**LORETTO HOUSING ASSOCIATION**

**BOARD MEETING**

**Monday 28 March 2022 at 2pm**
**Wheatley House, 25 Cochrane Street Glasgow**

# AGENDA

1. Apologies for absence

2. Declarations of interest

3. Minute of 7 February 2022 and matters arising

**Main Business Items**

4. Transforming our repairs environment

5. New operating model update

6. Home Safe building compliance update

7. 2022/23 Budget

8. Energy costs: supporting our customers

**Other Business**

9. *A New Deal for Tenants* – draft Rented Sector Strategy consultation

10. Finance report

11. Governance update

12. AOCB

Loretto Housing

# Report

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| **To:** | **Loretto Housing Board** |
| **By:** | **Stephen Devine, Director of Assets and Sustainability** |
| **Approved by:** | **Olga Clayton, Group Director of Housing and Care** |
| **Subject:** | **Transforming our repairs environment** |
| **Date of Meeting:** | **28 March 2022** |

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## 1. Purpose

1.1 This report sets out plans for the joint development, with City Building Glasgow (CBG), of the repairs and maintenance service provided to our customers.

## 2. Authorising and strategic context

2.1 Under the Group Authorising Framework (GAF), the Group Board is responsible for considering matters of strategic significance. The nature and performance of our repairs service, given its importance to customers and our business, is a strategic matter.

2.2 The Wheatley Board agreed the repairs transformation at its February 2022 Board meeting. The transformation has also been agreed by the CBG Board.

2.3 The Wheatley Group strategy, 'Your Home, Your Community, Your Future' recognises the quality and importance of the repairs service, and the need to build on this with continued innovation to create an outstanding service.

## 3. Background

3.1 Since Wheatley became partners in CBG 5 years ago, the repairs service has developed considerably with close collaborative working between CBG and Wheatley staff. The culture of the repair service provided by CBG has also changed from one where we were often seen as the customer, to one where CBG's focus is much more clearly on the needs of the tenant receiving the repair service. The joint venture model has also proved itself adaptable and able to deal with changing repairs service requirements quickly. The way in which the service responded flexibly during the various phases of our response to the pandemic is a prime illustration of this. The 5-year review of CBG by Campbell Tickell, which the Board considered previously, commented specially and in positive terms on how the repairs service had improved since the joint venture was established.

## 4. Discussion

4.1 Our engagement strategy builds on this vision of the customer being in control with its key pillars of WE Listen, WE Co-create and WE Give Power. Our approach to transforming the repairs service will embrace this including through extensive engagement with customers to understand what matters most from their repairs service and giving opportunities for timely feedback and to resolve issues quickly.

4.2 Plans for transforming the repairs service reflect this including introducing Localz (repair operative tracking and messaging) and Rant and Rave (feedback and sentiment analysis) so far more information is available to, and from, customers in real time. Having the customer voice shape the service will help ensure it continues to deliver on customer priorities, demonstrate value for money and is increasingly tailored to the needs and expectations of different customer groups. To ensure this, we will use what customers tell us to establish core commitments for the repair service. These commitments will be developed through the work on transformation and understanding what customers value most but will typically cover aspects such as:

- Appointments only being changed following discussion with the customer;
- follow-on appointments being agreed with the customer before the trades person leaves the home;
- no repair ever taking more than twice the initial timescale given to a customer;
- any follow on work related to an already completed repair being treated as an emergency; and
- rectifying any issue raised through feedback on a repair within 24 hours.

4.3 Ultimately the success of the proposed transformation will be demonstrated through how our customers personally experience the service – how it looks and feels to them. The statements that follow, from Your Home, Your Community, Your Future, set out how we would want customers to describe their repairs experience:

- I feel in control and have choices;
- I have greater control over how I access services;
- I can give instant feedback;
- 80% of my transactions are digital, but face to face support is there if I need it;
- I get timely contact and service offers;
- My customer journeys are seamless and feel personal;
- I have access to the information I need;
- I am proud of my home;
- I get help when I need it/my needs change;
- I only have to tell my story once; and
- You listen to me and I feel you know what matters to me.

4.4 A service with these characteristics will mean developing the current service and the approaches that underpin it including:

- Ensuring reliable availability of information in real time. At present information relating to on-going repairs is held by Wheatley and CBG systems, and the interfacing between them means that, at times, the customer first centre, and other staff, do not have complete and timely information readily available when addressing customer enquiries. Furthermore, the lack of a single source of information on repairs means that communication with the customer is not always as slick as it should be.
- Having a complete end-to-end view of service for customers. At present the repairs service works well end-to-end for the vast majority of repairs. However, when things do not go to plan, the multiple IT systems, interfaces, processes and people involved, in a repairs system that was designed around a traditional client and contractor relationship between Wheatley and CBG, means there is limited transparency on the status of a repairs and next steps. This makes addressing customer enquiries, especially relating to more complex jobs, time consuming and introducing self-service and proactive customer updates more difficult.
- The speed with which issues are addressed. Linked to the above, the complex processes and multiple systems involved and the lack of a single source of real-time information on each repairs means that identifying and rectifying the cause of a repairs service failure for the customer can be challenging and take time.
- Developing tailored approaches to better meet the needs of particular customers. The repairs service is primarily built on meeting the core need of providing a quality emergency and responsive repair service for RSL customers. In the main, this works well and provides a platform for delivering other aspects of the wider repair service such as for owners and compliance related activities. However, there is scope to reexamine the processes and ways of working that support this wider delivery to make sure that these are as effective as the core responsive service.

4.5 Establishing the Customer First Centre with its focus on first contact resolution, efficient processes, timely provision of information and rapid rectification means the time is right to further develop the repairs service so it is truly built around meeting customer needs. Initially, successful aspects of our MyRepairs service from before the pandemic (and the need for home-based working limited face-to-face interactions) will be reintroduced including physically co-locating an operational manager and senior planner from CBG with repairs call handling staff in the Customer First Centre. This will allow far more immediate dialogue on repairs issues, ready access to in-depth expertise and a direct link with CBG's operations which previously proved extremely helpful in addressing repairs related issues as they arose.

4.6 More generally, **our objectives for developing the repairs service are set out at Appendix 1.** These objectives will form the required outcomes from an in-depth project delivery plan which will also include agreed milestones and expected timescales, resource planning and risk analysis. The delivery plan will be built around the following inter-related workstreams:

- **Customer contact and communications** – simplifying so as customers have accurate and timely information on their repair;
- **IT and systems** – upgrading and simplifying workflows;
- **Service and process redesign** – changing repairs categories to improve customer experience;
- **Encouraging diversity** – ensuring the workforce better reflects the customer base;
- **Cleaner and greener** – reducing impact on environment and building skills to maintain emerging technologies; and
- **Meeting the needs of owners** – better tailoring the service to the particular needs of this customer group.

4.7 ‘Quick wins’ have been identified that we are aiming to have in place before the Board’s next meeting. These ‘quick wins’ focus particularly on improving the repairs customer journey and will involve close working between our Customer First Centre and CBG. The ‘quick wins’ are to:

- open up appointments across all trades and areas to show full appointment capacity;
- develop centralised teams within the Customer First Centre and CBG to improve repairs communication;
- have greater focus on the use of next day appointments;
- introduce a new approach where the Customer First Centre follow-up on emergency jobs that result in no access;
- fully refresh customer messaging and approaches around repairs; and
- develop a new approach to cancelled lines where only the Customer First Centre can approve the cancellation of lines.

4.8 This project delivery plan will also be informed by planned work to develop repairs delivery in DGHP, so as common elements – such as group-wide repairs categorisation and service design – are undertaken jointly to ensure consistency.

4.9 The proposed transformation was warmly received at the recent CBG Board and there was strong endorsement of the important role that the views of tenants should play in driving improvement. The importance of the CBG Board knowing what tenants and owners think of the repairs service, through a revised performance framework, was also recognised and welcomed.

4.10 Delivery of the transformation will be overseen by a steering group including the CBG Executive Director and Wheatley’s new Group Director of Repairs and Assets. Staff involved in project delivery will work as a joint team drawn from across CBG and Wheatley including Loretto to ensure necessary capacity and expertise. Those involved will benefit from the opportunity to develop their leadership capabilities through having a shared and better understanding of the customer journey and how this is achieved through aligning technical and operational excellence.

4.11 Alongside, the activities to transform the repairs service, steps will be taken to further improve strategic and operational performance management arrangements between us and CBG. These will build on the approaches in place currently and those in the services agreement between Wheatley and CBG as part of the joint venture. Doing this will increase accountability and help ensure clarity on service expectations and delivery.

