their pension liability, and related past service deficit contribution, transfer to Loretto.
- Loretto continues to contribute to the employee costs of the Group wide Joint Venture, New Build, Nets and W-360 staff teams.

Direct Running Costs

	2020/21	2021/22
Direct Running Costs (£'000)	Forecast	Budget
Equipment & furniture	3	23
Initiatives	164	256
Insurance	37	64
Misc running costs	48	128
Property costs	274	310
Staff Related Costs	6	41
Group recharges	850	930
	1,382	1,752
<i>Breakdown of Group recharges</i>		
Environmental service	79	125
W-360	39	59
Transfer rent and service charges to WC	732	745
	850	930

Comments

- The total running costs budget for 2021/22 is £1,752k , an increase of £370k compared to forecast 2020/21 spend.
- The increase largely reflects the impact of the Cube transfer (£241k) and an allowance in the budget for return to normal service levels, noting that running costs was an area particularly affected by COVID-19 restrictions during 2020/21.
- Property costs includes provision for the cost of running Lipton House (cleaning, gas/electricity and rates), factoring charges, rent to the remaining external lease provider and council tax for the void Duke Street properties.
- Miscellaneous running costs includes Partner Charges for supported properties, mobiles, postage and printing.
- The Helping Hand fund has been extended and Initiatives contains provision of £41k for this. A budget of £9k has been provided for Wider Action.
- Direct running costs are £70k lower than the financial projections reflecting the efficiencies which are forecast to be generated through the new operating model, reducing the budgeted costs for property and utilities in 2021/22.

Repairs and Maintenance

	2020/21	2021/22
Repair & Maintenance Expenditure (£'000)	Forecast	Budget
Reactive repairs	504	843
Compliance cyclical*	305	735
Property cyclical	6	78
Communal Electricity	166	258
Other	19	27
	1,000	1,941

*Includes gas servicing, M&E equipment servicing, electrical testing and TMVs.

Comments

- Budgeted repairs and maintenance expenditure on our properties is £1,941k for 2021/22, an increase of £941k compared to 2020/21 forecast spend.
- The increase largely reflects the impact of the Cube transfer (£472k) and an allowance in the budget for return to normal service levels, noting that R&M costs were an area particularly affected by COVID-19 restrictions during 2020/21.
- Reactive repairs include appointment and emergency repairs as requested by our tenants, and the service is delivered through the Joint Venture.
- Compliance cyclical maintenance includes gas servicing, mechanical equipment and pump/tank maintenance contracts, and other repair expenditure such as fire safety and alarm maintenance on our properties.
- The budget includes an additional £70k over and above the amount provided in the financial projections providing additional funding for repairs for any postponed works from the last quarter of the 2020/21 financial year.

Capital Expenditure

Capital Expenditure (£'000)	2020/21 Q3 forecast	2021/22 Budget	Variance
New Build Development - Grant			
Various sites	6,561	6,093	(468)
	6,561	6,093	(468)
New Build Development - Cost			
Various sites	3,489	11,443	7,954
Capitalised salaries	166	378	212
Capitalised interest	24	135	111
	3,679	11,956	8,277
Investment Works - Grant			
Medical adaptations	37	167	130
	37	167	130
Investment Works			
Core programme	135	2,070	1,935
Capitalised repairs	155	158	3
Capitalised salaries	36	88	52
Void repairs	240	351	111
Medical adaptations	49	167	118
	615	2,834	2,219
Other Capital Investment			
Group ICT Investment	83	243	160
Office conversion/refurbishment	-	108	108
	83	351	268
TOTAL CAPITAL EXPENDITURE	4,377	15,141	10,764
NET CAPITAL EXPENDITURE/(INCOME)	(2,221)	8,882	11,103

Comments

- Net capital expenditure is budgeted at £8,882k for 2021/22, an increase of £11,103k compared to 2020/21 forecast spend.
- This includes investment in new build and existing properties and other fixed asset additions.
- The increase largely reflects the impact of the Cube transfer (£404k net capital expenditure), an allowance in the budget for return to normal service levels, and the stage of developments.
- The budget includes the ongoing developments at Dargavel, Cobbebrae Farm, Hallrule Drive and Queens Quay, plus 3 further new build developments budgeted to commence in 2021/22 (McDowall St, Vellore Rd and South Crosshill).
- Investment works includes over £2m for core programme works (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 £351k includes Loretto's share of Group ICT investment which is required to meet customer demand and provision for the conversion/refurbishment of properties previously used by Wheatley Care as offices back to housing properties.

Report

To: Loretto Housing Association Board

By: Pauline Turnock, Director of Financial Reporting

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

Subject: Finance Report for the period to 28 February 2021

Date of Meeting: 29 March 2021

1. Purpose

1.1 The purpose of this report is to:

- provide the Board with an overview of the management accounts for the period to 28 February 2021;
- seek approval for an amendment to our loan arrangements.

2. Authorising context

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

2.2 This report provides the Board with an update of performance to date to allow it to discharge its role in monitoring performance and agreeing any actions required.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in Loretto's Performance against Group is "Open". This level of risk tolerance is defined as "Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level".

3.2 The proposed amendments to our funding arrangements are neutral to us. This is because our funding risk is spread across the Group RSLs. Although Cube will be wound up, its business and assets remain in group and secured to the funders.

4. Background

4.1 This report outlines performance against budget for the 11 months to 28 February 2021.

4.2 For the Year to date Loretto is reporting a statutory deficit of £1,332k, which is £827k favourable to budget. The two main drivers of budget variances are £175k of additional grant income for Buckley Street and lower levels of operating expenditure as a result of changes to our operating model during the COVID-19 pandemic.

4.3 The appendices provide more detail on the financial results.

5. Discussion - Finance Report for Period to 28 February 2021

5.1 Loretto has reported a statutory deficit of £1,332k for the period to date, which is £827k favourable to budget. When interest payable, depreciation and grants are removed to show our underlying operating position ("EBITDA") the result is a reported surplus of £3,621k which is £627k favourable to budget.

- Rental Income includes a provision of £24k for service charge refunds to tenants in relation to the reduced service provided during the pandemic.
- Grant income of £208k includes £175k of additional grant for Buckley Street, completed in the prior year, following the finalisation of the project review by GCC. There were no new build completions budgeted in 2020/21.
- Direct staff costs are £33k lower than budget as a result of a staff secondment to Wheatley Care. Employees recharged from Group Services for Cube's share of Wheatley Solutions staff is showing £14k favourable to budget.
- Direct running cost are £143k lower than budget following savings across several office and staff related items as a result of COVID 19 restrictions.
- Repairs and maintenance spend is £305k favourable to budget as a result of the changes to the repairs service throughout the year due to the pandemic. Note that all essential repairs required to maintain health and safety standards in our properties continue to be undertaken.
- Bad debt costs are currently £127k favourable to the budget, an additional provision had been set aside when the budget was prepared based on an increasing number of tenants moving onto Universal Credit.

5.2 Loretto has reported a net capital position of £2,457k (net income), which is £5,390k lower than budget for the period to 28 February 2021. Key points to note:

- New build expenditure is currently reporting a total spend of £2,303k, which is £7,428k lower than budget. Most of the costs to date relate to Cobblebrae Farm and Hallrule Drive. The reduced spend mainly results from a delay in starting on site at Dargavel (£5.2m lower than budget) and Hallrule Drive (£1.6m lower than budget). The Dargavel site started in February.
- Investment programme spend of £584k is lower than budget by £814k. As with repairs, the investment programme has been curtailed due to COVID 19 restrictions. Spend in the period to date is mainly for voids and capitalised repairs.

- Capital investment income reported of £5,427k for the period to date mainly relates to Dargavel (£3.6m upfront), Cobblebrae and Hallrule. Receipt of the donation for Dargavel upfront, before any costs are incurred, has resulted in net capital income being reported this period.

6. SHAPs pension update

- 6.1 The latest update from the trustees of the scheme shows that the estimated ongoing funding level for the scheme as at 30 September 2020 was 89.8% and the estimated deficit was £125.5m.
- 6.2 This is a slight improvement from the previous update provided to the board at the August 2020 meeting when the position as at 30 September 2019 was a funding level of 89% with a deficit of £130m.
- 6.3 The graph below shows the estimated funding position as at 30 September 2020 compared to 30 September 2019.



- 6.4 The next formal triennial valuation of the scheme is due to take place at 30 September 2021 and the results of this are expected to be available in the summer of 2022. The funding position of the scheme will inform the approach to making good any net liabilities which will be considered by the employers' committee at that time.

7. Funding update

- 7.1 Following a successful tenant ballot the dissolution of Cube Housing Association is to proceed with a planned transfer of assets to GHA (for all assets located within the Glasgow City Council area) on 28 April 2021 and a subsequent Transfer of Engagements to Loretto Housing Association (subject to Board approval) in the summer, following regulatory approvals. Our funders have consented to the reorganisation, subject to provision of various documentation (including the Business Transfer Agreement).
- 7.2 On winding up, Cube will no longer be a member of the RSL borrower group and will be removed as an Additional Guarantor in Wheatley's funding arrangements.
- 7.3 As an Additional Guarantor in the borrower group we are required to approve the Amendment Letter, Officer's Certificate and minute to remove Cube. These are included in Appendix 2 and have been prepared by our solicitors. These documents will amend our debt facilities with our lenders to allow the proposed reorganisation.

8. Value for money implications

- 8.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. Loretto has reported a statutory surplus, excluding interest payable, depreciation and grants for the period to 28 February 2021 of £3,621k, noting that a surplus of £2,994k was budgeted.

9. Impact on financial projections

- 9.1 The 2021/22 Business Plan was approved by the Board at the February 2021 meeting and will form the basis for the 2021/22 budget. In the current financial year, the emergence of COVID -19 and the lockdowns imposed by the UK and Scottish Government in March 2020, and again in December 2020, have required us to make significant changes to the way we deliver services to our customers and to the operation of the business. We have updated our current year forecasts to reflect these changes and the updated 2020/21 full year forecast out-turn is used as the opening financial position for the 2021/22 Business Plan.

10. Legal, regulatory and charitable implications

- 10.1 The Group's banking solicitors, Pinsent Masons, have advised on the terms of the amendments letters and associated documentation.

11. Equalities impact

- 11.1 Not applicable.

12. Recommendations

- 12.1 The Board is requested to:

- 1) Note the Finance Report for the period to 28 February 2021; and
- 2) Approve the Amendment letter, Officers Certificate and minute relating to the dissolution of Cube Housing Association provided in Appendix 2.

LIST OF APPENDICES

Appendix 1: Finance Report – period to 28 February 2021

Appendix 2: [redacted]

**Period 11 – Period to 28 February 2021
Finance Report**

Operating Statement – YTD February 2021



	Period To 28 February			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
INCOME				
Rental Income	7,517	7,539	(22)	8,224
Void Losses	(256)	(244)	(13)	(266)
Net Rental Income	7,261	7,295	(35)	7,959
Other Income	263	259	4	283
Grant Income	208	66	142	72
Total Income	7,732	7,621	111	8,314
EXPENDITURE				
Employee Costs - Direct	1,193	1,227	33	1,338
Employee Costs - Group Services	233	247	14	269
ER / VR	0	0	0	0
Direct Running Costs	1,263	1,406	143	1,531
Running Costs - Group Services	121	158	37	172
Revenue Repairs and Maintenance	1,017	1,322	305	1,388
Bad debts	76	202	127	221
Depreciation	3,389	3,389	0	3,701
TOTAL EXPENDITURE	7,292	7,950	659	8,620
OPERATING SURPLUS / (DEFICIT)	440	(330)	770	(306)
Interest Payable	(1,774)	(1,830)	56	(1,978)
STATUTORY SURPLUS / (DEFICIT)	(1,332)	(2,159)	827	(2,284)
EBITDA	3,829	3,060	770	3,394
EBITDA (excluding grants)	3,621	2,994	627	3,322

Income and Expenditure account – key points

- Net operating surplus of £440k is £770k favourable to budget. Statutory deficit for the period to date is £1,332k, £827k favourable to budget. The main drivers of the variance are lower costs resulting from the current COVID-19 restrictions.
- Gross rental income is £22k unfavourable to budget, following provision of £24k for refund of some service charges to tenants during the pandemic.
- Void losses in the year to date are 3.41% against a budget of 3.24%, which is largely linked to higher voids in Loretto's 3 temporary accommodation sites managed by Wheatley Care. Changes to the referral process have been agreed with GCC which will allow faster allocation and reduce the amount of time properties are void.
- Grant income mainly relates to Buckley Street. No further grant income is budgeted for the year, with no other new build completions due in 2020/21.
- Employee costs report a favourable variance of £33k, including savings due to a staff member being seconded to Wheatley Care.
- Direct running costs are £143k favourable to budget, primarily due to reduced spend on office and staff related expenditure as a result of COVID 19 restrictions. Group Services Running Costs of £121k represents Loretto share of Wheatley Solutions running costs.
- Revenue repairs and maintenance expenditure is £305k favourable to budget due to lower levels of spend in reactive repairs, cyclical maintenance and compliance maintenance. Gas servicing is an exception to this and is progressing in line with budget.
- Bad debts are £127k favourable to budget. A prudent approach was taken when setting the budget due to the anticipated impact on tenants as they migrated onto Universal Credit.
- The net capital position of £2,457k (net income) is £5,390k favourable to budget. The net income position results from receipt of the Dargavel donation (£3.6m) upfront. Investment works continue to report lower spend due to the COVID 19 restrictions and this has also impacted new build.
- Investment works expenditure of £584k mainly relates to voids and capitalised repairs.
- New build expenditure of £2,303k mainly relates to spend at Cobblebrae Farm and Hallrule Drive. The Dargavel site commenced on the 15th of February 2021. Cobblebrae Farm and Hallrule were on site in November 2020.
- Other capital expenditure of £84k relates to the Loretto contribution to Wheatley Group IT. Full year budget includes £108k budgeted for office refurbishment and conversion of housing properties previously used as offices by Wheatley Care.