## 5. Customer engagement

5.1 The vision in Your Home, Your Community, Your Future is of customers having increased control over their services, their communities and their lives including the development of a customer led repairs service.

5.2 Developing the customer voice so actual experience helps shape the repairs service, is a key priority, as is ensuring that Boards have direct access to customer feedback on the service.

## 6. Environmental and sustainability implications

6.1 An effective repairs service that prolongs the life of components in homes and protects assets will have environmental and sustainability benefits through reducing waste and delaying the resource implications associated with manufacturing and transporting replacement products, and disposing of existing ones.

6.2 Where waste is unavoidable, the increasing focus on the 'Circular Economy' including planned Scottish Government legislation, will increase the emphasis on the provenance and use of materials and resources. Waste streams are already segregated and recycled where possible. Future innovation will present opportunities for sustainable outcomes through our repairs service including as we look to transition our fleet to electric vehicles.

## 7. Digital transformation alignment

7.1 Digital transformation is a major part of delivering the priorities for developing our repairs service. Deploying digital technology in areas including booking and changing a repair online, tracking progress with a repair and providing real time feedback on satisfaction, or otherwise, are all aspects of how customers will increasingly have control over their repairs experience, and a service tailored to particular needs.

## 8. Financial and value for money implications

8.1 The development of the repair service discussed here will be subject to detailed business planning as necessary and is expected to be taken forward as part of existing budgets. The service development discussed here will contribute to both customer value and business value including through the following:

| Customer Value | Business Value |
|---|---|
| Improved customer satisfaction | Reduced reactive repairs in favour of planned maintenance work leading to financial efficiency |
| Lower effort for customers to report and track and rate repairs | Reduced waste through reduction in No Access and correct diagnosis |
| Better access to repairs information through their online account etc | Reduce costs through moving from out of hours emergency repairs to next day appointments |
| Shape and influence services through new technology | Improved financial planning through use of predictive analytics |
| Feel in control and have choices about their home through a flexible approach to delivery and technology | |

## 9. Legal, regulatory and charitable implications

9.1 There are no specific legal implications as a result of what is discussed in this paper.

## 10. Risk appetite and assessment

10.1 Our risk appetite relating to our operating model (Modernising services) is "Open" i.e. Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money).

10.2 As such, the plans set out here are ambitious and achievable; as we aim to build on our existing repairs service to make it exceptional for the benefit of customers.

## 11. Equalities implications

11.1 The developments presented here are aimed at providing a repairs service that meets customer needs. Tailoring the service to individuals including ensuring that no one is left behind are key aspects which will ensure that developing our repairs service has a positive equalities impact. In addition, as part of the proposed repairs transformation, CBG is looking to develop the gender balance and wider diversity of its delivery team.

## 12. Key issues and conclusions

12.1 Ensuring that customers have control over their repairs experience is a strategic priority in Your Home, Your Community, Your Future. The transformation objectives set out here look to build on the successful joint venture repairs service delivered through CBG. Priorities as part of the transformation programme include 'quick wins' that will ensure a better repairs experience for customers through making it easier for the customer first centre to deal with repairs enquiries at first point of contact and changing the approach so the customer has control over cancelling jobs. Longer term the transformation programme, which is built around defined workstreams, will deliver change through IT technology and service redesign.

## 13. Recommendation

13.1 The Board is asked to note this update and agree to receive updates on progress at subsequent meetings.

### List of Appendices

Appendix 1 – Draft repairs transformation objectives and impact

**Appendix 1**
**Draft repairs transformation objectives and impact**

***Creating the vision and structures to transform the service***

| Development objectives | Desired impact |
|---|---|
| Ensure that customer voice guides our priorities in transforming the repairs service | Changes deliver value for customers |
| Having IT staff from CBG and Wheatley working as a single team to a shared IT strategy that will be developed jointly. | More effective system related change for the benefit of customers |
| Introducing rapid rectification of repairs related issues when there is negative feedback. In practice, this could be done through the customer first centre monitoring customer feedback as it happens and responding to negative ratings quickly. This might include contacting the customer and arranging for the trades team to return to the job quickly to resolve the problem. | Issue identified by customers are address more quickly and effectively |
| Changing the approach to no access emergency jobs so that the Customer First Centre contacts the customer to determine why the job could not be completed and re-raises it if still required | Customer does not have to contact Customer First Centre to re-raise an emergency repair when they were not available when trades arrived |
| Scoping a small repair, personalised service' that has Trades delivering against customer needs that are 'do-able' regardless of scale or being DIY in nature - a sort of 'no-job too small' ethos | Customers feel we are helping them with small jobs to improve their home, rather than responding when things are broken |
| Analysing repairs demand and repairs categories used, and designing a recategorisation that focus on driving up next-day appointments (instead of emergency) and clearer differentiation between routine repairs and more complex, multi-trade jobs | The repairs service is designed with the needs of customers at its heart |
| Assess the impact of the required repairs service on repairs delivery capabilities and capacity in CBG, and design the organisational structure needed to provide the required service | The future repairs service can be delivered by CBG |
| Developing a much stronger customer voice within the repair service, including through ensuring close linkage and involvement with engagement structures (e.g. Glasgow Scrutinisers and online panels) so we | Customers are fully engaged with the repairs service and can shape it for the better |

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| know first-hand how customers are feeling, can act to make improvements and get views on potential innovations | |
| Revamping our repairs performance management framework including to ensure that the Board is aware on how customers are feeling about the service as part of the information they receive | Customer voice becomes central to repairs performance reporting |

**System design, development and change**

| Development objectives | Desired impact |
|---|---|
| Improving web self-service for repairs so that customers have access through their online account to 'one click diagnosis' of the most common repairs types and can reschedule or cancel appointments | Customers can raise repairs at a time and place that suits them |
| Customers having real-time information on progress with their repair including the ability to track their repairs operative when on route and the opportunity to rate the service there and then through direct feedback to the customer first centre; | Customers are better informed and able to shape the repairs service through having an easy way to express their views |
| Appointing all repairs including follow on works and requiring that any changes are communicated from the Customer First Centre and only done, where practically possible, in discussion with the customer in advance; | Customers have greater confidence that appointments will happen at a convenient time for them |
| Introducing real-time dashboards that provide repairs operational highlights (and low lights) and that automate triggers to alert customer first centre staff to proactively contact the customer where it is likely that a commitment, such as an agreed appointment time, will be missed; | Customers feel we are proactive in addressing potential issues |
| Developing processes and technology so that trades staff are required to provide the customer with a follow-up appointment, where this is necessary, before they leave a customer's home | It is more convenient for the customer to agree and appointment that suits |
| Introducing a mechanism through which customers can directly message the trades person in the run-up to their job being carried out, with brief updates such as to ask them to wait, as they are running slightly late; | Customers feel they have more control |
| Simplifying the way repairs are categorised and managed so there are essentially only two main types of repairs – emergency and non-emergency that better align with customer and business priorities including for next day appointments and more jobs carried out as routine appointments. This will be done as part of looking to greatly improve transparency and reduce the currently complex | Customers feel that the repair service better reflects their need through the service become simpler to use |

| | |
|---|---|
| systems and process interactions needed to deliver a repair<br><br>Reviewing the owner repairs service and developing it so as it meets the particular needs of Lowther Homes and its customers | |
| Developing the management approach and systems needed for compliance related programmes (smoke and heat, electrical installation testing, TMV servicing etc) so as they are better embedded in the overall repairs system | Customers have the same levels of flexibility in arranging compliance related works that they have with other types of work |
| Progress CBG's ongoing drive to encourage a better gender balance within its delivery teams, and a workforce that reflects the communities in which it works. | The make-up of the repairs service better reflects and understands the customer demographic |
| Make changes to ensure CBG has the capacity and skills balance among its staff, and specialist supply chain to meet future repairs service and business requirements | Our repairs service has the skill it needs to meet customer and business needs in the future |
| Look to move towards a greener, cleaner electric vehicle fleet and encourage more sustainable practices in terms of material waste and energy consumption. | Delivering our repairs service has a lesser impact on the environment |

Loretto Housing

# Report

**To:** Loretto Housing Board

**By:** Hazel Young, Managing Director

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

**Subject:** New operating model update

**Date of Meeting:** 28 March 2022

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## 1. Purpose

1.1 This report updates the Board on progress with our new operating model and the proposed next steps as we emerge from the Scottish Government's Omicron-related restrictions.