	Period To 28 February			Full Year Budget £k
	Actual £k	Budget £k	Variance £k	
INVESTMENT				
Total Capital Investment Income	5,427	8,359	(2,932)	8,889
Investment Works	584	1,398	814	1,525
New Build	2,303	9,731	7,428	11,036
Other Capital Expenditure	84	164	81	179
TOTAL CAPITAL EXPENDITURE	2,970	11,293	8,323	12,741
NET CAPITAL EXPENDITURE	(2,457)	2,933	5,390	3,851

Rental and Other Income – YTD February 2021



Income £'000	1 April 2020 - 28 February 2021			20/21 Annual Budget
	Actual	Budget	Variance	
Rental Income	7,517	7,539	(22)	8,224
Voids	(256)	(244)	(13)	(266)
Net Rental Income	7,261	7,295	(35)	7,958
WC Management Fee	186	191	(6)	209
Mid Market Rental Income	76	68	8	74
Miscellaneous Income	2	-	2	-
Other Income	263	259	4	283
Grant Income	208	66	142	72
TOTAL INCOME	7,732	7,621	111	8,314

Comments

Net rental income

- Rental income of £7,517k includes a provision of £24k for service charge refunds to tenants due to a reduced service during the pandemic.
- Void lost rent of £256k YTD is £13k unfavourable to budget and the YTD void rate is 3.41%, versus the budgeted rate of 3.23%. This is largely linked to Loretto's 3 temporary accommodation sites managed by Wheatley Care.
- Loretto Housing let a further 8 mainstream properties in Period 11 in an average of 15.38 days. No properties were let during the period from April – August due to COVID-19, however, letting times have now returned to normal levels and all the backlog has been cleared.
- At Broad Street, one of the 3 temporary accommodation sites managed by Wheatley Care, there are currently 14 voids that are awaiting a nomination from GCC. Wheatley Care have confirmed that wider registration criteria will apply from w/c 15th March 2021. This will reduce the amount of time properties are void and will allow faster allocation.

Other income

- Management fee income of £186k was received from Wheatley Care for their share of Lipton House admin and running costs.
- Mid market rental income relates to the lease of Barclay Phase 2 units to Lowther Homes.

Grant Income

- Grant income mainly relates to £175k for Buckley Street. The completion review by GCC DRS led to additional grant funding being received. The balance of grant income relates to medical adaptations.

Direct Running Costs – YTD February 2021



Direct Running Costs £'000	1 April 2020 - 28 February 2021			20/21 Annual Budget
	Actual	Budget	Variance	
Equipment and Furniture	2	14	12	15
Initiatives	144	153	9	164
Insurance	34	34	0	37
Misc Running Costs	33	132	100	144
Property Costs	259	253	(6)	276
Staff Related Costs	7	11	4	13
Travel and Vehicles	5	29	24	32
Group recharges	779	779	0	850
TOTAL RUNNING COSTS	1,263	1,406	143	1,531

Comments

- Direct running costs of £1,263k are £143k favourable to the budget of £1,406k.
- The favourable position is reported due to lower spend across several categories as result of COVID 19 restrictions and homeworking.
- The second table provides a breakdown of YTD Initiatives expenditure. Helping Hand is lower than budget for first 11 months of year, with similar saving on Think Yes.
- TSS costs of £32k included in Initiatives represents Loretto HA's share of Group TSS costs for the provision of the service to Loretto tenants.
- Wheatley Foundation includes Loretto's share of the cost of Christmas vouchers provided to tenants with children.

Initiatives £'000	1 April 2020 - 28 February 2021			20/21 Annual Budget
	Actual	Budget	Variance	
Helping Hand	26	30	5	33
Tenancy Support Service	32	32	0	35
Think Yes	4	11	7	12
Wheatley Foundation	82	80	(3)	84
Wider Action	0	0	0	0
Total	144	153	9	164

Repairs and Maintenance – YTD February 2021



Repairs & Maintenance Expenditure £'000	1 April 2020 - 28 February 2021			20/21 Budget
	Actual	Budget	Variance	
Reactive repairs	367	642	275	700
Cyclical maintenance (compliance)	426	474	49	463
Cyclical property maintenance	1	17	16	19
Other	26	17	(8)	19
Communal Electricity	197	172	(26)	187
TOTAL R&M Expenditure	1,017	1,322	305	1,388

Comments

- Revenue repairs and maintenance spend of £1,017k is £305k favourable to the budget of £1,322k, with the repairs service operating on a reduced service basis throughout the year.
- Reactive Repairs and Cyclical Property Maintenance spend is below budget due to the reduced service during the pandemic. Note that all repairs required to maintain health and safety standards in our properties continue to be undertaken.
- 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.
- Other R&M expenditure relates to decant/removal costs, laundry equipment, alarm monitoring, key holding and small repairs jobs undertaken by contractors other than City Building.
- Communal Electricity of £197k is £26k unfavourable to budget, following receipt of up to date billings with actual meter readings.

Investment Works – YTD February 2021

Investment Works £'000	1 April 2020- 28 February 2021		
	Actual	Budget	Variance
Investment Works Grant Income			
Adaptations	99	66	(33)
Total	99	66	(33)
Investment Works Expenditure			
Core programme	306	1,142	836
Void repairs	179	190	11
Adaptations	99	66	(33)
Total	584	1,398	814

20/21 Annual Budget
72
72
1,246
207
72
1,525

Comments

- Overall investment works expenditure of £584k for the month of February is £814k favourable to the budget of £1,398k.
- Core programme works are following a revised programme due to COVID 19 restrictions, with the majority of spend being on capitalised repairs, including emergency boiler replacements.

Breakdown of core programme £'000	1 April 2020- 28 February 2021		
	Actual	Budget	Variance
Capitalised repairs	183	192	9
Capitalised staff costs	31	33	2
Compliance costs (capital)	3	264	261
Duke Street	0	0	0
Fire Safety	2	33	31
Internal Common Work	0	14	14
Kitchen, Bathrooms and Rewire	17	231	214
Windows	0	110	110
Doors	0	29	29
Environmental	69	83	14
Central Heating	0	154	154
M&E	1	0	(1)
Total	306	1,142	836

20/21 Annual Budget
209
36
288
0
36
15
252
120
32
90
168
0
1,246

New Build Programme – YTD February 2021

Name	Year To Date			FY Budget
	Actual £s	Budget £s	Variance £s	
Buckley Street	8	54	46	54
Muiryhall Street	0	54	54	54
Wallacewell	2	0	(2)	0
Eriboll	58	0	(58)	0
Hallrule Drive	788	2,421	1,633	2,668
McDowall Street	0	485	485	791
Cobblebrae Farm	729	970	241	1,188
Dargavel	287	5,470	5,183	5,955
Barclay Street Phase 2	22	0	(22)	0
Forfar Avenue	13	0	(13)	0
Prior year schemes	5	0	(5)	0
Land Acquisition	236	92	(144)	100
Feasibility	11	0	(11)	0
Loretto	2,159	9,546	7,388	10,810
Capitalised Interest	0	0	0	24
Capitalised Staff Costs	144	185	41	202
Gross New Build Costs	2,303	9,731	7,428	11,036
Grant Income	5,397	8,293	(2,896)	8,817
Net new build costs	(3,094)	1,438	4,532	2,219

Capital Investment Income

- Grant income reported within the capital budget represents the cash received in the YTD and outstanding claims accrued. The budget of £8,293k relates to grant income for Cobblebrae Farm, Dargavel and Hallrule Drive with lower grant receipts, due to the delays in operations because of COVID 19 restrictions.

New Build Expenditure

- Cobblebrae Farm:** 21 social rent units. Project approved by Group Development Committee in August 2020. Start on site occurred 16 November 2020.
- Dargavel:** 58 Social Rent units. Site acquired in December 2019. Contracts are now finalised which allowed a delayed site start of 15th February 2021 to be achieved, delayed due to late approval of Building Warrant and appointment of replacement groundwork sub-contractor. The grant for this site has been received upfront.
- Hallrule Drive:** Project approved by Group Development Committee in May 2020 subject to a reduction in works costs. Start on site occurred 16 November 2020.
- McDowall Street:** 35 social rent units. Discussions with Developer ongoing with a view to site start in summer 2021.
- Land Acquisition:** Cobblebrae Farm and one property buy back.

Balance Sheet

	28 February 2021 £k	31 March 2020 £k
Tangible Fixed Assets		
Housing Properties	59,691	60,193
Investment Properties	1,299	1,299
Other Assets	1,264	1,179
	<u>62,254</u>	<u>62,671</u>
Current Assets		
Rent and service charge arrears	147	207
Intercompany balances	-	203
Other debtors	883	1,808
	<u>1,030</u>	<u>2,218</u>
Cash at Bank and in Hand	6,433	614
	<u>7,463</u>	<u>2,832</u>
Short Term Creditors		
Amounts due within one year	(2,982)	(2,703)
Deferred Grants	(5,397)	(178)
Intercompany balances	(46)	-
	<u>(8,425)</u>	<u>(2,881)</u>
Net Current Assets	(962)	(49)
Long Term Creditors		
Amounts due after one year	(37,253)	(37,253)
Deferred Income	(1,465)	(1,465)
Pension Liability	(578)	(578)
	<u>(39,296)</u>	<u>(39,296)</u>
Net Assets	<u>21,996</u>	<u>23,326</u>
Capital and Reserves		
Share Capital	-	-
Revenue Reserve - b/fwd	23,906	20,659
Current year surplus/(deficit)	(1,332)	3,245
Pension Reserves	(578)	(578)
	<u>21,996</u>	<u>23,326</u>
Association's Funds	<u>21,996</u>	<u>23,326</u>

Comments

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

- **Fixed Assets** - Expenditure is capitalised in accordance with our accounting policy.
- **Investment Properties** – These are the Barclay Street Mid Market Rent properties, leased to Lowther Homes.
- **Debtors** – Debtors are lower than the March 2020 position, by £1,188k, mainly due to the settlement of new build grant income for Hallrule and Dargavel. The level of tenant arrears (net of bad debt provision) has reduced from the year end position of £207k to £147k.
- **Cash at Bank** - The change from the year end principally reflects the timing of the settlement of Grants and the £3.6m funding for the Dargavel project.
- **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. The increase from the 31 March 2020 position mainly represents the £3.6m increase in relation to the Dargavel grant received from Allia.
- **Long-Term Creditors** - This includes £37.3m of loans due to Wheatley Funding Ltd 1.

Report

To: Loretto Housing Association Board

By: Laura Henderson, Managing Director

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

Subject: 2021 Customer Satisfaction Surveys

Date of Meeting: 29 March 2021

1. Purpose

1.1 To seek Board approval for our approach to our customer satisfaction survey for 2021/22.

2. Authorising context

2.1 We ordinarily undertake an annual, independent tenant satisfaction survey. It was previously agreed by the Boards that we do not undertake one in 2020, with a view to carrying out our own in house survey.

2.2 It was subsequently agreed that the timing should be delayed from the initial assumption of October/November and considered in the early part of 2021.

3. Risk appetite and assessment

3.1. Our risk appetite in relation to regulatory matters is cautious. That is defined as "*Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward*". The current regulatory requirements for satisfaction surveys for Registered Social Landlords is that they are carried out under the full ARC question set triennially.

3.2. We last carried out a full survey in 2019, with the next one being required in 2022. There is therefore no risk that by undertaking a different approach this year we will not be meeting our regulatory requirements.

3.3. A full ARC-specification customer satisfaction survey is designed to gauge customer views in the context of normal operating conditions and service delivery arrangement. We recognised that undertaking this type of survey gave rise to a risk that we undertook a survey which produced results not reflective of our normal service levels.

4. Background

- 4.1 We agreed to delay the in house survey to take into account the wide range of engagement activity ongoing during November and December with staff and customers, including: engagement with Cube tenants on the possible transfer; the rent consultation; rent campaign; and the new operating model. This was then subsequently followed by the formal ballot of Cube tenants in January/February.

5. Discussion

- 5.1 As we consider our approach to undertaking our customer survey, there have been further developments to take into account, in particular:

- The increase of restrictions in January 2021 and impact on our service;
- Vaccinations have been approved and are rolling out across Scotland;
- There is a roadmap towards significant easing of restrictions by the summer; and
- Cube tenants will transfer landlord to us in early summer.

- 5.2 Taking this into account, it is proposed that we undertake the previously planned in house survey in mid-late summer. By this time, it would be expected that customers will generally be benefiting from significantly eased restrictions. This will mean there will be greater clarity and certainty over how we either already have or plan to remobilise services.

- 5.3 As the standard tenant satisfaction survey (undertaken by BMG) would ordinarily then take place in August-November, it is proposed that this not be undertaken for 2021 to avoid duplication and survey fatigue. This would also mean next undertaking the independent tenant satisfaction survey in 2022, which remains within the triennial requirement.

- 5.4 Additionally, given the questions in the tenant satisfaction survey (mandated via the SHR) focus on areas that will only have been recently remobilised the results are likely to not reflect the experience of our actual service delivery model. This inherently limits the value they provide as the contributing factors will have been outwith our control. Additionally, the results would require to be submitted as part of our Annual /Return on the Charter.

- 5.5 We would adapt the question set to focus less on customers' experience during the pandemic, with the survey becoming more akin to an exit survey and customer insight gathering exercise. It would provide us with the opportunity to collect quantitative and qualitative insight into what has changed for customers as a result of the pandemic. We would also tailor the survey for our customers who are supported by Wheatley Care and other support providers.

- 5.6 The survey was initially envisaged being focussed on the following themes:

- Communication and engagement;
- Customer Experience;
- Accessing services digitally; and
- Remobilisation.

- 5.7 This approach was reviewed and supported by the Group Scrutiny Panel during its development. It is proposed that these themes would broadly cover:

Communication and engagement

- 5.8 The question set would be designed to understand the impact the pandemic has had on how customers access our communication and engage. We would ask questions which focussed on seeking insight as to:

- Where customers source their information about our services;
- If/how the pandemic changed the way they access information (i.e. more through digital channels);
- If customers do not use digital methods, why not e.g. lack of suitable device and connection or prefer other methods; and
- What would encourage customers to use digital communication platforms more.

- 5.9 This would give us actionable insight into what has changed during the pandemic as well as customer feedback to feed into how we implement our strategy in these areas.

Customer Experience and support

- 5.10 Initially this would have focussed on the impact of the pandemic, including throughout the different stages of the pandemic. As the proposed timescale would be notionally post pandemic it is proposed it focusses on the overall impact of the pandemic.

- 5.11 It is also proposed that we continue to ask tenants about their awareness of the range of our wraparound services and support available. The list in the question set would be expanded to reflect the reintroduction, or pending reintroduction, of services such as Home Comforts.

- 5.12 This would allow us an opportunity to understand current awareness levels as well as raise awareness and promote our wraparound services and support available. An important element of this will be keeping a record of and following up with customers where we establish they have an interest in or could benefit from our wraparound service or support.

Accessing services digitally

- 5.13 As with the communication and engagement element, the topic remains pertinent. It is proposed we focus on:

- Establish a baseline in terms of digital access and digital skills;
- Establish where there is no access, the reason why;
- Understand how the pandemic has changed usage and attitudes towards accessing services digitally eg more likely to use; and
- Elicit feedback on attitudes toward and satisfaction with our online services.

- 5.14 It is proposed that as part of the discussions, where a customer indicated a willingness or desire to access more services digitally this would be recorded and followed up.

Remobilisation and future services

- 5.15 Whilst the remobilisation element will depend on the position at the time we would seek to understand what customers would like us to change as a result of the pandemic. This would allow us to garner actionable insight on what our customers feel should be different in future and respond accordingly.

6. Key issues and conclusions

- 6.1 By moving the survey to mid-late summer, we have an opportunity to gain valuable insight as we move into the early stages of implementing our strategy. We would plan to again engage the Group Scrutiny Panel on the final question set.

- 6.2 The insight we gain can be fed into a number of areas of our strategy implementation, including:

- Our future online and digital services offering;
- Community Connection Plan;
- Community Academy; and
- Post pandemic training programmes.

- 6.3 Additionally, depending on timing there is an opportunity for the feedback from the survey to be an early focus for the Customer and Community Voices.

7. Value for money implications

- 7.1 At a time when the pandemic is, and is expected to continue to, significantly impact our customers not undertaking a costly external survey which will provide limited value represents good value for money.

- 7.2 The findings from the survey will also provide us with insight for customer priorities, which in turn indicate what may be considered as good value for money.

8. Impact on financial projections

- 8.1 The external survey costs approximately £150-200k per annum. This proposed approach would cost significantly less than this and allow the balance to be saved.

9. Legal, regulatory and charitable implications

- 9.1 As indicated in the body of the report, we are required to undertake a survey every three years. The proposed approach would allow us to maintain compliance with this requirement.

10. Partnership implications

- 10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

- 11.1 A detailed question set will be developed based on the themes set out in the report and we will engage the Group Scrutiny Panel on the content and approach.

12. Equalities impact

- 12.1 It is proposed that the final question set be subject to an equalities impact review as part of the process.

13. Recommendation

- 13.1 The Board is asked to agree the proposed approach to our customer survey for 2021/22.

Report

To: Loretto Housing Association Board

By: Ranald Brown, Director of Assurance

Subject: Assurance update

Date of Meeting: 29 March 2021

1. Purpose

- 1.1. This report provides the Loretto Housing Association Board (the Board) with an update on the 2020/21 Internal Audit Annual Plan.

2. Authorising context

- 2.1. Under its Terms of Reference, the Board is responsible for managing and monitoring Loretto Housing Association's compliance arrangements and operational performance. The activities undertaken by the Assurance team provide the Board with independent assurance to support this role of the Board.

3. Risk appetite and assessment

- 3.1. The Board's agreed risk appetite in relation to Board Governance is "cautious", meaning that there is a preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.

4. Background

- 4.1. In August 2020 and November 2020, the Group Audit Committee approved the Q2 and Q3 Audit Plans for 2020/21, which included completion of the following reviews:

- Gas Safety
- PPE Health & Safety
- Fire Safety
- Arrears management
- NETs PPE
- Wheatley Foundation expenditure
- Cyber security
- Working from home
- Wheatley Care self-assurance consultancy review

- 4.2. The Internal Audit team has now completed these reviews and details of the findings are set out in the Group Assurance Update report at **Appendix 1**.

5. Executive Summary of Assurance activity

- 5.1. This section of the report summarises the results of 2020/21 Annual Plan work reported to the Group Audit Committee in November 2020 and February 2021.

Review	Control objectives				
Gas Safety	Green	Green	Green	Green	Green
PPE Health & Safety	Green	Green	Green	Green	Green
Fire Safety	Green	Yellow	Green	Green	
Arrears Management	Green	Green	Yellow	Green	Green
NETs PPE	Yellow	Green	Green	Green	Green
Wheatley Foundation	Yellow	Amber	Yellow	Amber	Green
Cyber security - Not applicable for this review					
Working from Home - Not applicable for this review					
Wheatley Care self-assurance consultancy review – not applicable.					

6. Value for money implications

6.1. There are no value for money implications arising from this report.

7. Impact on financial projections

7.1. There are no financial implications arising from this report.

8. Legal, regulatory and charitable implications

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

9. Partnership implications

9.1. There are no direct partnership implications identified within this report.

10. Implementation and deployment

10.1. Implementation and deployment of the Plan will be led by the Assurance Team.

11. Equalities impact

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

12. Recommendation

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

List of Appendices

Appendix 1 – Group Assurance Update

Group Assurance Update

March 2021

Ranald Brown
Director of Assurance

1. IA Plan 2020/21 Status

Status of Reviews

This presentation summarises the results of Internal Audit activity reported to the Group Audit Committee at its November 2020 and February 2021 meetings.

November 2020

Gas Safety

- Section 2



PPE Health & Safety

- Section 3



Fire Safety

- Section 4



February 2021

Arrears Management

- Section 5



NETs PPE

- Section 6



Wheatley Foundation

- Section 7



February 2021

Cyber Security

- Section 8

Working From Home

- Section 9

Wheatley Care Quality Assurance self-assessment

- Section 10

1. IA Plan 2020/21 Status

Control Objective Classification:

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

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

2. Gas Safety Review






Report Conclusion

The Group has a legal responsibility for ensuring approximately 39,000 annual gas services are undertaken in its properties. To meet this responsibility efficiently and effectively Gas service visits were reintroduced following the COVID-19 lockdown, management amended the existing gas servicing process.

This review found the amended process introduced by the Group's management and teams worked well. They enhanced the previous process, with improved access rates, customer engagement and closer team working amongst gas teams and contractors. At the time of our review in September, there were no overdue Gas Certificates.

We have identified opportunities for improvement which should be incorporated into remobilisation plans and temporary working practices which should be retained and spread across other compliance elements of the Group repairs and maintenance services.

Control Objective Classification

-  Gas safety certificates nearing their renewal date are identified and renewal inspections are scheduled;
-  Gas safety certificate inspection visits take place as scheduled;
-  Any remedial works required are scheduled and completed before expiry of the existing certificate;
-  The PIMMS system and gas safety certificates are updated following completion of planned work.
-  All stages of the process are completed in compliance with COVID-19 health & safety procedures

2. Gas Safety Review

Areas of Good Practice

- ✓ New temporary gas service procedures were created by the CSC and Repairs teams in collaboration with CBG/Saltire and housing management teams. They were communicated to gas teams to ensure delivery of the Group's gas service legal obligations, and in doing so, help keep the Group's customers safe.
- ✓ The implementation of central teams at CSC, DGHP and DCPS to manage and coordinate outbound calls had a positive impact, with all Subsidiaries reporting improved access rates at first visit, with CBG reporting this reaching 89%, DCPS 95% and Saltire 88%.
- ✓ Real-time management information on status of scheduling of appointments.
- ✓ Use of outbound calls to update customer contact details and preferred method of communication such as email or text messaging.
- ✓ DCPS outbound calls and gas service engineer visits identified customers with potential fuel poverty issues such as capped meters, who were called by housing officers to ascertain if the Group's wrap around services could assist.
- ✓ Real-time monitoring arrangements with escalation of 'gas expiry' due dates to appropriate management teams.
- ✓ Close collaboration between key staff and contractors resulted in the gas services backlog being addressed a month earlier than planned.
- ✓ Senior management at Group/Subsidiaries were provided regular updates and reports on progress of gas servicing during the COVID-19 outbreak.
- ✓ DCPS and DGHP have system-generated reports that reconcile completed gas services and gas certificates.

2. Gas Safety Review

Opportunities to Improve (*management had identified these prior to our review*)

- There is an opportunity to retain the new working practice used for the scheduling of gas servicing during the lockdown, which resulted in improved gas service access rates, and to consider whether it can be extended to all technical compliance service visits.
- Gas service visits and welfare calls helped identify instances of fuel poverty issues such as capped meters. An avenue for capturing this information on Housing Management systems and generating an automatic referrals to Housing Officers for investigation should be considered.
- The spreadsheets used to schedule visits allowed management to capture updated customer information such as contact details and preferred method of contact. This approach should be developed to enhance the accuracy of Housing Management records. The information should also be used to inform future technology investment decisions in relation to customers contact preferences e.g. use of text messaging and emails to schedule appointments.
- Management to develop an automated matching between the completed gas service record and the issued gas certificate uploaded against housing records in the Group's Housing Management system in order to make the current manual reconciliation process more efficient.

3. PPE Health & Safety Review




Report Conclusion


The revised PPE processes in place for Care and Emergency Repairs staff are working well. The Group has had no PPE shortages since the start of the COVID-19 pandemic and staff describe feeling safe at work and reassured by the availability and quality of PPE provided for them.


As the Group returns to a full-service model, there are opportunities to ensure the processes in place for PPE remain robust and efficient. In particular, there are opportunities to ensure that:


- PPE supplier relationships remain strong and value for money is obtained;
- purchased PPE stock is sufficient without becoming obsolete or surplus to demand; and
- e-learning completion records provide Management with assurance that all mandatory training has been completed.


Control Objective Classification


 The Group has a central point of knowledge to ensure all new relevant guidance is actioned.

 Procurement arrangements are in place to provide a suitable supply of PPE.

 Staff have confirmed that they have read and understood the Group's COVID-19 health & safety procedures.

 Staff across the Group have access to required PPE at the time it is required.

 Staff use the specified PPE and follow all COVID-19 health & safety procedures

 Management reporting is in place to monitor use and availability of PPE, with prompt action being taken if any issues are reported.

3. PPE Health & Safety Review

Areas of Good Practice

- ✓ Clear roles and responsibilities for identifying and applying PPE guidance across Group.
- ✓ PPE requirements are identified through the completion of risk assessments aligned to specific Group activities.
- ✓ COVID-19 Procedures set out what PPE should be worn by staff and when.
- ✓ Local and central monitoring of the Group's PPE stock takes place weekly to ensure a 16-week supply is maintained.
- ✓ Regular management reporting on the quantities of PPE held across the Group.

3. PPE Health & Safety Review

Opportunities to Improve

- Ensure actions to improve the accuracy and completeness of Care training records are applied across the Group, so that all mandatory Health & Safety e-learning records are complete and available to evidence that staff have received training.
- Risk assess any changes to the Group's PPE management arrangements to ensure the resulting procedures will continue to ensure the required supply of PPE.
- Agree long-term PPE stock management approach to ensure that stock held remains sufficient, without becoming obsolete or surplus to demand, investigating options for digitisation of processes wherever possible.

4. Fire Safety Review


Report Conclusion


This review has assessed the progress made towards completing actions arising from the Fire Safety audit in March 2020. There has been limited opportunity to take actions forward since then, due to the business constraints arising from COVID-19. The Wheatley and Subsidiary Boards have been kept updated on the ongoing challenges being faced.


The Group's implementation of a new operating model will allow management to build improvements into existing working practices as services are remobilised.


In particular, management should consider whether the Group should adopt a single-team approach to fire safety management rather than the two-team approach that has previously been the appropriate way to deliver this service.

Control Objective Classification

 Changes to legislative requirements to keep the Group's Relevant Premises in order, are monitored and reported to senior management;

 A process to identify, prioritise and cost any work to meet new legislative requirements is in place;

 Data and intelligence from frontline and SFRS teams is recorded and analysed to identify key risk areas, trends and preventative actions;

 The Framework to support tenants in mitigating the risk of fire within their homes is actioned, monitored and reported to senior management.

4. Fire Safety Review

Areas of Good Practice

- ✓ Mandatory actions from SFRS Operational Assurance Visits (OAV) are captured in PIMMS.
- ✓ Desktop FRA's of relevant premise by Group Health and Safety as interim process to mitigate risk.
- ✓ Monthly outstanding fire actions have continued to be issued to Managers of relevant premise.
- ✓ Environmental and onsite staff undertake robust daily inspections of MSF sites, recording and escalating critical fire repairs and reporting fire incidents to the CSC.
- ✓ W360 NETS Team have removed large volumes of combustible materials from across our communities contributing to fire safety during COVID-19.
- ✓ Fire intelligence data from SFRS and frontline staff has allowed CIPS Fire Safety Officers to target and provide support to 'High Risk' households during COVID-19.
- ✓ Locality Directors/Heads of Housing receive weekly accidental dwelling fire data to allow them to address issues within their areas.
- ✓ All Housing First Customers receive a Fire Safety Package and visit from a Fire Safety Officer.
- ✓ Regular updates to Board throughout the lock-down period to notify Board members about the reduction in service and mitigating actions.

4. Fire Safety Review

Opportunities to Improve

- As part of the remobilisation process and the Group's implementation of a new operating model, there is an opportunity to consider whether the Group should introduce a single-team approach to fire safety across the Group. This would merge the Group Health & Safety team who deal with "relevant premise" (offices, care properties and houses of multiple occupancy) with the fire officers in the CIPS team who deal with customer-facing properties, including multi storey homes. In discussing this recommendation, we were informed that this was already being considered by management.
- The process for monitoring completion of FRA actions should include clear guidance for responsible officers about the escalation of incomplete actions.
- Investigation of whether it is possible to automate updates to PIMMs from iWorld / Astra and other systems for FRA records and actions.

5. Arrears Management Review








Report Conclusion

The processes in place to manage arrears during COVID-19 have been very successful in reducing the initial increase in arrears balances seen in the first lock-down period. There has been regular reporting to the Executive Team and Boards on the current arrears position and the benefit that proactive wrap-around services have brought to customers. Remobilisation plans were reviewed as the first lockdown period progressed and services extended where it was judged safe to do so.

The improvement opportunities we identified relate to completion of mandatory cyber security and data protection training, the rollout of management's planned strengthening of controls over handling customer payment card details and potential future developments of technology in relation to data recording and performance reporting.