## 2. Authorising and strategic context

2.1 Our new operating model is a key part of our 2021-26 strategy and has been subject to detailed review and approval prior to its implementation by the Group and partner organisation Boards. This includes our largest-ever tenant engagement exercise which allowed us to establish that it has strong support amongst our customers. However, given its ongoing strategic importance, it is proposed that we continue to update all Boards on its progress throughout the course of the year.

## 3. Background

3.1 The Scottish Government released an update to their Strategic Framework: COVID19 on the 21 February 2022, outlining an approach to managing the pandemic in Scotland into the summer of 2022 and beyond. The update to the Strategic Framework for managing COVID-19 sets out future plans as we prepare for a calmer phase and how this can be sustained. The Framework makes clear that – due to the progress in vaccination and treatments – there will be less reliance on legal requirements and more on people and organisations to take basic, sensible steps to reduce the risk of and harm from COVID-19. As regulations are converted into guidance, clear information will be provided to help people and organisations make and sustain the changes required to reduce transmission of the virus on a routine basis. This will involve maintaining and enhancing some of the behaviours and physical adaptations that have helped reduce transmission and will help to improve public health more generally going forward.

3.2 The restrictions imposed over December and January meant the ability of our staff to meet in person was limited. Our *Wheatley Way* staff engagement sessions were paused, and Board meetings went back to being online. Despite this backdrop, we have continued to make good progress with the implementation of our new operating model.

## 4. Discussion

4.1 The tenant consultation carried out last autumn contained four key customer-facing elements that underpin our new operating model. These were:

**(i) Customer First Centre**

4.2 The Customer First Centre launched successfully on 1 December and has since handled over 135,000 calls. Over 4,000 were for our customers, of which around 46% related to repairs. The Centre is open 24/7, 365 days a year. Specialist teams of housing professionals are now in place to support the call handlers and the overall resource in the centre has increased by 110 people on the previous call centre.

4.3 We have updated and simplified the phone line structures and messages, reducing the number of routes/queues (“press 1 for repairs”, etc) from 17 to 6; increasing use is being made of text for customer comms and this will continue with the environmental text update service presented to the Board last year. The technical IT system work has now been completed in readiness for extending web-chat to more service areas post-April.

4.4 Early evidence shows that the Customer First Centre is proving to be an efficient way for tenants to get day-to-day problems solved and questions answered quickly. Since the start of recording in January, the grade of service had risen to 86% of calls being answered within 30 seconds.

4.5 Initial feedback from housing officers is that they are experiencing a significant reduction in tasks allocated by the CFC (via our customer relationship management system) compared to the previous call centre. The percentage of repairs being raised by housing officers has also reduced, from over 30% last October to 12-15% by the start of February. This supports our commitment to reducing the transactional-type workload for housing officers, thereby freeing them up to spend more time out and about in our communities. Work is ongoing to evaluate the service provided and support offered by the Housing Specialist Team and an internal review group liaise regularly to share successes and identify areas for improvement. We will continue to evaluate the activity profile of housing officers as part of our evaluation of the operating model over the course of the year.

4.6 We have commissioned an external review of the CFC, to be carried out during March and April. This will provide an independent assessment of what is working well and areas we should focus on for further development after the first few months of its operation. We anticipate that a further detailed review will be carried out in 12 months’ time to provide us with an external view on how well the significant investment we have made in the CFC is delivering on our objectives.

**(ii) More services in your home**

4.7 Over recent months, our housing officers have continued to operate throughout our communities and deliver services to the door of customers’ homes. Our staff are meeting customers face to face through home visits, or in locations of the customer’s choice in the community, to deal with complex cases, supporting the most vulnerable and dealing with anti-social behaviour and estate management.

4.8 Customers can request a housing officer visit online or through the Customer First Centre, and housing officers can update their diaries while on the move using their GoMobile technology. The ability of housing officers to support customers in their homes will be particularly important in the coming months for those on Universal Credit, as we can provide face-to-face support to help tenants navigate their DWP online journal and amend their claims to take account of the upcoming rent increase.

**(iii) Do more online**

4.9 Housing applications are already fully online through our *MyHousing* page and The Board approved a significant new digital service offering last autumn for environmental services, which will introduce a range of electronic communications for customers on issues such as stair cleaning and grass cutting. This is due to be introduced in the summer.

4.10 On repairs, we have conducted user experience testing on our repairs ordering website with small groups of tenants in preparation for it going live again. However, to deliver the full range of service to customers set out in our strategy – the "Book It, Track It, Rate It" approach – we will need to deploy a new system. We have identified a preferred provider (Localz) and are working with them on developing this approach.

4.11 In line with our project plan for the year, we have carried out a detailed evaluation, including feedback from a group of tenants, of potential "community apps" which could contain content about local events, customer news and information, etc. In response to tenant feedback, we propose not to develop an app just for this purpose, but to broaden our successful local digital engagement forums such as community Facebook pages instead. In this context, our social media engagement over the last year has seen:

- Total number of social media followers on our Facebook and Twitter in February was nearly 2000;
- We continue to engage and support our customers who have enquiries over social media; and
- We also have had over 3300 page views each month to the our website – a large increase from 2100 last January.

4.12 Our strategy will focus on the development of a Wheatley app that offers key services, in particular repairs booking functionality.

**(iv) Our new hubs – centres of excellence**

4.13 With the Scottish Government's announcement of the move to hybrid working, staff have been returning in small groups to our Wheatley House hub. Our second Glasgow hub at Dava Street in Govan is due to open before the end of March. Following this, the third – in Knightswood in the north west of the city – is due to open by the end of April once refurbishment works are complete. We are proposing to refurbish the Wallacewell Road hub in the north east of the city with this being ready for staff and customer use by the summer.

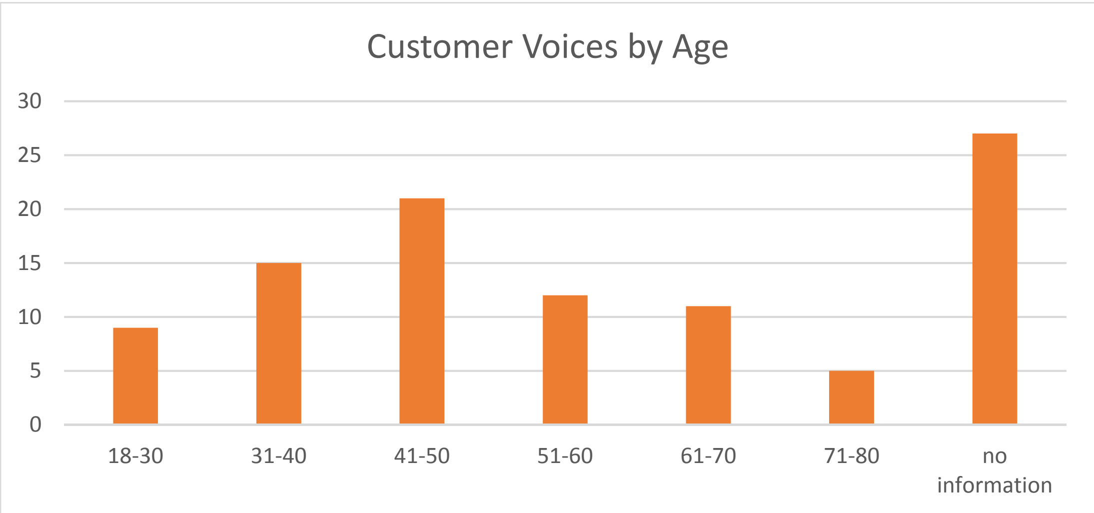
4.14 Our staff met together in February in the new Wheatley Hub with our colleagues in City Building as part of our weekly team meetings. Staff praised the blended approach and being able to see others face to face again to share experience and all staff are looking forward to this continuing.

**New engagement structures**

4.15 To support our new way of engaging we have recruited our first 100 Customer Voices across the Group. These Customer Voices – which includes our customers will cover all RSLs - are customers who have been involved in recent engagement work with us such as rent consultation focus groups; web self-service testing; local neighbourhood walkabouts and regeneration activity. As a follow on from these activities we have asked those involved if they would like to sign up with us as a Customer Voice, enabling them to take part in further activities with us to influence service design and local investment.

4.16 At the end of January we wrote to all customers to formally launch the Customer First Centre and to invite customers who were interested in engaging with us to sign up to our Customer Voice programme. We will follow this up with local Housing Officer engagement and information on social media in order to build up our database of customers who want to be actively engaged with us on local or group-wide activities.

4.17 Part of our commitment in the Stronger Voices engagement framework was to increase the diversity of those customers who actively engage with us to influence services and investment. Analysis of our first 100 Customer Voices show a gender split of 30% male to 70% female, so we will review how we can attract more male customers to become involved. We have also segmented our Customer Voices by age, where people were willing to share that information with us. As the chart below shows we have some diversity across age bands, and the fact that we have been promoting more digital engagement activities is likely to have helped us attract more customers in lower age bands than we have been able to previously.