Control Objective Classification

-  The Group's approach to managing rent arrears during COVID-19 has been agreed and communicated with housing and CSC staff and there is regular communication with customers.
-  Housing and CSC staff proactively contact customers in arrears to provide access to wrap-around services and support appropriate to their needs and circumstances.
-  Staff are trained to process rent payments in line with Group procedures, including compliance with Payment Card Industry (PCI) and Data Protection requirements.
-  The impact of COVID-19 on the Group's RSL rent arrears position is subject to ongoing monitoring.
-  Plans for arrears management remobilisation plans are reviewed in line with changing Government advice.

5. Arrears Management Review

Areas of Good Practice

- ✓ The approach to arrears management has been reviewed and updated as part of the phased remobilisation of services during the Covid-19 period, to reflect Scottish Government guidelines e.g. extension of notice period for legal action.
- ✓ New interactive rents toolkit for income collection staff which has been updated to reflect any changes to rent collection procedures as services have been remobilised.
- ✓ Development of a 'Rents' Power BI (a business analytics tool) reporting suite to improve the monitoring and management of rental income and UC for Housing staff and management.
- ✓ Implementation of 'Talk to Us' campaign across RSLs to encourage early engagement of customers who may be having rental payment concerns.
- ✓ Use of multiple mediums such as outbound calls, RSL websites, Facebook, bulk text messaging to deliver key rental income and support messages across a broader spectrum of the RSL customers.
- ✓ Implementation of local initiatives to target specific arrears categories such as Dunedin Canmore's 'All ears for Arrears', and the use of bulk contact letters at DGHP for failed direct debit customers.
- ✓ Increased transfer of customers in early arrears to the Group's specialist debt recovery officers (GDRT) and use of CSC/GDRT's automated dialing system to improve customer contact rates.
- ✓ Regular and detailed performance monitoring and reporting of arrears during COVID-19 from Housing Offices to RSL and Group Boards.

5. Arrears Management Review

Opportunities to Improve

Priority actions

- Line managers should monitor completion of all mandatory training courses for their staff, including DPA, Cyber Security, and, after they are rolled out, the updated PCI compliance training and training on the new payment handling tools (Call Secure and Call Secure Digital Plus). Until technical developments within MyAcademy enable automated notifications to staff and line managers for all mandatory training, the MyAcademy team should issue regular reports on the current status of mandatory training courses for follow up by line managers.
- Timelines for the completion and rollout of the revised Payment Card Industry (PCI) compliance training and Call Secure/ Call Secure Digital Plus should be agreed and monitored by the Rents Community of Excellence (CoE).
- Once the payment handling tools have been rolled out, Astra/iWorld payment permissions should be minimised so that the Group can demonstrate there is no requirement for PCI compliance.

Continuous improvement actions

- We have identified opportunities to streamline input of customer engagement information across a number of systems eg. Astra/iWorld, manual spreadsheets, and Nexum.
- The work undertaken to develop patch-level PRID reports within PowerBI has been completed by one individual within the UC team. This increases the risk that further development or maintenance of the reports may be curtailed if this individual was unavailable.
- Work to develop Power BI reporting of welfare benefits and fuel advice provided by the Money Advice team should include a unique customer identifier that will allow analysis to demonstrate the benefit of the advice to the Group as well as to customers.

6. NETs PPE Review


Report Conclusion


The Neighbourhood Environmental Teams (NETs) have effective procedures in place to confirm whether staff are aware of and complying with the Group's revised PPE and COVID-19 procedures. These include controls over the management and issue of PPE, and regular communication with staff.

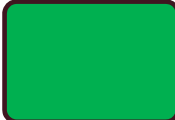
We noted opportunities to strengthen existing monitoring and reporting of mandatory training completion rates and stock management procedures.

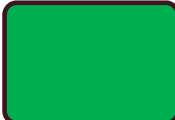
We also found an opportunity to review and streamline COVID-19 / PPE sign-off procedures with a view to retaining the existing high level of control while making the process more efficient.


Control Objective Classification

 NETs staff have confirmed that they have read and understood the Group's COVID-19 Health & Safety procedures and completed mandatory training.

 NETs staff have access to required PPE at the time it is required.

 NETs staff use the specified PPE and follow all COVID-19 Health & Safety procedures, including procedures related to fleet travel.

 The NETs operating environment is designed to enable staff to comply with Group Health & Safety procedures.

 Local management reporting is in place to monitor use and availability of PPE within the NETs service, with prompt action being taken and lessons learned if any issues are identified.

6. NETs PPE Review

Areas of Good Practice

- ✓ Group H&S completed re-assurance visits including visits to NETs sites, which found 'high level of compliance in the provision and working of PPE arrangement' and 'no deficiencies in the PPE stock or supply of NETs PPE'.
- ✓ H&S and PPE training information was presented to staff by management to ensure awareness, prior to staff completing online training modules.
- ✓ Induction training has been developed to train new staff and staff returning from furlough about the PPE processes in place.
- ✓ Toolbox talks are used to discuss updated COVID-19 procedures, with weekly emails issued to all NETs staff as a reminder of what was covered.
- ✓ Daily site and weekly checklists include requirements for staff to confirm they have had access to the correct PPE and it is in good working condition.
- ✓ Visual signage has been added to vehicles to advise staff 'they must wear face masks in this vehicle'.
- ✓ Staggered shift start and break times are in place, with staff rostered to work with the same colleagues, vehicles and equipment as far as possible.
- ✓ Stock replenishment arrangements are in place to ensure each team has the PPE required.

6. NETs PPE Review

Opportunities to Improve

Priority actions

- My Academy training records must provide management with an accurate overview of all NETs staff training completions.
- Management must ensure all staff have completed mandatory online Coronavirus awareness and Health and Safety courses.

Continuous improvement actions

- Stock management arrangements should include review of PPE use at a team level to identify any unusual use.
- The design and content of staff sign-off sheets should be reviewed to ensure these provide robust, but efficient, control.
- Monthly vehicle checks should confirm that daily vehicle checks are being completed and include COVID cleaning and sanitising checks.

7. Wheatley Foundation Expenditure Review






Report Conclusion

Following a very significant expansion of the expenditure through the Group's Eatwell service and Emergency Response Fund (ERF) during the COVID-19 crisis, Wheatley Foundation management requested an internal audit review of the process used to record and monitor the charitable expenditure.

We noted that the volume of transactions through the ERF was considerably larger than in previous years. This was because the fund was used to support customers at this challenging time, when other support services (e.g. HomeComforts) were not able to provide a service. In addition, many members of the Foundation team were furloughed, meaning that some control processes were suspended in order to prioritise processing of requests for support. As a result, we were unable to confirm the validity of all transactions. However, we found no evidence of fraud or misappropriation during our review. Further details of the ERF expenditure analysis are shown at Appendix 1.

As the Foundation adopts working from home as standard and staff return from furlough, additional control processes should be reinstated, including a review of the ERF criteria, use of vouchers wherever possible to reduce use of purchase cards, development of current expenditure records to facilitate management checks, more detailed reporting and to make it easier to demonstrate value for money. The Group's purchase card procedures should also be followed for all future transactions.

Control Objective Classification

-  All COVID-19 related emergency expenditure is for an identified need and subject to appropriate approval
-  Card payments are subject to regular review to ensure all expenditure is authorised and accurately accounted for
-  Payment card holders and arrangements for future purchasing activity are aligned to expected business need
-  Expenditure is regularly monitored to ensure compliance with Group procurement requirements and the delivery of value for money
-  Terms and conditions of external funding received in relation to the Group's COVID-19 response are complied with

7. Wheatley Foundation Expenditure Review



Areas of Good Practice

- ✓ The ERF provided £308,552 of support to customers during the period from 26 March to 10 November 2020. This directly supported the individual needs of 2,339 customers, as well as funding wider requests to support groups of customers through the improvement of shared spaces and provision of wellbeing resources.
- ✓ The Foundation Team's funding focus, from the outset of the pandemic, has been to identify and secure funding to support the Group's Covid-19 response. By November 2020 the Team had identified and secured funding of over £1.8m from external parties through grants and donations.
- ✓ A monitoring spreadsheet is in place to record all Emergency Fund request applications.
- ✓ The Foundation Manager is working with Procurement to secure best value for money from suppliers.
- ✓ Vouchers will be used in future to reduce the level of emergency purchases, streamline the purchasing and delivery process and obtain the advantages of bulk buying where possible.
- ✓ The Foundation Board has received regular updates on the external funding position, including donations and grants received.
- ✓ Monitoring reports have been submitted to the Scottish Government to report on the use of the four Wellbeing fund grants received, which totalled £330,000. Management informed us that all monitoring reports were accepted by the fund delivery partners on behalf of Scottish Government, with no requests received for follow-up information or clarification.

7. Wheatley Foundation Expenditure Review



Opportunities to Improve

All expenditure – priority actions

- The monitoring spreadsheet used by the Foundation to track receipt and fulfillment of ERF requests should be revised to include additional fields and reduce free-text, improving the accuracy and consistency of data recorded and enabling smarter reporting and reconciliation of data.

All expenditure – continuous improvement actions

- The ERF criteria should be reviewed to confirm they remain appropriate. Once reviewed, the ERF request form should be updated to include the criteria and links to alternative support offered by the Group (e.g. Home Comforts).
- Purchasing decisions should be documented to enable staff to demonstrate that Value for Money was obtained when spending grants and donations, particularly where goods are difficult to source or unavailable from suppliers when needed.

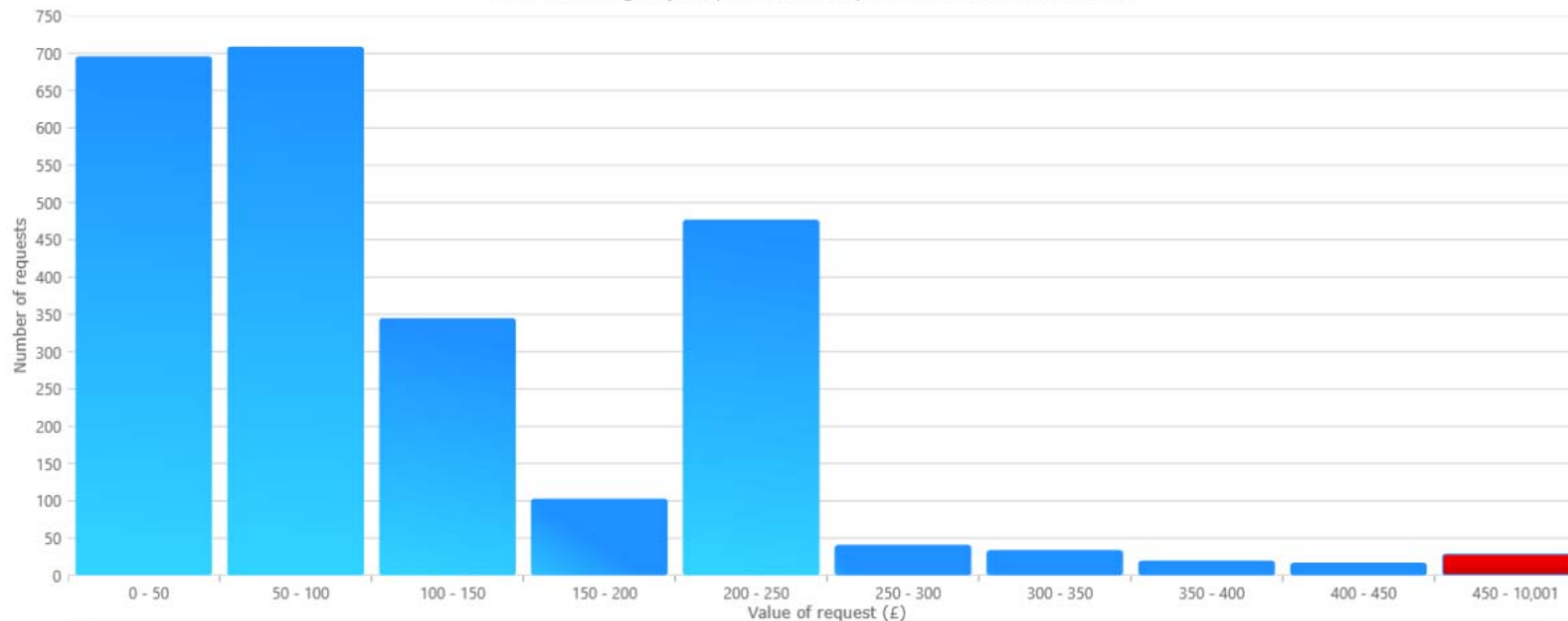
Purchase card expenditure – priority actions

- The Foundation team should apply for new purchase cards for each team member who may require to use one. When new cards are issued, the team should ensure Group purchase card procedures are followed, including the retention of all receipts in a virtual environment, and monthly receipting of transactions listed on the SDOL online banking portal.
- The Transactions services team should work with Procurement and Finance to review Group purchase card procedures, including agreeing arrangements for monitoring overall spend with individual suppliers.

7. Wheatley Foundation Appendix 1 – ERF expenditure

Between 26 March and 10 November 2020, the Foundation Team processed 2,626 Emergency Response Fund requests with a total value of £308,552. We used IDEA to analyse these requests and confirmed that the majority were within the fund's maximum suggested spend value (around £100 per household, with flexibility according to individual circumstances).