4.18 Our Customer Voice engagement programme for 2022/23 is currently in development. This includes strategic group-wide projects as well as local activities such as neighbourhood walkabouts, identifying local Customer Voice investment projects, You Choose Challenges for community development, and regeneration engagement for example in our West Cliff development in West Dunbartonshire is in progress.

4.19 In terms of Group-wide engagement activities, this will feature the following topics:

- Equality and diversity – focus groups with customers looking at the development of our Equality and Diversity approach and the information we collect from customers for this purpose;
- On-line services – further customer journey mapping and user research with customers to ensure our on-line service offering meets customer needs and requirements;
- Customer First Centre – we will be using customer insight to improve and refine this service, and we will also involve Customer Voices in the scrutiny of this information through engagement panels;
- Community led development – we will use a mixture of focus groups and surveys to work with local communities in areas where we have proposed new build sites; and
- Repairs – we will use focus groups and customer journey mapping to gather insight and improve customer experience of our repairs service in each region of the Group.

**New working model for staff**

4.20 The new operating model also changes the way many of our staff work. Even those whose working patterns and locations may not change – such as the environmental operatives who deliver our NETs service – will be impacted in some way by the changes. For example, new technology such as the environmental app presented to the Board last year and the changing corporate office footprint will have an impact on how they work. It will be important that we understand the differential impacts so that we can learn how the model is working and make adjustments as necessary.

4.21 A steering group will be established to oversee the key workstreams. These will include:

- **A review of our policies and procedures** – while a number of key policies have already been updated, such as health and safety, lone working and working from home; it will be important to assess how these are operating in practice, as well as identifying any further amendments necessary to these or other policies. For example, we may augment areas of staff guidance to reflect the long term use of video conferencing;
- **Understanding the staff experience** – we continue to engage with staff to understand their experiences of the new working model and any elements we may need to adjust. This will also inform an assessment of training needs and building design/functionality, such as whether changes need to be made to the layout or operation of Wheatley House or other new hubs to support staff working arrangements;
- **Learning and development** – this operates differently in a blended working context, with a mix of online and face-to-face approaches. The group will consider the balance between these and which models are proving most effective; and

- **Leadership** – this year we will launch our leadership development programme, but we recognise that this will require ongoing adaptation in light of staff feedback and experiences of how leadership models are evolving in the blended working environment. Staff empowerment and a culture of trust have been key elements of our Think Yes culture, and we will consider how this continues to develop in our new model; for example, through considering questions such as how we might devolve more responsibility and accountability to repairs trades teams.

## 5. Customer engagement

5.1 A letter was issued to all our tenants at the end of January informing them of the results of the consultation on the operating model. It also informed tenants that the Customer First Centre has been established and sought interest for becoming part of our new engagement structures. Further detail of the next steps with these aspects of our new model is provided below.

## 6. Environmental and sustainability implications

6.1 The new operating model supports our objective to transition to a net zero corporate carbon footprint by 2026. The reduced office footprint, more energy efficient buildings and reduced staff travel form part of this. A more detailed update will be provided to future Board meetings.

## 7. Digital transformation alignment

7.1 The new operating model is a key element of our digital transformation plans. In addition to developing our digital customer services, we are increasingly using digital means of engagement – for example, this year we have run rent focus groups online for the first time.

## 8. Financial and value for money implications

8.1 The proposals in this report can be funded within existing budgets as set out in our business plan projections; there are no new financial implications.

## 9. Legal, regulatory and charitable implications

9.1 To support our new operating model, we will undertake a review of compliance with laws, policies and regulations across all areas of the Group over the coming months. This will provide a further level of assurance that in changing our operating model and working practices, we continue to be compliant with applicable requirements. This will include technical building maintenance and environmental requirements such as water testing, electrical checks and fire safety. It will also cover compliance with corporate governance and regulatory requirements such as Companies House, Scottish Government and Scottish Housing Regulator codes of practice and Financial Conduct Authority rules.

## 10. Risk appetite and assessment

10.1 Our risk appetite for service delivery innovation is “open”; which means we are prepared to take risk and embrace change. In this context, our new operating model represents a significant change from our previous approach, and it is critical to the success of our overall 2021-26 strategy.

10.2 If key elements do not operate effectively – for example the Customer First Centre (CFC) or the model of hybrid working – then there is a risk that we might fail to deliver our strategic objectives around customer satisfaction, service standards and staff morale. For that reason, this paper sets out a number of measures designed to closely monitor the impact and effectiveness of our new operating model and to allow us to refine elements of it as required in the coming months.

## 11. Equalities implications

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

## 12. Key issues and conclusions

12.1 Our new operating model was developed in consultation with tenants and we are continuing to progress across each of the key themes we set out in our consultation with tenants.

## 13. Recommendation

13.1 The Board are asked to note the contents of the report.

Loretto Housing

# Report

**To:** Loretto Housing Board

**By:** Brian Stewart, Director of Repairs, Investment and Compliance

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

**Subject:** Home Safe building compliance update

**Date of Meeting:** 28 March 2022

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## 1. Purpose

1.1 This report provides an update to the Board on our building compliance work streams following the remobilisation of our work streams post pandemic.

## 2. Authorising and strategic context

2.1 Under the Group Authorise/Manage/Monitor matrix, the Board is responsible for the on-going monitoring and scrutiny of our compliance with relevant legislation and regulation. This report provides the Board with an operational update and details of compliance works that are undertaken and ongoing activities

2.2 In line with our group Strategy Your Home, Your Voice we will maintain our commitment to "make the most of our homes and assets". We will ensure through our home safety compliance programmes that we protect and maintain our assets.

## 3. Background

3.1 Our compliance works programmes includes gas servicing, TMVs, water management including legionella prevention and electrical works such as electrical inspections and smoke and heat detector re-life's.

3.2 Landlords have a legal duty to repair and maintain gas pipework, flues and appliances in a safe condition, to ensure an annual gas safety check on each appliance and flue, and to keep a record of each safety check.

3.3 Landlords also have obligations under legislation or approved codes of practice for a variety of building maintenance and inspection activities related to firefighting equipment (dry risers/sprinklers), lifting equipment, alarm systems etc.

3.4 Landlords also have a responsibility for electrical safety including carrying out Electrical Inspections, commonly referred to as EICR or FIT testing.

3.5 The status of our other compliance work programmes is shown in the table below.

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

3.6 **Key objectives for compliance work:**

- To increase customer safety within their homes by undertaking both statutory and good practice compliance activities.
- Increasing access levels for our JV partners, internal DLO teams and other specialist contractors.
- Package up home safety visits where practical and minimise number of visits to decrease inconvenience to the customer while enhancing value for money and productivity.
- Increase visibility of compliance works with frontline staff, particularly Hub colleagues who can engage with customers while raising day to day repairs on their behalf for example.

**One and done approach**

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

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

3.8 To that end, working with our principal contractor, City Building Glasgow, we developed a dedicated Home Safety delivery team to work together with our Asset Landlord Compliance team at the joint venture. This CBG Home Safety Team consists of key leads across, Gas, Electrical, Water Management MSF works and Lift Safety.

3.9 The one and done approach is tailored to meet all compliance activities within our tenanted properties across our RSL's, and not all works are applicable (for example MSF's works are for Wheatley Homes Glasgow only). Wherever practical for similar related compliance activities within our stock we will endeavour to package works together subject to asset compliance cycles, property attributes and individual customer requirements.

| Type of Package | Stock Targeted | Type of works |
|---|---|---|
| Home Safety Bundle 1:<br>Gas and Water Mgt works | Gas properties | • Annual gas servicing<br>• Temperature checks at water outlets<br>• TMV works<br>• Test/servicing of smoke/heat/carbon monoxide detectors<br>• Complete all certification |
| Home Safety Bundle 2:<br>Electrical installs and servicing | All properties | • Installation of S + H detectors (re-life programme)<br>• Carry out EICR inspections |
| Home Safety Bundle 3:<br>Joinery and electrical | MSF & electric properties | • Test/servicing of smoke and heat detectors<br>• Service MSF dwelling windows and doors |

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

## 4. Discussion

### Gas Safety

4.1 The measures to reduce the spread of COVID-19 in the early phases of lockdown had a significant adverse impact on our gas safety performance. Historically, we had 100% gas safety compliance (i.e. no outstanding CP12s) and our service has been recognised nationally including through City Building Glasgow winning Gas Contractor of the year on two separate occasions. Achieving this compliance requires an annual inspection of every property with gas. We have 2,262 homes on the gas servicing contract.

4.2 Since the 12th August 2020, we recovered our historical performance position and returned to zero failed CP12s and 100% compliance with SHR ARC performance indicators. We have have maintained zero CP12 fails since reaching that level in August 2020.

4.3 In addition to the formal appointment letters that are issued we have maintained our pro-active outbound calling through our customer first centre, to maximise access into our tenant's homes and allow them the flexibility to change appointments by speaking directly to our call handlers.

4.4 Only as a last resort after we have exhausted all reasonable efforts to obtain access do we move to a forced appointment, to guarantee we maintain compliance and ensure the safety of our tenants.

**Water Management**

4.5 Legionella testing is part of our overall water management strategy and is a year round programme.

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

4.7 The table below provides details of progress against the annual programme.

| Subsidiary | Inspections completed so far | Total Inspections/Assessments Required | Percentage completion |
|---|---:|---:|---:|
| **Loretto** | **23** | **23** | **100%** |

**TMV Servicing**

4.8 The table below provides the total number of our households within this programme:

| **Subsidiary** | **Inspections completed so far** | **Total Inspections/Assessments Required** | **Percentage completion** |
|---|---|---|---|
| **Loretto** | **535** | **654** | **84.5** |

4.9 Our TMV programme is a rolling annual programme, and includes potentially vulnerable customer groups within qualifying households (e.g. those containing under 5s or over 75s and also some Care sites). The qualifying households are reviewed annually.

| Business Area | Qualifying Households |
|---|---:|
| **Loretto** | **654** |

### Smoke and Heat Detectors

4.10 Our properties were included in a Group wide programme to install upgraded smoke and heat detectors in our homes before the Scottish Government deadline of the 1st February 2022. All customers were offered several appointments to enable the works to be completed at a time suitably convenient for them. Only as a last resort did we move to a forced appointment, to ensure we achieved 100% by the deadline.

### Periodic Electrical Testing (EICR)

4.11 In May 2020 the Scottish Government updated its guidance to social landlords via the Scottish Housing Quality Standards (SHQS), requiring that periodic electrical inspections be undertaken in all properties on a cycle of no more than 5 years. This brought the social housing sector in line with guidance issued to the private rented sector in 2015. The relevant Part of the new SHQS guidance "recommends" that outstanding electrical inspections "should be done by the end of March 2022. Landlords must make "reasonable efforts" to ensure that homes are accessed to carry out the inspection.

4.12 Historically we budgeted for periodic inspection on a 10 yearly cycle, reflecting the following risk mitigation considerations:

- significant internal investment works that were carried out in our properties over the last decade included electrical upgrades as required;
- Age (build year) of the stock;
- availability of electrical safety repairs for customers 24/7/365;
- inspections and electrical repairs/upgrades undertaken at void; and
- on-going one off investment works which identify issues with electrical installations.

4.13 We undertook periodic electrical inspections in customers' homes (as required) when we were installing the new smoke and heat detector systems, to minimise disruption to customers.

4.14 The table below shows our current position with obtaining access to carry out the electrical inspection, which takes two hours to complete, the property must have credit in the electricity meter and clear access to power outlets in all rooms.

| | Stock | EICR Total Outstanding | Percentage completion |
|---|---|---|---|
| **Loretto** | 2,542 | 455 | 82% |

### Lift Inspections and Maintenance

4.15 Lift inspections by our insurance engineers commenced as normal throughout the pandemic and lockdown and any time related defects that were identified were actioned by our lift contractors as a priority. Any minor defects or recommendations have also now been completed since we remobilised back in April 2021.

4.16 Proactive servicing of our lifts is carried out monthly via our approved Insurance company (Houghton's).

4.17 All emergency callouts are being dealt with within timescales and there is continued dialogue with the contractor about any potential issues.

**Mechanical and Electrical Works**

4.18 Throughout the lockdown our specialist M&E contractor and their supply chain worked under our instruction to undertake all statutory compliance works which are accessible within common areas of our blocks or within landlord controlled areas (tank rooms, risers etc.), this work included water testing, dry riser testing, fire alarm maintenance.

4.19 All emergency callouts were dealt with within timescales.

4.20 The majority of our M&E equipment is within communal areas of blocks, which allowed our contractor to catch up quickly on non-essential works ensuring all our M&E works were up to date shortly after we remobilised.

**Management and Delivery**

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

## 5. Customer engagement

5.1 Our experience through the COVID-19 pandemic highlighted the value of proactively engaging our customers, and emphasising the importance of our compliance work programmes through our annual "Stay Safe" Messaging.
(See appendix 1).

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

5.2 We will further strengthen communications with customers at each stage to explain:

- what we are doing and why it's important;
- how we will ensure the work can be carried out safely;
- what we need them to do; and
- how they can get in touch to talk to us.

5.3 Key messages in all our communications to customers on compliance will be:

- The safety of our customers and staff is our top priority and as a result we will continue to follow all recommended best practices on PPE;
- Compliance activities are essential work aimed at keeping you and your home safe; and
- Develop positive messaging to improve the profile of compliance activities so that our customers see them as "value works".

5.4 These key messages, supplemented where appropriate with detail of the individual project or work being carried out, will be communicated to customers using a range of channels including telephone calls, on-line, web and social media.

**6. Environmental and sustainability implications**

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

6.2 However our approach to carry out associated compliance works in one visit will as a result lead to fewer travel visits by engineers and trade staff across our assets.

**7. Digital transformation alignment**

7.1 We will look to align our compliance activities work programmes with our digital transformation strategy. Giving customers more choice over appointment timeframes and offering a digital self-serve method for the customer arrange compliance works in their homes.

**8. Financial and value for money implications**

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

8.2 Budgets for these work streams have already been agreed and approved as part of the 5-year plan previously presented to the board.

**9. Legal, regulatory and charitable implications**

9.1 In considering the current legal implications, the organisation will respond to any changes to regulations from the Scottish Government and SHR as and when they may arise.

9.2 The amendments to the Scottish Housing Quality Standards in relation to Periodic Electrical inspections required us to increase our electrical inspection programme from a 10 year to a 5-year cycle to work towards the recommended target date of the 31$^{ST}$ March 2022.

**10. Risk appetite and assessment**

10.1 The organisation's risk appetite relating to building compliance work streams is minimal" i.e. preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.

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

**11. Equalities implications**

11.1 There are no equalities implications associated with this report.

**12. Key issues and conclusions**

12.1 We completed all essential compliance activities throughout the pandemic and lockdown, keeping our homes and customers safe.

12.2 We will continue to develop our approach to maximising access for compliance works through our new operating model.

12.3 We will continue to offer a "one and done" approach where possible for similar related compliance activities subject to asset cycles, property attributes and customer requirements.

12.4 We will ensure we remain agile and alert to any changing legislation or best practice to maintain our commitment to providing a robust level of landlord assurance across the various compliance activities.