Value of Emergency Response Fund requests (at 10 November 2020)

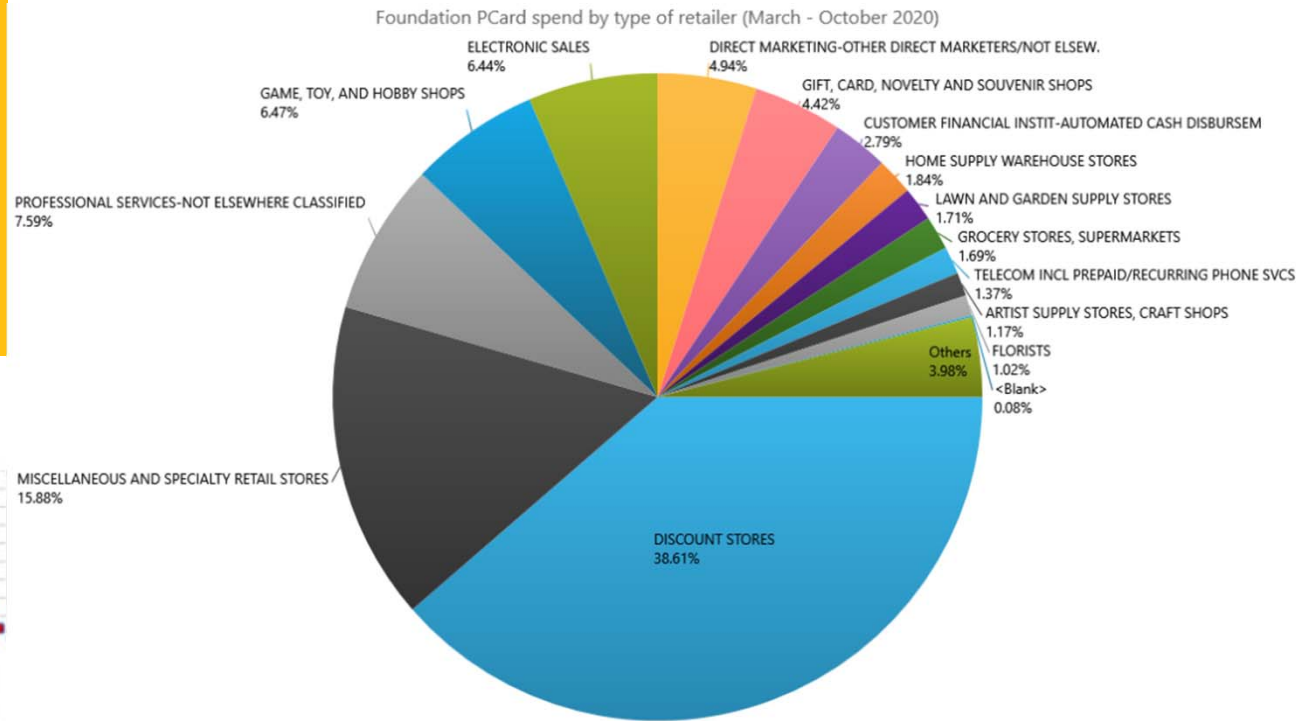
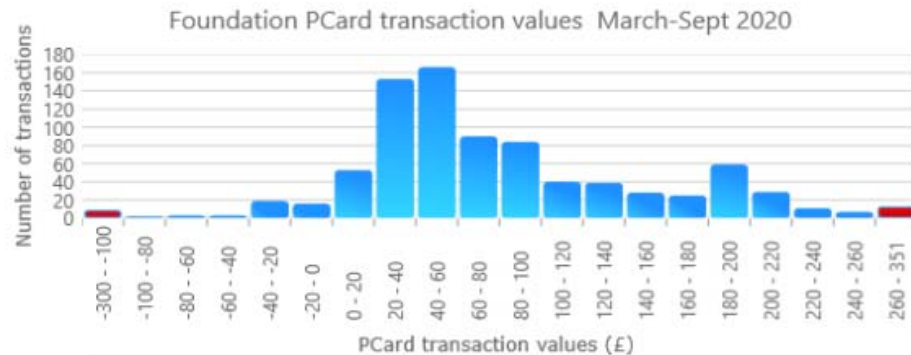


Higher value requests primarily relate to the supply of white goods and essential homeware items (normally available through the Group's Home Comforts service), or items purchased for the benefit of multiple customers, including:

- *activity packs for children and sheltered housing customers;*
- *bulk purchase of shopping vouchers*
- *improvements to outdoor spaces within residential facilities to promote wellbeing and enable social distancing.*

7. Wheatley Foundation Appendix 1 – ERF Purchase cards

Between March and September 2020, £67,888 was spent on the Foundation Purchase Cards in 849 transactions. We used IDEA to analyse these transactions and confirmed that all were for low level expenditure. Over 50% of total spend was incurred within the Merchant Category Codes 'Discount Stores' or 'Miscellaneous and Speciality Retail Stores'. These include Argos, Amazon and Tesco, which is what we expected to see based on the Foundation team's records of Emergency Response Fund purchases.



Note : The small number of negative transaction values in the graph are due to refunds from suppliers.

8. Cyber Security Review

Report Conclusion

In July 2020, Internal Audit performed a high-level review over the cyber security control environment as managed by the IT team. The scope of the work was restricted to the cyber security control environment over services provisioned to Wheatley Group staff by the IT function. The resulting report concluded that *“IT security over the systems and services that the IT function is responsible for is well established and, as described by management, reflects good practice in many respects. Cyber Security is an organisation wide challenge, and it is important that processes exist to ensure that cyber security risks are being managed across the enterprise, and specifically beyond the areas for which IT is operationally responsible.”* This current report focussed on the cyber security arrangements in place over Software as a System (SAAS) solutions which are not provisioned by the IT function. This included the Payroll, MyHousing and AllPay systems, applying where possible the same framework of control objectives used in the July review.

Today, more organisations rely on third parties to provide services and systems to support their critical processes. This means that indirect attacks via third parties can be a major source of cyber risk. This has been demonstrated by the recent attack on Solar Winds, which put 18,000 government and corporate clients at risk of exposure, and the attack on Blackbaud, which affected 166 UK organisations including universities, health-related charities, schools and trusts. It is therefore important to improve cyber resilience by taking steps to incorporate security controls into third party risk management processes. It is also important that staff involved in the management of third parties have a good awareness of cyber risks.

While Wheatley Group do currently have a process in place to assess the cyber risk of vendors prior to procurement, this process has not been completed for suppliers procured prior to 2018 and the risk of these suppliers has not been monitored regularly to ensure that they continue to meet business risk tolerance levels. Annual cyber security training is currently underway and management should continue to monitor completion of this mandatory training.

8. Cyber Security Review

Areas of Good Practice

- ✓ Group IT has created a Vendor Security Assessment (VSA) Framework to assess the security of Wheatley suppliers. The assessment covers appropriate risk areas, and the level of assessment is dependent upon perceived supplier risk to allow prioritisation and efficient use of resources.
- ✓ Contracts with suppliers include data protection breach reporting clauses.
- ✓ IT incorporate penetration testing of SaaS solutions into their annual test plan where the Group has the authority to conduct them. For example, MyHousing is included within the annual test plan.
- ✓ A Group IT Cloud Services Policy is in place which provides direction for Business Owners in assessing the benefits of cloud services against the risks of data breaches, data loss and account hijacking.
- ✓ Group IT have sought assurance from vendors using a variety of methods. In particular, a high level VSA review was completed for AllPay in 2019 which documented the controls AllPay had in place. An older template approach was used for MyHousing in 2017/18 as the VSA was in draft format. The older template covered over 40 security questions and security design assessment was conducted with the NCC group during the project.

8. Cyber Security Review

Opportunities to Improve

Priority actions

- VSAs have not been completed for suppliers procured prior to 2018, as the VSA process was implemented across 2017/18. For example, the Payroll system has not been through this process. We were advised that efforts were made to conduct a VSA for the Payroll system but that this was not completed due to a lack of engagement from Access Group during 2018/19.
- The VSA is a process that requires input and expertise from IT and from Business System Owners. However, although documentation clearly details roles and responsibilities there is lack of consistency in the understanding of the respective roles by Business System Owners.
- Monitor completion rates for cyber security training.

Continuous improvement actions

- A security assessment is undertaken at time of procurement however regular supplier risk reviews are not undertaken after this.
- There is a lack of business documentation of the users who should have access to the system and the level of access they should have.
- Business Owners have a lack of clarity as to whom incidents should be escalated to across key areas such as Computer Security Incident Response Policy and the Data Breach Policy.

9. Working from Home Review

Report Conclusion

Wheatley Group has been planning to move to a Working From Home (WFH) operational model since before the COVID-19 pandemic started last year. However emergency procedures were put in place to respond to the pandemic, allowing staff to work from home temporarily. This review considered the planned actions to establish new arrangements for a long-term blended working from home model. We acknowledge that at the time of our review, a staff consultation on the proposed operating model was in progress.

We found that key decisions have yet to be made on Group wide policies and procedures for the change to working from home, including factors such as expense policy and insurance policy for both agile and homeworkers.

We acknowledge that this has been a fast-paced activity, and management was in the process of working on solutions to many of the issues identified to us. We recommend that the Executive Team should continue to coordinate work across Group departments and make decisions on the working from home environment in line with Scottish Government guidance so that decisions requiring cross-organisational input can be agreed prior to creating a working from home policy and updating departmental policies and procedures.

9. Working from Home Review

Areas of Good Practice

- ✓ IT conducted a user survey in March / April to understand individual users' needs. This considered if staff had access to a personal device they could work from and if they had access to the internet at home. The output of the survey was used to roll out hardware to staff who needed it.
- ✓ A process is in place to allow staff to request hardware as their needs change.
- ✓ There is a configuration baseline which all corporately owned devices are aligned to prior to deployment.
- ✓ Technical measures are in place to allow the secure connection of both corporate and staff owned devices to the Group network i.e., through using a virtual desktop infrastructure (VDI).
- ✓ Mobile device management (MDM) tools are used to track and roll out security updates to mobile devices.
- ✓ Consideration has been given to Health and Safety impacts of working from home i.e., the Health and Safety team are in the process of piloting a Lone Working Solution and are looking at implementing an electronic incident reporting tool.

9. Working from Home Review

Opportunities to Improve

Priority actions

- Introduce additional coordination of work across Group departments to facilitate decision-making in matters such as employee wellbeing; Health & Safety; communication and engagement; employees' expectations; equipment and IT systems; and pay, expenses and finances.
- Creation and documentation of a Bring Your Own Device (BYOD) policy to ensure that all staff have the same access and ease of use of corporate tools such as Microsoft Teams.
- Update of existing policies and procedures across the Group to reflect the new blended homeworking approach.

Continuous improvement actions

- Introduction of general role profile-based IT user entitlement to control the roll out of hardware.

10. Wheatley Care Quality Assurance Self-assessment



Wheatley Care is developing a self-assessment process to demonstrate compliance with the Care Inspectorate's revised quality frameworks. We are working with management to provide advice on the design of the process and assess the application of the process in pilot sites, and to identify any required improvements before the process is rolled out to all registered Care services.

Care responsibilities

- Develop a self-assessment process to demonstrate compliance across all areas of appropriate Care Inspectorate quality frameworks.
- Collect feedback on the devised self-assessment process during pilot stage.
- Conduct self-assessment annually to ensure continued compliance with Care Inspectorate quality frameworks.
- Required actions/lessons learned as a result of self-assessment process are captured and monitored.

IA responsibilities

- Review the self-assessment process being developed by Care Management to demonstrate compliance with the appropriate Care Inspectorate quality frameworks.
- Provide advice on the design of the process and assess the application of the process in pilot sites.
- Work with management to identify any required improvements before process is rolled out to all registered Care services.

Current status and next steps:

- ✓ The Care Services Innovation and Improvement Manager has developed a draft Framework, which identifies controls currently operating across Wheatley Care to monitor performance and quality. This has been mapped to Care Inspectorate quality criteria. We have reviewed the draft Framework and discussed opportunities for further development of the Framework with the Care Services Innovation and Improvement Manager, who has implemented our suggestions.
- The draft Framework will be piloted with a small number of Care services and amended in light of feedback arising from the pilot. We will also review the results of the pilot and discuss any further improvement opportunities identified.
- The framework will be rolled-out across all registered Care services for 2021/22.



Report

To: Loretto Housing Association Board

By: Ranald Brown, Director of Assurance

Subject: Internal Audit Approach and Plan 2020/21

Date of Meeting: 29 March 2021

1. Purpose

- 1.1. This report provides an update for the Loretto Housing Association Board (the Board) on the Internal Audit approach within the Group's new operating model, and the approved internal audit plan for period to May 2021.

2. Authorising context

- 2.1. In accordance with the Group Authorising Framework, the Board is responsible for managing and monitoring Loretto Housing Association's compliance arrangements and operational performance. The activities undertaken by the Assurance team provide the Board with independent assurance to support this role of the Board.

3. Risk appetite and assessment

- 3.1. The Board's agreed risk appetite in relation to Board Governance is "cautious", meaning that there is a preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.

4. Discussion

- 4.1. Since the Internal Audit team resumed its activities in September 2020, we have reviewed and refined our internal audit approach in light of the new operating model. Proposed changes to the approach were presented to the Group Audit Committee.
- 4.2. In addition, we have reviewed the key risks within the Group's risk registers and met with Directors from across the group to discuss planned activities within their remit. Following this exercise, we identified proposed reviews for the period from February to May 2021.
- 4.3. The Group Audit Committee approved both proposals at its meeting in February 2021, further detail of which are set out in **Appendix 1**.
- 4.4. We have also reviewed and updated the Internal Audit Charter, which was approved by the Group Audit Committee in February 2021. Key changes from previous version relate to:
- a) Updates to reflect changes to the IA approach, such as the move from annual to quarterly planning;

- b) A refreshed description of the Head of Internal Audit's remit and independence considerations; and
- c) Inclusion of the Institute of Internal Auditor's new Three Lines model.

The full Charter is attached at Appendix 2 for information.

5. Value for money implications

- 5.1. There are no value for money implications arising directly from this report.

6. Impact on financial projections

- 6.1. There are no financial implications arising directly from this report.

7. Legal, regulatory and charitable implications

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

8. Partnership implications

- 8.1. There are no direct partnership implications identified within this report.

9. Implementation and deployment

- 9.1. Implementation and deployment of the Plan will be led by the Assurance Team.

10. Equalities impact

- 10.1. This report does not require an equalities impact assessment.

11. Recommendation

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

List of Appendices

Appendix 1 – Internal Audit approach and rolling 3-month plan 2020/21
Appendix 2 – Internal Audit Charter

Internal Audit approach and rolling 3- month plan March 2021

Ranald Brown
Director of Assurance

Section 1: Revised Internal Audit Approach

Revised Internal Audit Approach

In developing our revised Internal Audit Approach, we have reviewed guidance and improvement documents available from across the internal audit sector, as well as considering how best to build on our previous development of the IA approach. We have identified the following “building blocks” for our new approach, the most fundamental of which is looking for opportunities to promote the Group’s Values in everything we do.



Promoting the Group's Values



Wheatley Group Values:

Excellence

- We raise the bar in everything we do

Community

- People direct what we do and together we build strong communities

Ambition

- We push the boundaries in new ways, so everyone can fulfill their potential

Trust

- We inspire customers and staff to shape the future

Internal Audit Approach:

Excellence

- We look for improvement opportunities in every review, both in our processes and the processes under review

Community

- We work collaboratively with Boards and colleagues to identify risks and support them in managing those risks effectively.