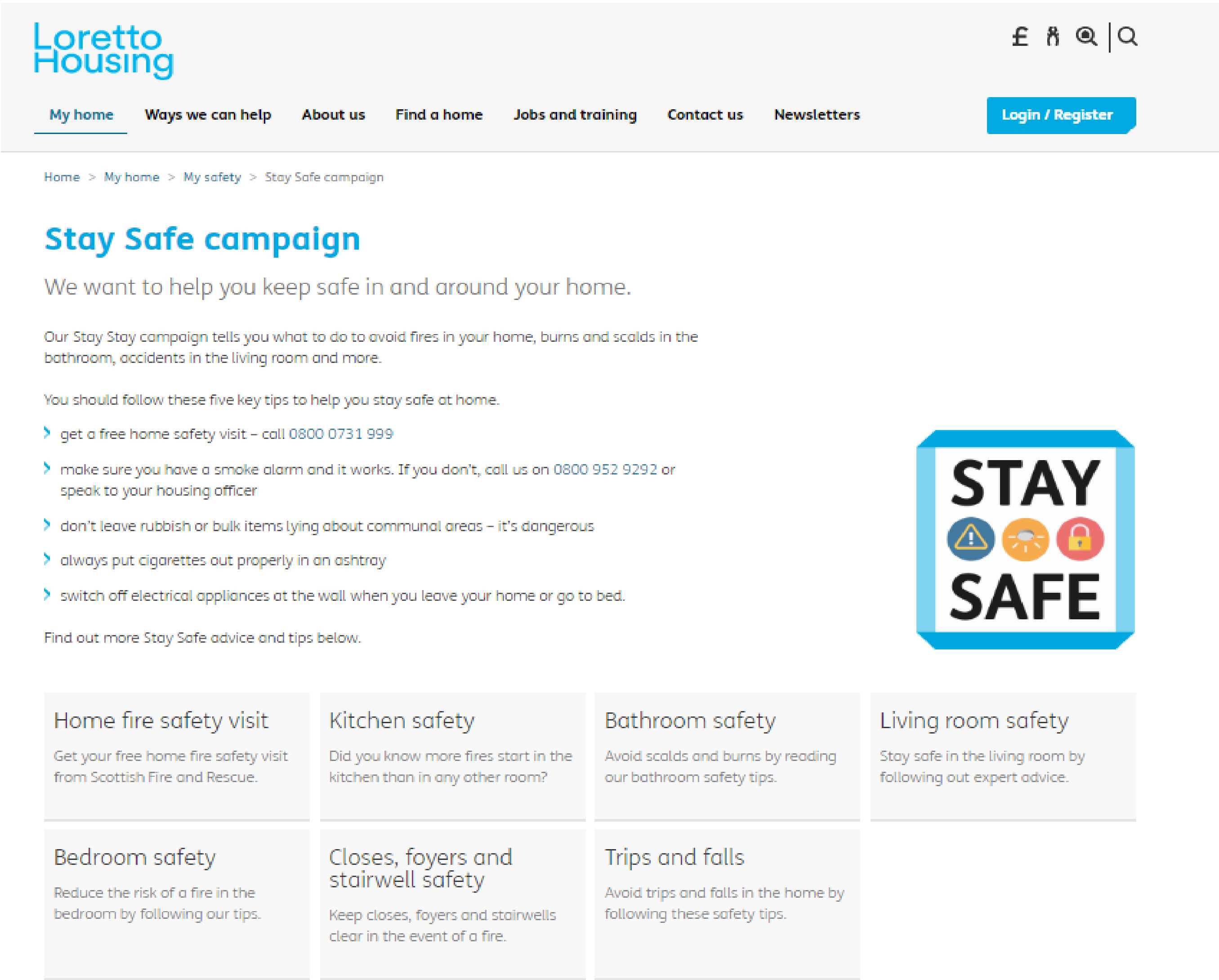
**13. Recommendation**

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

**List of Appendices**

Appendix 1 - Stay Safe Branding

## Appendix 1 - Stay Safe Branding



Loretto Housing

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Home > My home > My safety > Stay Safe campaign

# Stay Safe campaign

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

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

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

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

Find out more Stay Safe advice and tips below.

STAY SAFE

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

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

**Bathroom safety**
Avoid scalds and burns by reading our bathroom safety tips.

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

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

**Closes, foyers and stairwell safety**
Keep closes, foyers and stairwells clear in the event of a fire.

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

Loretto Housing

## Report

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Sarah Stocks, Finance Manager** |
| **Approved by:** | **Steven Henderson, Group Director of Finance** |
| **Subject:** | **2022/23 Budget** |
| **Date of Meeting:** | **28 March 2022** |

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### 1. Purpose

1.1 The purpose of this report is to seek approval for the 2022/23 budget.

### 2. Authorising and strategic context

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

### 3. Background

3.1 At the previous meeting in February 2022 the Board were presented with the revised five year financial projections and agreed that the 2022/23 figures would form the basis of the 2022/23 annual budget, which is presented in Appendix 1. This paper provides additional detail and commentary.

### 4. Discussion

4.1 The detailed budget report in Appendix 1 tracks comparative figures from the Q3 2021/22 full year forecast to the 2022/23 budget to give the context of the year on year changes.

4.2 The 2022/23 budget reports an operating surplus of £18,890k, and a statutory surplus of £15,571k, both £146k lower than the financial projections. This reduction in surplus is in recognition of:

- the continuing challenging economic environment since our financial projections were prepared. We are expecting further increases in insurance costs as we finalise the renewal terms in a difficult market and continued inflation in utilities and fuel costs.
- The finalisation by City Building (Glasgow) of their financial projections which have been subject to similar economic challenges in utilities and fuel cost in their own business plan as well the continuation of the upward trend in materials costs. This has meant that they have not been able to achieve the level of discount to the JV partners that has been assumed in our financial projections.

4.3 The net operating surplus budgeted of £15,571k is compared to an operating deficit of £193k forecast for 2021/22, higher by £15,764k. This year on year variation is driven by the increase in the amount of grant income recognised on the completion of new build properties which is £15,848k higher.

4.4 Other key points to note:

- Net rental income of £14,345k incorporates the agreed 1.9% (Loretto tenants) and 1% (Cube tenants transferring) rent increase Void losses have been prudently budgeted at 1.5% on general needs and 7% on supported housing.
- 193 social rent properties are due to complete in 2022/23 and grant income of £18,756k is recognised in the operating statement.
- Direct employee costs are budgeted at £1,384k. which includes the cost of living increase of 3.5%. Provision for ER/VR costs of £185k is included in the budget to ensure we can deliver the efficiency targets included in the financial projections.
- Direct running costs are budgeted at £1,812k, which is £13k higher than the financial projections. The budget also includes £266k 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.
- Repairs and maintenance costs of £2,569k are assumed in the budget, £133k higher than the financial projections reflecting the impact of the reduction in the projected CBG discount now their financial projections have been finalised. The budget also includes additional provision linked to additional stock numbers.
- Interest payable will increase in 2022/23, to £3,320k, reflecting both the transfer of loan from Cube and the continued funding of the new build capital programmes.
- The 2022/23 budget reports net capital expenditure of £11,800k, supporting our continued investment in existing and new build properties in 2022/23.

## 5. Customer engagement

5.1 This report relates to our 2022/23 budget and therefore there is no direct customer implications arising from this report.

## 6. Environmental and sustainability implications

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

## 7. Digital transformation alignment

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

## 8. Financial and value for money implications

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

8.2 The budgeted net operating surplus is £146k lower than the financial projections, with additional provision being made in direct running costs for higher insurance renewal costs and in repairs for higher communal utility costs plus recognition of the reduction of the 2022/23 CBG discount following the finalisation of CBG's financial projections.

8.3 Financial covenants are assessed for the RSLs within the WFL1 borrowing group as a whole. In preparing the 2022/23 budgets across the RSL borrower group, we have identified financial mitigations which offset additional costs included in our 2022/23 budget and allow the overall budgeted operating surplus and covenant compliance for the WFL1 borrowers to be maintained in line with the RSL financial projections and remain compliant with our agreed financial policies.

## 9. Legal, regulatory and charitable implications

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

## 10. Risk appetite and assessment

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

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

## 11. Equalities implications

11.1 There are no equalities implications arising from this report.

## 12. Key issues and conclusions

12.1 This paper presents the proposed 2022/23 budget.

## 13. Recommendation

13.1 The Board is requested to approve the draft 2022/23 budget

**List of Appendices**

Appendix 1: Loretto Budget 2022/23

# Budget – 2022/23
# Loretto Housing Association

# Operating Statement

| | 2021/22 Q3 forecast £ks | 2022/23 Financial Projections £ks | 2022/23 Budget £ks | Budget Variance to FP £ks |
|---|---|---|---|---|
| **INCOME** | | | | |
| Rental Income | 12,197 | 14,823 | 14,823 | - |
| Void Losses | (273) | (478) | (478) | - |
| **Net Rental Income** | **11,924** | **14,345** | **14,345** | **-** |
| Other Income | 295 | 315 | 315 | - |
| Grant income | 3,027 | 18,875 | 18,875 | - |
| **TOTAL INCOME** | **15,246** | **33,535** | **33,535** | **-** |
| **EXPENDITURE** | | | | |
| Employee Costs - Direct | 2,160 | 1,384 | 1,384 | - |
| Employee Costs - Group Services | 437 | 596 | 596 | - |
| ER/VR | - | 185 | 185 | |
| Direct Running Costs | 1,722 | 1,799 | 1,812 | (13) |
| Running Costs - Group Services | 257 | 385 | 385 | - |
| Revenue Repairs and Maintenance | 2,271 | 2,436 | 2,569 | (133) |
| Bad Debts | 328 | 394 | 394 | - |
| Depreciation | 6,003 | 7,320 | 7,320 | - |
| **TOTAL EXPENDITURE** | **13,179** | **14,499** | **14,645** | **(146)** |
| **NET OPERATING SURPLUS / (DEFICIT)** | **2,068** | **19,036** | **18,890** | **(146)** |
| *Operating Margin* | 14% | 57% | 56% | |
| Interest payable | (2,261) | (3,320) | (3,320) | - |
| **STATUTORY SURPLUS / (DEFICIT)** | **(193)** | **15,717** | **15,571** | **(146)** |
| **INVESTMENT** | | | | |
| **Total Capital Investment Income** | **2,769** | **8,088** | **8,088** | **-** |
| Investment Works | 2,624 | 5,339 | 5,339 | - |
| New Build | 15,336 | 14,115 | 14,115 | - |
| Other Capital Expenditure | 254 | 434 | 434 | - |
| **TOTAL CAPITAL EXPENDITURE** | **18,214** | **19,888** | **19,888** | **-** |
| **NET CAPITAL EXPENDITURE** | **15,445** | **11,800** | **11,800** | **-** |

**Comments**

- The 2022/23 budget reports a net operating surplus of £18,890k and statutory surplus of £15,571k, which are both £146k unfavourable to the financial projections. This reduction in surplus is in recognition of the continuing challenging economic environment since the financial projections were prepared.
- Additional provisions have been included for higher insurance cost as the final renewal terms are confirmed for 2022/23 and also for continued increases in utility costs. Inflationary pressures have also provided a challenge in the preparation of the City Building business plan and the level of discount available from CBG in 2022/23 is expected to be £133k lower than assumed in the financial projections with this shown through an increase in repairs costs.
- Budgeted **net rental income** of £14,345k is in line with the financial projections. **Grant Income** recognised on completion of new build units is budgeted at £18,765k with completion of 193 social rent units anticipated in 2022/23. £110k of adaptations grant is also provided for in the budget.
- **Direct and Group services employee** costs are in line with the financial projections and reflect the cost of living increase. ER/VR costs of £185k will help us deliver the cost efficiency targets in the financial projections through staff savings. 2021/22 is the final year of the SHAPS past service deficit payment, resulting in lower costs in 2022/23.
- **Direct running costs** are budgeted at £1,812k, which is £13k higher than the financial projections, reflecting higher insurance costs. The budget includes £266k of Initiative spend, including a donation to the Wheatley Foundation. A third of the budget relates to the transfer of rent and service charges to Wheatley Care for services they deliver at supported properties, with remainder relating to office property and running costs.
- **Repairs and maintenance** costs of £2,569k are assumed in the budget, which is £133k higher than the financial projections, reflecting the lower CBG discount and higher communal utility costs.
- **Depreciation** costs which reflect a non cash accounting adjustment are £1,317k higher than the expected 2021/22 charge, with the increase driven by the high level of investment in our properties.
- **Investment programme** expenditure has been budgeted at £5,339k, which includes provision for continued investment in our housing stock, capitalised employee costs in relation to investment staff and spend on disabled adaptations.
- **New build** expenditure of £14,115k has been included in the budget, which is mainly for new build contract costs, with some allowance for fees and capitalised staff. Capital Investment Income (cash) of £8,088k is expected to be received in the year for the new build programme.

# Underlying surplus

**Comments**

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus for the 2022/23 budget which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties.
- An underlying deficit of £1,324k is budgeted which is £1,483k lower than the forecast underlying position for 2021/22. This is due to the higher investment programme in 2022/23 which contains provision for the work at Duke Street. Adjusting for the Duke street investment, underlying surplus for 2022/23 would be £1,630k.

| LHA Underlying Surplus | | | |
|---|---|---|---|
| | 2021/22 Fcast £ks | 2022/23 Projections £ks | 2022/23 Budget £ks |
| Net operating surplus | 2,068 | 19,036 | 18,890 |
| add back: | | | |
| Depreciation | 6,003 | 7,320 | 7,320 |
| less: | | | |
| Grant income | (3,027) | (18,875) | (18,875) |
| Net interest payable | (2,261) | (3,320) | (3,320) |
| Total expenditure on Core Programme | (2,624) | (5,339) | (5,339) |
| Underlying surplus/(deficit) | **159** | **(1,178)** | **(1,324)** |

# Rental and Other Income

Loretto Housing

| Rental Income (£'000) | 2021/22 Forecast | 2022/23 Budget |
|---|---|---|
| Rent Receivable | 12,197 | 14,823 |
| Void Losses | (273) | (478) |
| **Net Rental Income** | **11,924** | **14,345** |
| *Void Loss %* | *2.2%* | *3.2%* |
| Average Stock | 2,270 | 2,730 |
| Average Rent per Property (£) | 5,373 | 5,430 |

| Other Income (£'000) | Forecast | Budget |
|---|---|---|
| WC management fee | 203 | 206 |
| Mid-market rent | 84 | 85 |
| Garages and lockups | 8 | 24 |
| | **295** | **315** |

| Grant Income (£'000) | 2021/22 Forecast | 2022/23 Budget |
|---|---|---|
| Adaptations | 167 | 110 |
| New build | 2,860 | 18,765 |
| | **3,027** | **18,875** |

**Comments**

- Rental income is budgeted at £14,823k, £2,626k higher than 2021/22 forecast income. The budget applies the approved rent increase of 1.9% (Loretto tenants) and 1% (ex Cube tenants) for the forthcoming year.
- 2022/23 budgeted void losses of £478k includes a void loss assumption of 1.5% on general needs and 7% on supported housing. Our assumption on supported voids is prudent as some of the properties rely on Local Authority referrals.
- Note that 2021/22 has only 8 months of rental income and void losses from ex Cube properties, whereas the new budget contains provision for 12 months of rental income and void losses.
- Income from garages and lockups relates to the properties transferred from Cube.
- New build grant income is recognised in the Operating Statement upon completion of units. During 2022/23, we expect completions on the following sites: Sawmill Field, Hallrule Drive, Dargavel and Queens Quay.

# Employee Costs

| Employee Costs (£'000) | 2021/22 Forecast | 2022/23 Budget |
|---|---|---|
| Salaries - direct | 757 | 818 |
| Pension past service deficit contribution | 885 | 45 |
| Group recharges* | 829 | 948 |
| Capitalised staff costs | (311) | (427) |
| | **2,160** | **1,384** |

*Share ofJoint Venture, New Build, Nets and W-360 employee costs

**Comments**

- The total employee costs budget for 2022/23 is £1,384k, a decrease of £776k compared to forecast 2021/22 spend.
- The reduction mainly rises due to the payment of the final amounts due under the current SHAPS recovery plan being made in 2021/22.
- The 2022/23 budget reflect the cost of living increase of 3.5%.
- 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

| Direct Running Costs (£'000) | 2021/22 Forecast | 2022/23 Budget |
|---|---|---|
| Equipment & furniture | 2 | 23 |
| Initiatives | 226 | 266 |
| Insurance | 69 | 113 |
| Misc running costs | 69 | 115 |
| Property costs | 406 | 473 |
| Staff Related Costs | 20 | 42 |
| Group recharges | 930 | 780 |
| | **1,722** | **1,812** |
| *Breakdown of Initiatives* | | |
| Donation to Wheatley Foundation | 101 | 126 |
| Helping Hand Fund | 33 | - |
| Helping Hand Fund Livingwell | 8 | 7 |
| Tenancy Sustainment Service | 65 | 103 |
| Think Yes | 19 | 30 |
| | **226** | **266** |
| *Breakdown of Group recharges* | | |
| Environmental service | 125 | 119 |
| W-360 | 60 | 60 |
| Transfer rent and service charges to WC | 745 | 600 |
| | **930** | **780** |

**Comments**

- The total running costs budget for 2022/23 is £1,812k, an increase of £90k compared to forecast 2021/22 spend. The budget is £13k higher than the financial projections due to additional provision for insurance costs following the outcome of the 2022/23 insurance renewal.
- The uplift is largely as a result of 2022/23 being the first full year of ex Cube properties transferring to Loretto.
- Property costs includes provision for the cost of running Lipton House (cleaning, gas/electricity and rates), cleaning costs for communal areas in supported properties, factoring charges, rent to external lease providers and council tax for the void Duke Street properties.
- Miscellaneous running costs includes Partner Charges for supported properties and mobile devices and call costs for staff.
- Initiatives contains provision of our donation to the Wheatley Foundation, the Tenancy Sustainment Service (delivered by Wheatley Care) and Think Yes.
- The Helping Hand Fund, with the exception of the Livingwell amount, has transferred to Wheatley Foundation from 2022/23. There will be no change to the way in which the Helping Hand Fund is access by frontline housing staff.