Ambition

- We challenge each member of the Internal Audit team to develop their skills to add value to the service we offer

Trust

- We work with Boards and colleagues to create trust, a culture of sharing views and an acceptance of constructive criticism

Agile Approach

The Group's new operating model includes blended home, office and community working approaches that provide an opportunity to further embed our agile approach. The IA Team will be agile home-workers, with a flexible approach that will allow us to work in a way that best suits our colleagues when completing reviews; as summarised below.

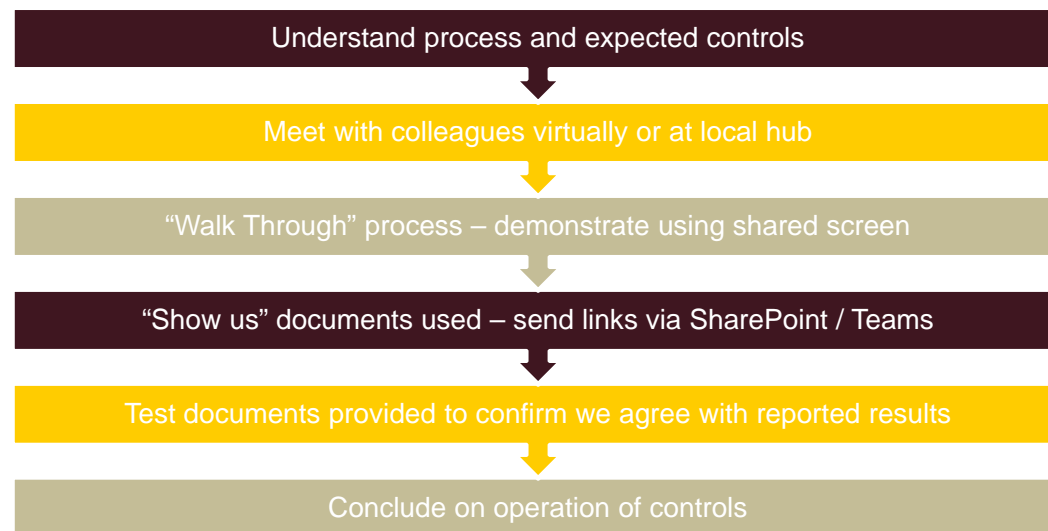
To maintain our compliance with IIA standards when testing controls, we will use a new "**show us**" approach. This will help colleagues to provide evidence that demonstrates controls are operating in practice. When virtual meetings are not possible, we will arrange meetings at a local hub (socially distanced, if required).

Meetings – by video-conference as default / Face-to-face at hub office / community setting where required

Testing – Collect evidence electronically as standard. Attend hub offices/ community settings where required.

Schedule time to meet with colleagues, taking account of newly flexible working patterns.

Schedule time to attend facilities – in person or with VC facilities – taking account of flexible working patterns



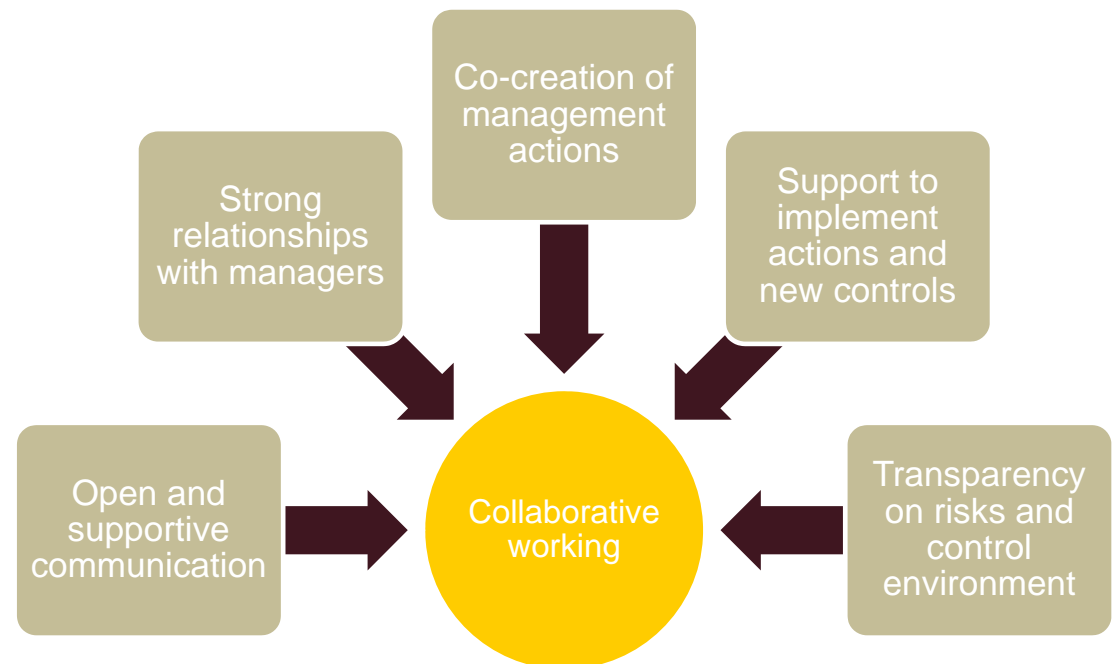
Fostering trust and open communications will drive progress

To be successful, internal audit functions must work closely with management to develop trusting relationships that contribute to a culture of sharing views, and an acceptance of constructive criticism.

In order to maintain these strong relationships, all members of the IA team have key contacts across the Group. We will continue to schedule regular meetings with senior managers to discuss:

- emerging risks;
- planned changes to the local control environment;
- ad hoc advice on process improvements; and
- formal advisory reviews to support continuous development across the Group.

These meetings are even more important with more remote working so that we can be closer to what is happening in the Group.



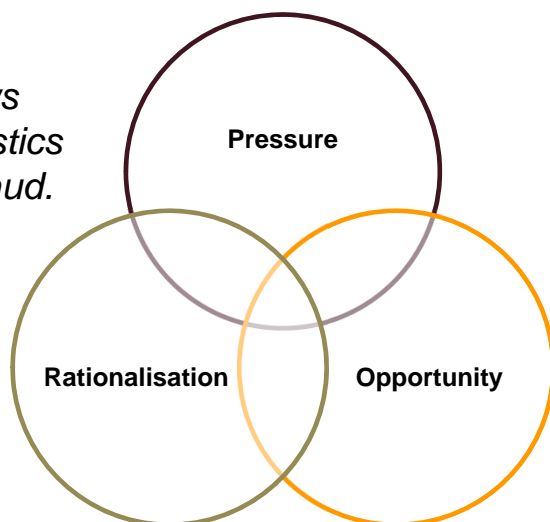
Risk and Fraud Review

We will meet regularly with management to discuss key risks within their area and to understand where Assurance can provide support in developing or assessing the controls in place to manage those risks.

Fraud Triangle

In addition to the ongoing review of potential opportunities of fraud within the new operating model, we will complete an annual review of key areas of fraud risk across the Group. These reviews will give consideration to any changes in the fraud triangle.

The diagram shows the key characteristics associated with fraud.



Key risk areas

We will continue to horizon-scan for additional areas of risk, through networking with other internal audit functions and monitoring housing sector risk information to identify emerging areas of risk.



Refocusing IA activity to advisory work



In October 2020, Deloitte published the results of a *Global Survey of Audit Committee Chairs*, which captured views of how internal audit functions should perform post COVID. A clear message in the report was the view that “**internal audit must move the needle toward more advisory work**”.

The Wheatley Group Internal Audit team has already started on this journey and will continue to complete more advisory reviews in the next year. Additional steps to increase advisory activities will include:

- Setting up regular meetings with Directors and key contacts for open discussion of emerging risks, issues, and opportunities.
- Spreading good practices and insights
- Getting involved in transformation projects and helping assist in control design

“... our IA function is immediately looked to as a problem solver rather than a nuisance and something to be avoided.”

Deloitte “Global Audit Committee survey”
Published October 2020

We want to further strengthen our reputation across the Group as a problem solver. Current examples of where we have provided assistance include:

- *the Wheatley Foundation review, which was completed at the request of management, and*
- *the assistance we are providing Wheatley Care in the design of the new Care Quality Assurance self-assessment process.*

Embedding Data Analytics

There are three strands of data analytics activity that we will embed during 2021/22:



Second Line monitoring support

- Work with management to develop and run IDEA scripts for management follow up
- e.g. combining reports from different business areas such as finance and procurement to identify suppliers over procurement thresholds

Continuous Auditing

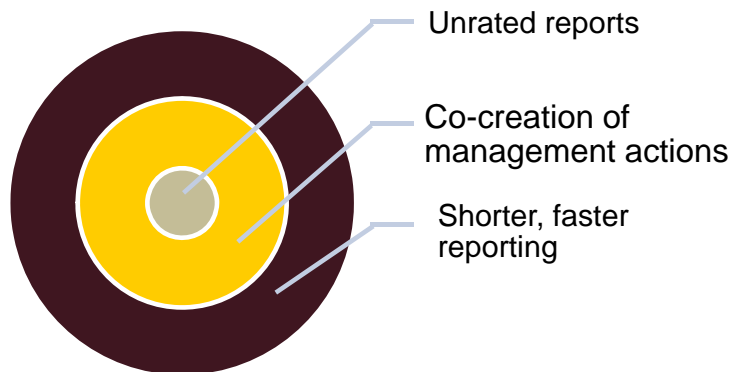
- Use of IDEA to run test scripts on a regular basis to identify exceptions
- Development of expenses, purchase card and payroll exception reports initially

Audit testing

- Where applicable, use of IDEA to test full data sets e.g. payroll, training course completions
- All standard audits to consider availability of data at planning stage

Reporting

The Internal Audit team trialled a revised approach to reporting during 2020/21, with unrated reports containing future-focused actions that were created through discussion with the lead contacts during the review.



We have had a positive response from management, both in terms of the level of engagement, the tone of the conversation and the speed with which reports were finalised. The reporting was also facilitated by holding regular meetings with key contacts throughout the review to keep them informed of progress and to discuss emerging findings.

“Unrated work offers several advantages, e.g., allowing teams to issue reports more quickly. The absence of ratings refocuses the discussion around outcomes—how things get fixed rather than who is to blame. It’s amazing what organisations can achieve if they don’t punish people for learning!”

Deloitte “Global Audit Committee survey” Published October 2020

The quote from Deloitte’s 2020 global survey of audit committee chairs provides comfort that unrated reporting is used positively by other IA functions and we therefore propose to make this a permanent change.

The Global IIA's updated "Three Lines Model"

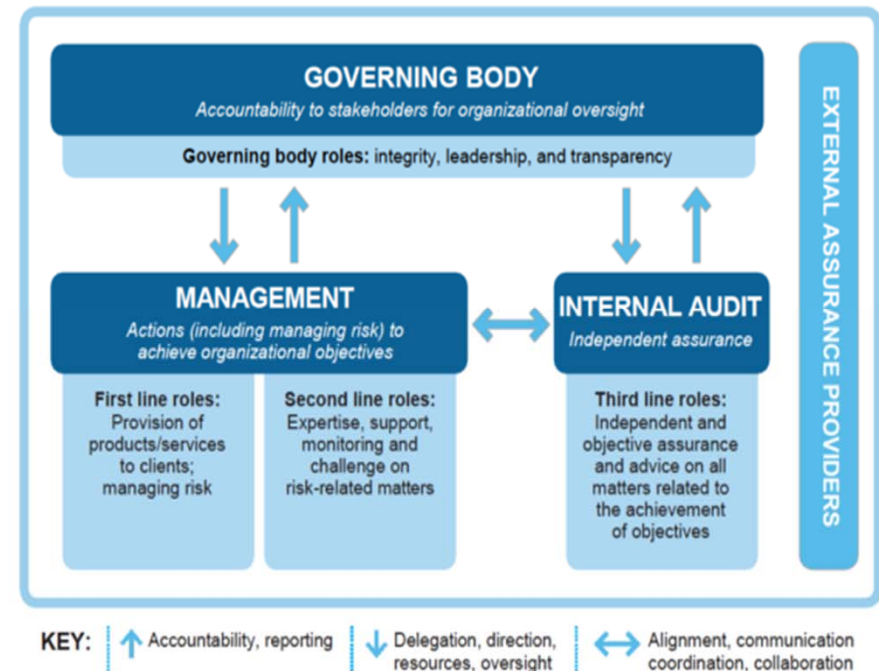
The "Global Institute of Internal Auditors" has recently revised its "Three Lines Model" (shown opposite).

The updated Three Lines Model helps organisations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management.

We will embed this approach in all of our work by supporting First Line roles to manage risks through design and operation of effective controls and supporting the Second Line roles to effectively monitor and report on the activities of the First Line.

We have incorporated this updated model in our revised Audit Charter.

The IIA's Three Lines Model



The revised IA approach will continue to conform to IIA Standards. A key part of this is our Quality Assurance process, as described below:

Internal Assessments

The internal quality assurance process comprises

Ongoing monitoring

- Day-to-day supervision and review of IA team's work
- Key Performance Indicators (KPIs) monitoring and reporting

Annual self-assessment

- Completed using guidance issued by the Chartered Institute of Internal Auditors
- Results reported within the Annual Report and Opinion

External Assessments

The Standards require that an external assessment is completed at least once every five years.

The Wheatley Group Audit Committee previously agreed that the Internal Audit function should be subject to an External Quality Assessment (EQA) every three years. In order to allow embedding of the new IA approach over the course of a full financial year, the Group Audit Committee approved extending the period to four years and then revert back to every three years.

Internal Audit independence

Each member of the Internal Audit team is required to confirm their independence annually. The Independence Statements were last collected in September 2020 and the exercise will be repeated in September 2021.

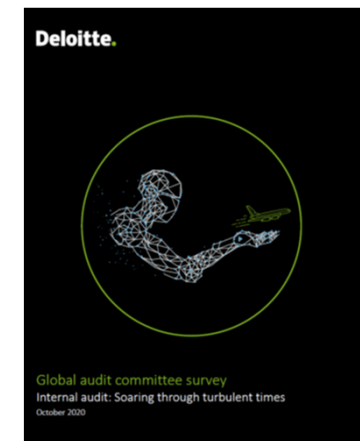
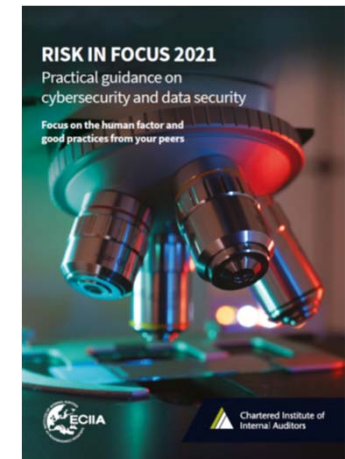
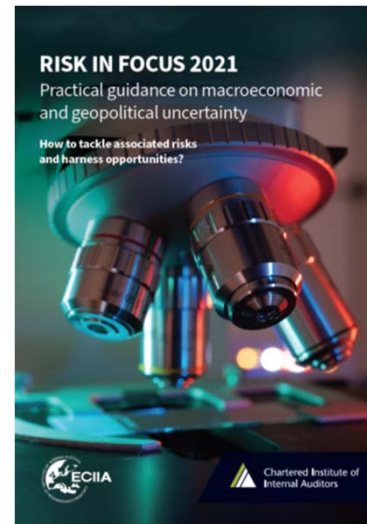
Section 2: Rolling 3-month Internal Audit Plan 2020-21

Development of a risk-based internal audit plan

In preparing a plan for the next three-month period, we have considered:

- the risks within the Group's Strategic Risk Register;
- wider risk categories identified by other internal audit functions;
- areas in which fraud risk may have increased;
- emerging risks and good practice identified through IA team attendance at IA sector technical briefings and training events (examples shown opposite);
- the status of remobilisation plans across the Group; and
- areas of the business that have been or will be subject to organisational change as the new operating model is implemented.

The next slides show the approved reviews for the remaining period of 2020/21.



IA Plan 2020/21 next 3 months

Planned reviews

The table below sets out the advisory reviews to be reported to Group Audit Committee in May 2021.

<i>Review</i>	<i>Proposed scope</i>
Allocations	We will review Allocations process developed during the COVID lockdown and assess plans for development of a post-COVID process for the new operating model.
Wheatley Care Quality Assurance self-assessment	We will continue to provide Wheatley Care with consultancy advice on development and roll-out of the new self-assessment process for demonstrating compliance the Care Inspectorate's Quality Assurance Framework.
Business Continuity Plans	We will review the Group's Business Continuity Plans to determine whether they are in line with current guidance. This will include consideration of the extent to which plans address matters such as supply chain threats, vendor solvency and key IT systems, and identifying areas in which additional business continuity activity may be required in order to return to full service delivery.
DGHP Transformation Programme	We will review the current status of the programme, taking cognisance of any impact COVID-19 has on the delivery of the individual projects and timelines for the full integration of DGHP into the Group. Where projects have been implemented, we will review the processes in place to monitor the success of the delivery of these projects.

IA Plan 2020/21 Status next 3 months



Planned reviews (continued)

<i>Review</i>	<i>Proposed scope</i>
Technology Road Map and Digital Strategy Delivery (to be completed by Azets)	A high-level assessment of the controls in place within the Group for development and implementation of a coherent enterprise architecture and technology platform that is capable of providing the enabling infrastructure to support delivery of the digital elements of the Group's new 2021-26 Strategy. This will include a review of the status of DGHP's integration with Group Systems.
Data analytics	Ongoing payroll review / ongoing group-wide purchase card review / expenses / completeness of mandatory training records.
Follow-Up review	We will review the status of all open actions, including those brought forward from 2019/20, to determine whether they remain relevant under the new operating model. We will agree revised timescales for completion of these actions, where they remain relevant and ask for evidence to support closure of any actions that have been completed.
Risk Management	We will work with management across the Group to update risk registers for risks associated with the delivery of the new Group and Subsidiary Strategies.



Group Internal Audit Charter

March 2021

Approved by Group Audit Committee on 26/02/2021

Ranald Brown
Director of Assurance

Mission and Objectives



Group Internal Audit Mission Statement

Internal Audit will enhance and protect the Wheatley Group by providing independent, risk based, and objective assurance and advice.

Objectives:

1. To provide independent, objective assurance and advice to Senior Management and the Group Audit Committee on the adequacy and effectiveness of Group and Subsidiary processes for risk management, governance, and internal controls.
2. To add value to the Group through consultancy advice to management during the course of process redesign or implementation.

Review and Approval

This Audit Charter will be reviewed at least every three years and the results of these reviews, including any proposed changes, will be presented to the Group Audit Committee for approval.

Role and Scope of Work

The Internal Audit team will achieve its objectives by:

- assessing the adequacy and effectiveness of the system of risk management and internal controls operated within the organisation;
- reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- assessing the reliability and integrity of information; and
- safeguarding of assets.

The work of the Internal Audit team will cover processes operated at Group and Subsidiary level, and be delivered through audits, advisory reviews, and consultancy activities. Where new partners join the Group, the Internal Audit team's remit will be extended to cover the new partner organisation.

International Professional Practices Framework (IPPF)

The Assurance Team will govern itself through adherence to The Chartered Institute of Internal Auditors' IPPF, which includes mandatory guidance on:

- the Definition of Internal Auditing;
- the Core Principles;
- the Code of Ethics; and
- the International Standards for the Professional Practice of Internal Auditing (the Standards).

This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Group Governance Framework

As part of our work, the Assurance Team will adhere to Group's Governance Framework, which includes Group and Subsidiary policies, Standing Orders and Scheme of Delegation, Financial Regulations and Code of Conduct.



International Professional Practices Framework



Internal Audit Independence

The Internal Audit team reviews independence as follows:

- Each member of the Internal Audit team is required to confirm their independence in writing annually; and
- The Director of Assurance's independence is reviewed annually by the Group Audit Committee.

The results of the independence review are reported in the Annual Internal Audit Report.

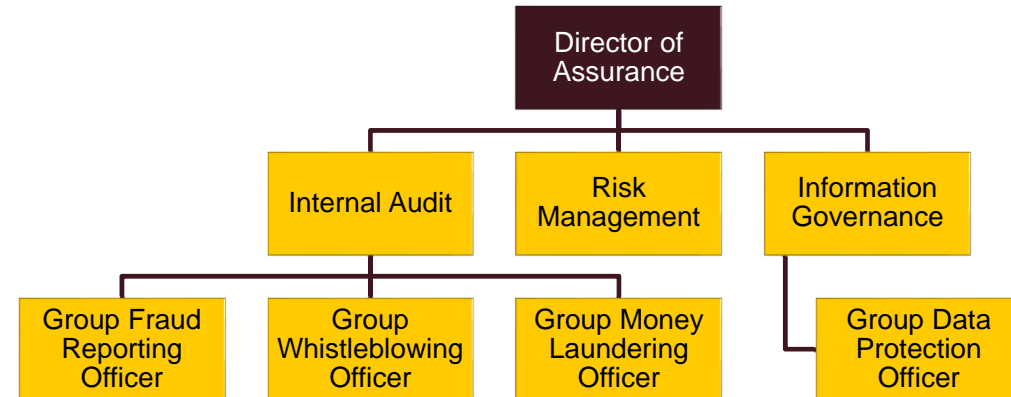
If a potential conflict of interest occurs, the procedure will be:

- For an assurance team member, an alternative team member will complete the task; and
- For the Director of Assurance, the Head of Assurance will act as Head of Internal Audit for the review, reporting directly to the Group Chief Executive and / or the Chair of the Group Audit Committee.

Any such situations are reported to the Group Audit Committee as they arise.

Director of Assurance's Independence

The Director of Assurance reports to the Chair of the Group Audit Committee and has the following responsibilities, in addition to being Head of Internal Audit. These roles are reviewed annually by the Group Audit Committee, along with the safeguards in place to maintain independence in these areas:



Responsibilities

The Head of Internal Audit is responsible for providing an internal audit service to the Group which is compliant with the Standards. The internal audit service should complete sufficient assurance work each year to allow the Head of Internal Audit to provide an Annual Report and Opinion to Group and Subsidiary Boards, commenting on the adequacy and effectiveness of the Group's risk management, governance, and internal controls.

The Head of Internal Audit is also responsible for managing relations with other assurance providers in order to minimise duplication of assurance work. These assurance providers include the Group's external auditors and the internal auditors of the Group's Joint Venture. Where the Head of Internal Audit plans to place reliance on the work of another assurance provider, that work will be first be reviewed in line with the Standards requirements.

The Head of Internal Audit is responsible for planning the work of Internal Audit in such a way as to meet the SHR Regulatory Framework requirement for all RSLs to have an internal audit function.

Access

To provide assurances to the Group Board and Group Audit Committee, the Internal Audit team has unrestricted access to all activities across the organisation, including access to records, personnel and physical property.

The Internal Audit team will not provide assurances to parties outside of the organisation, except where this is agreed in advance by the Group Audit Committee.

The Internal Audit team will follow Group procedures when handling any sensitive or confidential information.

The work of the Internal Audit team is reported as follows. The Group Audit Committee monitors delivery of the internal audit service through its delegated authority as a sub-committee of the Group Board. The Committee also reviews and approves the resources allocated to Internal Audit on an annual basis.

Management	Group Audit Committee	Subsidiary Boards	Group Board
<ul style="list-style-type: none">• Individual review reports• Monthly follow up of management actions• Quarterly Audit Plan• Quarterly reviews of Strategic Risk Register• Biannual review of Subsidiary and local risk registers	<ul style="list-style-type: none">• Quarterly Assurance updates, including summarised findings from completed reviews and follow up of management actions• Quarterly Audit Plan• Annual Report and Opinion• Quarterly review of Strategic Risk Register	<ul style="list-style-type: none">• At least biannual Internal Audit update, including audit plan, summarised findings from completed reviews and follow up of management actions.• Annual Report and Opinion• Facilitation of biannual review of Subsidiary Corporate Risk Registers	<ul style="list-style-type: none">• Annual Report and Opinion• Quarterly review of Strategic Risk Register

Risk-based planning

Rolling 3-month Plan

The Internal Audit Team will prepare a rolling 3-month plan, for review and approval by the Group Audit Committee at each of its meetings. The plan will be risk-based and in identifying areas for inclusion in the plan, the Head of Internal Audit will consider:

- Risks within the Group's Strategic Risk Register;
- Wider risk categories, emerging risks and good practice identified across the internal audit sector;
- Areas in which fraud risk may have increased;
- Performance reports across the Group and status of delivery against plans;
- Results of quarterly meetings with senior managers across the Group; and
- Consideration of the Audit Universe, including key systems that require cyclical review due to materiality.

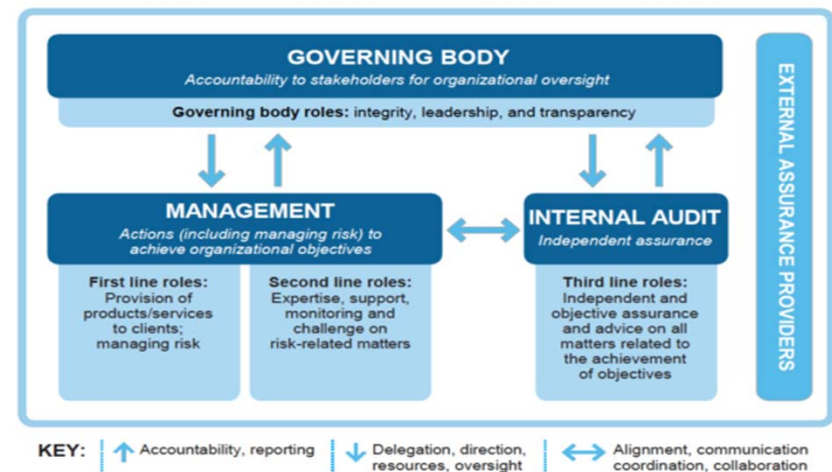
Progress against the plan is reported to each Group Audit Committee meeting.

Making homes and lives better

Planning individual reviews

When planning individual reviews, the internal audit team uses the IIA's three lines model (see below) to assess the adequacy and effectiveness of controls in place. We also consider findings from previous reviews, along with any recent amendments to processes.

The IIA's Three Lines Model



Quality and Performance Monitoring

The Standards require internal audit functions to have a quality assurance and improvement programme (QAIP) embedded within the Assurance practice framework, comprising internal and external assessments against the mandatory elements of the IPPF.

External Assessments

- The Standards require that an independent external quality assessment is completed at least once every five years.
- The Wheatley Group Audit Committee has agreed, the Internal Audit function should be subject to an External Quality Assessment at least every five years.

Internal Assessments

Ongoing monitoring

- Day-to-day supervision and review of IA team's work
- Key Performance Indicators (KPIs) monitoring and reporting

Annual CPE Completion

- Each IA team member completes training to meet the annual CPE requirement of their professional institute.

Annual self-assessment

- Completed using guidance issued by the Chartered Institute of Internal Auditors
- Results reported within the Annual Report and Opinion



Report

To: Loretto Housing Association Board

By: Laura Henderson, Managing Director and
Anthony Allison, Director of Governance

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

Subject: Governance update

Date of Meeting: 29 March 2021

1. Purpose

- 1.1 To seek Board approval for the revised Services Agreement and Business Excellence Framework and delegated authority to the Managing Director to finalise and execute on behalf of Loretto Housing and to update the Board on the board reporting template.

2. Authorising context

- 2.1 The Intra Group Agreement (“IGA”) between Wheatley Housing Group (as group parent) and Loretto states the intention that the “*primary central service and corporate service provider to the Group shall be Wheatley Solutions Limited.*”
- 2.2 Where Wheatley Solutions are the service provider, the IGA sets out that the parties shall enter into a Services Agreement which set out the agreed services to be provided, any relevant performance standards, quality considerations, term of the agreement and pricing.

3. Risk appetite and assessment

- 3.1 Our risk appetite in relation to governance is cautious, which is defined as “Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward”.
- 3.2 As part of our approach to all aspects of our governance, key documents remain under review on an ongoing basis. Additionally, where we identify opportunities to improve in one part of the Group we share these improvements across the Group. As part of updates to the Wheatley Solutions Services Agreement in another part of the Group, we have identified areas for improvement.

- 3.3 We further mitigate risk by engaging external professional advisors where appropriate. In particular, we do so where there are direct legal implications, including in this case where parties are entering into a legally binding agreement.

4. Background

4.1 Corporate services expertise and delivery is provided in-house in Wheatley through the 352 staff in Wheatley Solutions. Wheatley Solutions is a wholly owned subsidiary of Wheatley Housing Group Ltd which provides services to other partner organisations in the Group. It brings together staff expertise including in IT, HR, communications, organisational development, finance, internal audit, litigation, surveying, new build development, procurement, customer contact and treasury management.

4.2 Wheatley Solutions' approach is characterised by the deep understanding of its staff, and their commitment to ensuring that all partners in the Group can deliver excellent services for their tenants and other customers. It does this through ensuring that it is efficient, as illustrated by recent Housemark benchmarking which showed that Wheatley Solutions costs per employee served for:

- Finance cost is £109 per property in Wheatley compared to a median cost of £215 per property in Housemark peer group of large housing organisations; and
- IT cost per property is £166 for Wheatley subsidiaries in 2020/21 which sits in the lowest spend quartile when compared against organisations of a similar size where the median spend was £196 per property.

4.3 In-house provision from Solutions across the full range of corporate service allows partner organisations to:

- minimise spend on external advisors, including VAT;
- share costs with all other group partners, meaning services can be delivered efficiently; and
- access expertise that has led to many innovations in Wheatley including funding, new build development, investment delivery, risk management and IT/Digital transformation.

5. Discussion

5.1 The relationship between Wheatley Solutions and Loretto is well established. The relationship is currently set out through a Business Excellence Framework ("BEF"). The BEF is structured into four main sections:

- 1) The rationale and purpose of the Framework;
- 2) The engagement approach setting out how Wheatley Solutions staff will work with customer staff;
- 3) Core Wheatley Solutions' themes; and
- 4) Services by core theme.

- 5.2 An area of feedback previously from the Board for future refinement of the BEF was that it would benefit from a greater level of embedded Key Performance Indicators (“KPIs”).
- 5.3 As we transition into our new 5 year strategies across the Group the timing was appropriate to review the existing BEF. As DGHP did not have an existing services agreement with Wheatley Solutions we used the opportunity to use DGHP as the basis for reviewing our existing approach. Both the Wheatley Solutions and DGHP Board subsequently reviewed and agreed the proposed approach.
- 5.4 As part of this review with, the following changes are proposed on a group-wide basis:
- A strengthened legal services agreement is combined with the BEF;
 - A more overt focus on collaboration and co-creation is embedded within the language of the BEF;
 - An expanded range of KPIs; and
 - A formal review process is incorporated to increase accountability of Wheatley Solutions.

Further detail on these changes is set out below:

Services Agreement

- 5.5 The proposed Services Agreement is attached at Appendix 1. This has been reviewed by Harper Macleod on behalf of the Group. The Services Agreement sets out the contractual arrangements for the provision of services, including: roles and responsibilities, staffing requirements, data protection obligations and charging.
- 5.6 This ensures that respective roles and responsibilities are very clearly defined. This is an important principle in our governance approach and how we seek to mitigate risk in relation to intragroup governance arrangements.
- 5.7 The BEF contains the details arrangements around service provision in each area and will become a schedule to the Services Agreement. This further iterates the level of accountability associated with the commitments contained therein.

Business Excellence Framework

- 5.8 The overall structure of the revised BEF, attached at Appendix 2, has been retained as it provides a structured approach to setting out the scope of the services provided by Wheatley Solutions.
- 5.9 A key update to the BEF is how the wording reflects the nature of the relationship between Wheatley Solutions and Loretto. It seeks to emphasise that the way Wheatley Solutions develops and delivers its services should be collaborative, engaging and include co-creation.

- 5.10 As we seek to increasingly engage and co-design our own services with our tenants, this approach should be no different within Wheatley Solutions. Although this is the case in practice across most areas of Wheatley Solutions at present, the revised wording more explicitly articulates that this is an expectation and requirement.
- 5.11 Aligned with how the document sets out how the relationship should work and services are developed and delivered is accountability for how this happens. In order to enhance this, the revised BEF has a significantly more developed suite of KPIs.
- 5.12 There are some services, such as Communications and Marketing, which are more qualitative in nature as such are not as appropriate for quantitative KPI measures. Where this is the case, the BEF sets out the core service offering separately.
- 5.13 In addition to the KPIs, the BEF also seeks to capture how Wheatley Solutions will support us in the delivery of strategic objectives and associated projects. This will include a combination of Wheatley Solutions projects which enable us to deliver our own strategic objectives and support our specific projects.
- 5.14 The BEF also contains a continuous review process. This was not part of the previous BEF and provided a more formal channel to discuss the operation of the BEF. This is intended to act both as a means to deliver continuous improvement and as a means for Wheatley Solutions to be accountable for the services it has delivered.
- 5.15 Prior to being agreed by DGHP we commissioned Harper Macleod to undertake an independent legal review the agreement. They provided some minor updates and confirmed their opinion that:
- 'the terms of draft services agreement meets the Scottish Housing Regulator's requirements in relation to RSLs in group structures'.*
- 5.16 As the structure of the agreement is replicated for us, we can be assured that this will allow us to meet our regulatory requirements.
- 5.17 The Board of Wheatley Solutions regularly reviews its performance against its targets in line with its strategy. The Business Excellence Framework and associated KPIs will be subject to annual review between Solutions and Loretto, and a bi-annual report will be provided to the Loretto Board (in May and October/November) providing an update on Wheatley Solutions' performance against the agreed targets and measures.

Board reporting template

5.18 The Group Board have agreed updates to our reporting template, which fall into the two categories below:

1. Strategy alignment

5.19 Our new Group and individual strategy will come into effect from April 2021. A key role for the Board will be understanding how we are progressing with implementation and where appropriate making decisions.

5.20 The authorising context will therefore be extended to include strategic context. This section will briefly set out how the content of the report relates to our agreed strategic themes and outcomes. This will give greater context up-front for the contents of the report.

5.21 This section will also highlight whether the content of the report has strategic implications in relation to external partner organisations. For example, a project may support a Local Authority partner in delivering their strategic objectives as well as our own (such as in relation to homelessness or new affordable housing supply). This allows us to set out in a more strategic context what was previously included at the end of the report template in the Partnership Implications section.

5.22 Two themes which underpin our strategy are increasing customer engagement (particularly how this influences our decision making) and digital transformation. These are areas which will require to be factored into a wide range of our future deliberations and decision making.

5.23 Taking this into account, two new sections are incorporated into the template to set out clearly how the content is informed by and takes into account these two key strategic areas.

2. Integration

5.24 We have reviewed previous reports and identified areas which are, in practice, so closely aligned that having separate sections can lead to duplication. We therefore propose to merge the following:

- Discussion, key issues and conclusions, and implementation and Deployment;
- Financial and value for money implications; and
- Authorising context and partnership implications (as noted above).

5.25 A clean version of the proposed template is attached at Appendix 3. The revised template will support implementation of our new strategy. It will also retain core governance elements which allow the Boards to make informed decisions, such as risk assessments, financial implications and legal/regulatory/charitable issues. The template itself also provides guidance for staff on the content which should be included in all sections.

5.26 The template will come into effect in May 2021 following the launch of our new strategy. The additional sections will allow us to reinforce how reporting should be linked to our strategy.

6. Key issues and conclusions

- 6.1 The revised Services Agreement and BEF provide a platform for refining and strengthening our relationship with Wheatley Solutions. In parallel, it also strengthens our regulatory compliance position.
- 6.2 We recognise that elements of the BEF will change over time as we move into the implementation of our new strategy. As we agree our approach in areas such as engagement and service model the BEF will require to be updated to reflect the service approach.

7. Value for money implications

- 7.1 Wheatley Solutions undertakes benchmarking on its services, including through Housemark as referenced earlier in the report. It also has plans to refine its approach to benchmarking as part of its strategy. The results of this benchmarking will be shared with the Board when complete.

8. Impact on financial projections

- 8.1 There are no financial implications associated with this report. The recharging arrangements for Wheatley Solutions are agreed annually by the Board as part of our business plan.

9. Legal, regulatory and charitable implications

- 9.1 Under the Scottish Housing Regulator statutory guidance for Group Structures and Constitutional Partnerships where there are intragroup services provided:

'The group must set out service provision between group members in written service level agreements or contracts, with clear costs and charges, and review them regularly.'

- 9.2 The combination of the Services Agreement and business plan recharge arrangement allow us to comply with this requirement, as confirmed by the independent legal advice on our behalf. The documents will have legal effect when executed.
- 9.3 The Scottish Housing Regulator is aware of the Wheatley Solutions approach and the performance reporting framework set out above is designed to ensure adherence to the Regulatory Framework. There are no other charitable implications.

10. Partnership implications

- 10.1 There are no partnership implications associated with this report.

11. Implementation and deployment

- 11.1 Subject to Board agreement, the revised Services Agreement will take effect from 1 April 2021.

12. Equalities impact

- 12.1 Staff being seconded to Wheatley Solutions routinely have their terms and conditions reviewed for any equalities implications as part of the process. There are no other equalities implications of these proposals.

13. Recommendations

- 13.1 The Board is asked to:

- 1) provide feedback on and agree to enter into the Service Agreement with Wheatley Solutions;
- 2) Designate the Managing Director as an Authorised Signatory to execute the Services Agreement; and
- 3) Note the revised Board reporting template and that it will take effect from April 2021.

List of Appendices

Appendix 1: [redacted]

Appendix 2: [redacted]

Appendix 3: Clean revised Board reporting template



Report

To:

By:

Approved by:

Subject:

Date of Meeting:

1. Purpose

1.1 This should very clearly set out what is being asked of the Board such as:

- Seek approval of [xxxx];
- Provide the Board with an update on [xxxx].

This section **should not** stray into the content of the report and should mirror the recommendations. This should be a **maximum** of 1-2 paragraphs.

2. Authorising and strategic context

2.1 This section should specifically set out in what authorising context the Board/Committee is being asked to act. This must include a direct reference to at least one of the following:

- Intra-Group Agreement (IGA);
- Group Standing Orders (GSOs);
- Group Authorising Framework (GAF);
- Authorise/Monitor/Manage Matrix (AAMM);
- Scheme of Financial Delegation.

2.2 This section should also clearly identify the links to the Group/Partner strategy, setting out:

- Which strategic theme(s) the report relates to
- What strategic outcome(s) the report contributes to achieving
- Any associated strategic results
- Any specific strategy commitment the report relates to and/or will be met

It should also set out any other relevant strategic context, for example links to strategic objectives of partners or key stakeholders.

3. Risk appetite and assessment

- 3.1 The report should make a **specific reference** to the Board's approved risk appetite level in relation to the subject matter e.g.:

Our agreed risk appetite in [insert risk area] is [insert tolerance level]. This level of risk tolerance is defined as "[insert the definition for risk rating]".

Where there is no defined existing or linked risk appetite level, consider proposing a new risk appetite for approval.

- 3.2 It should then go on to identify the key risks / overall level of risk associated with the proposals.

4. Background

- 4.1 Any **pertinent** issues which provide the context for the report e.g.:

- Previously agreed decisions or actions;
- Recap of pertinent information previously communicated;
- Information which provides the strategic context for the thread and content of the report.

5. Customer Engagement

- 5.1 Our strategy has a very clear focus on enhancing our customer engagement and a significant element of co-development and co-design with our customers. This section should include details of:

- How we have engaged customers on development of any proposals in the report; and/or
- how we plan to engage customers on the proposals in the report

6. Discussion

Part 1

- 6.1 This is the main body of the report and should set out clearly and fully cover what is set out in the purpose of the report and further detail the influence of the customer engagement. For reports to partner Boards this should have a **clear focus** on what is relevant and applicable to the particular partner. For example, where the report relates to a Group Policy or similar, it should not be a boiler plate replica of the Group Board report.

Part 2

- 6.2 This should act as a brief summary and recap of the main points developed.

7. Digital transformation alignment

7.1 Our Group Strategy sets a clear direction and is underpinned by digital transformation. This section should set out which digital transformation theme the proposals are contained within and/or will be contributing to delivering. It should also confirm whether the proposals are contained within the Digital Transformation Programme.

7.2 Where the proposals are not already included within the Digital Transformation Programme this section must:

- detail why they are not in the existing plan
- detail how they will be resourced within the proposed timescale

8. Financial and value for money implications

8.1 The financial implications or analysis associated with the report should be clearly identified and where possible quantified. This should be linked to how any proposals or courses of actions will be funded and will, as appropriate, cover areas such as:

- Source of funding (including relevant group entity, partnership or other available funding e.g. Government / Local Authority pots and funds);
- Impact on budget;
- Business plan implications, including impact on surplus;
- Key milestones;

8.2 This section should also confirm how the proposal provides value for money, for the business and for tenants/customers/people we work for.

8.3 Where there are no implications, such as scrutiny / update reports (e.g. Finance report or performance report) the section should expressly state that this is the case.

9. Legal, regulatory and charitable implications

9.1 This section should clearly outline the relevant legislation and regulation which applies to the subject matter. It should set out the implications of the legislation, including how these have been incorporated in any proposals or reference where such information is already contained within the body of the report.

9.2 It should include:

- an assurance that the necessary checks have taken place to ensure that there is no risk to legal compliance and provide details of any legal advice received;
- details of any consents required with the proposals e.g. SHR or funder; details of any legal or regulatory consultation requirements with tenants or people we work for.

[GUIDANCE / INPUT SHOULD BE SOUGHT FROM LEGAL / GOVERNANCE AND FINANCE]

10. Equalities implications

- 10.1 This section should set out how any proposals made ensure we continue to comply with equalities legislation, where applicable.

11. Environmental and sustainability implications

- 11.1 This section should clearly set out links to our supporting the delivery of our approach/objectives in relation to environmental and sustainability issues, including:

- Link to Green Investment activity;
- Reducing our carbon footprint;
- Renewable energy;
- Climate change.

12. Recommendations

- 12.1 This section should clearly set out what the governing body is being asked to do, e.g. specific approvals and decisions that are being sought. This should reflect the purpose section.

WHERE THERE IS A CONSENT REQUIREMENT, THE RECOMENDATIONS SHOULD CLEARLY STATE THE RECOMMENDATION IS SUBJECT TO RECEIVING SUCH CONSENT

LIST OF APPENDICES:

All appendices within the document should be identified. All attached documents outwith the report should be identified as an Appendix and appropriately numbered, not referred to as 'attached' or 'enclosed' etc.