# Repairs and Maintenance

| Repair & Maintenance Expenditure (£'000) | 2021/22 Forecast | 2022/23 Budget |
|---|---|---|
| Reactive repairs | 1,083 | 1,145 |
| Compliance cyclical* | 849 | 877 |
| Property cyclical | 129 | 82 |
| Communal Utilities | 283 | 558 |
| Other | 54 | 83 |
| JV profit share | (127) | (176) |
| | **2,271** | **2,569** |

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

**Comments**

- Budgeted repairs and maintenance expenditure on our properties is £2,569k for 2022/23, net of our expected profit share from our joint venture in City Building (Glasgow) LLP. The budget reflects an inflationary uplift in cost, and additional budget provision linked to additional stock numbers.
- The budget is £133k higher than the financial projections, reflecting the additional provision to cover higher utility costs. The budget also reflects a reduction in the CBG profit share compared to the share assumed when the financial projections were prepared. In finalising their business plan, CBG have also experiences challenges from inflationary increases to their cost base for utilities, fuel and materials.

# Capital Expenditure

| Capital Expenditure (£'000) | 2021/22 Q3 forecast | 2022/23 Budget |
|---|---|---|
| **New Build Development - Grant** | | |
| Various sites | 2,602 | 7,978 |
| | **2,602** | **7,978** |
| **New Build Development - Cost** | | |
| Various sites | 14,983 | 13,612 |
| Capitalised salaries | 218 | 337 |
| Capitalised interest | 135 | 166 |
| | **15,336** | **14,115** |
| **Investment Works - Grant** | | |
| Medical adaptations | 167 | 110 |
| | **167** | **110** |
| **Investment Works** | | |
| Core programme | 1,923 | 4,507 |
| Capitalised repairs | 210 | 191 |
| Capitalised salaries | 84 | 91 |
| Void repairs | 240 | 440 |
| Medical adaptations | 167 | 110 |
| | **2,624** | **5,339** |
| **Other Capital Investment** | | |
| Group IT Investment | 249 | 334 |
| Office conversion/refurbishment | 5 | 100 |
| | **254** | **434** |
| **TOTAL CAPITAL EXPENDITURE** | **18,214** | **19,888** |
| **NET CAPITAL EXPENDITURE/(INCOME)** | **15,445** | **11,800** |

**Comments**

- This capital expenditure budget provides for investment in new build and existing properties and other fixed asset additions.
- Net capital expenditure is budgeted at £11,800k for 2022/23, a decrease of £3,645k compared to 2021/22 forecast spend. This is largely due to higher levels of grant income in 2022/23 due to phase of development projects. Before taking account of grant, capital expenditure of £19,888k is £1,674k higher than 2021/22 forecast.
- The budget includes the ongoing developments at Dargavel, Cobbebrae Farm, Hallrule Drive and Queens Quay, plus 5 further new build developments budgeted to commence in 2022/23 (Sawmill Field, Forfar, Gartcosh and Maddiston).
- Investment works includes £4.5m 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.
- The core programme budget of £4.5m includes provision of £3.0m for the Duke St major refurbishment. New build development costs also include provision for creation of to new social rent units in the building.
- Other capital investment of £434k includes Loretto's share of Group IT investment, which reflects our current strategy, and provision for the conversion/refurbishment of properties previously used by Wheatley Care as offices to lettable housing properties.

Loretto Housing

## Report

| | |
|---|---|
| **To:** | **Loretto Housing Board** |
| **By:** | **Hazel Young, Managing Director** |
| **Approved by:** | **Olga Clayton, Group Director of Housing and Care** |
| **Subject:** | **Energy costs: supporting our customers** |
| **Date of Meeting:** | **28 March 2022** |

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### 1. Purpose

1.1 This report updates the Board on the steps we are taking to support our customers with increasing energy costs.

### 2. Authorising and strategic context

2.1 The financial measures noted in this report are budgeted within the business plan financial projections separately on the Board agenda. Supporting our customers with the cost of running their homes is a key objective in our 2021-26 strategy.

### 3. Background

3.1 The UK has limits on how much suppliers are able to charge consumers for energy, known as the price cap. Energy price caps are reviewed by the government's regulator, Ofgem, every six months. Following price rises in October 2021, energy costs for customers are due to again increase from 1 April.

3.2 The increase on 1 April will see households on standard tariffs pay an average of £693 more per year – with bills rising from £1,277 to £1,971 per year, while prepayment customers will see an average increase of £708 - from £1,309 to £2,017.

3.3 Wholesale natural gas prices have been rising for a number of reasons, including low inventories as economies re-open post-Covid, and Russia tightening its gas supply to the rest of Europe. The UK has been heavily impacted due to its reliance on gas as an energy source, with 85% of UK domestic heating being gas-based.

3.4 Since the start of the pandemic, we have supported customers facing hardship through a range of initiatives, these include our emergency response fund, EatWell programme and a number of fuel top-up schemes, including our Energy Crisis Fund, for which we have claimed £1.75m in support from Ofgem to date.

## 4. Discussion

4.1 Given the current position regarding the cost of energy, our Fuel Advice Team will play two key roles. Firstly, we will help advise and guide customers through the array of different funds and sources of support recently announced by the UK and Scottish Governments. While these are welcome, they are likely to be confusing for customers to navigate.

4.2 Utility companies are currently not offering any new tariffs due to the ongoing situation regarding energy prices, meaning our customers are unable to move to a more affordable tariff at this time. However, the Fuel Advice team are continuing to deliver a bespoke energy advice service to our customers and we have seen a recent increase in demand for our service and in the number of customers requiring our support. The valuable service continues to deliver great outcomes for our customers, as this quote from our customer, Ruth in Dumbain Gardens, West Dunbartonshire regarding the home heating support fund shows, 'The Fuel Advisor Hugh managed to source the bills that I couldn't receive from my supplier and then arranged the balance to be cleared through a fuel grant. I don't know what I would have done without him, it's a huge relief and I can't praise him enough'.

4.3 Secondly, we have accessed or are developing other support mechanisms for our customers. These are set out below.

(i) While we will continue to access funds on a local and national basis on behalf of customers, we have also considered how we can concentrate our resources to help customers given the acute nature of the situation. We have therefore brought together £1m under Wheatley Foundation through the Helping Hand Funds and former Better Lives Fund which will be used as a single pot to support customers in urgent need of assistance. This fund will be available for our frontline staff, including in the Customer First Centre, to access on behalf of customers, and may cover food, fuel and other forms of emergency assistance. This is on top of the £200,000 budget allocated next year for food support through our EatWell programme, also run by the Wheatley Foundation.

(ii) To augment the Wheatley Foundation's funds, our Fuel Advice team along with Housing Officers and other colleagues across Group have been supporting customers who have prepayment meters through our Energy Crisis Fund. We have to date successfully secured £1.75m in grant funding from Ofgem, of which £410k remains. We have also just had confirmed our bid for a further £500k has been successful, taking the total to £2.25m. We can begin to allocate this money from the end of this month onwards. The Energy Crisis Fund supports customers by providing a maximum of three awards of £49 by voucher that they can credit to their pre-payment meter. We can also potentially use this funding to arrange the reconnection of gas where it has been shut off by the supplier due to overdue charges (at the same time updating the CP12).

(iii) The Fuel Advice team have also been supporting customers to apply to Scottish Power and SSE who have their own hardship funds which are only available to their customers specifically, as well as British Gas who has a fund that is opened to customers of any energy supplier. Each of these individual funds have differing eligibility criteria and some are only open for a short period of time.

(iv) The Group is at the early stages of a partnership agreement with The Wise Group to support customers who have credit meters with a one-off payment of £150 which would be paid directly to the energy supplier on behalf of our customers, and a pilot of this approach is to take place in GHA South. We hope this could then roll out to our customers, subject to successful results from this pilot. We also have a number of customers who have self-disconnected because of the standing charge or have had their gas meters disconnected due to debt. The team are working in partnership with colleagues in City Building to develop a potential approach to support these customers to address the debt and have their meters reconnected to the energy supply.

4.4 In addition to our own initiatives and sources of direct support for customers, the UK and Scottish Governments have announced a number of mitigation measures.

4.5 The UK Government has:

- Proposed a scheme whereby all residential electricity customers would receive a £200 discount on their electricity bills from October, which will later be repaid in £40 instalments over five years; and
- Stated it will expand the *Warm Home Discount Scheme* to cover three million households. It offers low income households a one-off annual discount on their electricity bill, and was worth £140 in 2021/22.

4.6 The Scottish Government has been allocated £290m of extra funding under the Barnett formula following the UK measures, and has allocated it as follows:

- £280m to provide £150 to every household in receipt of Council Tax Reduction in any Band and to provide £150 to all other occupied households in Bands A to D. This means 1.85 million households across Scotland, or 73% of all households, will receive financial support through their council tax bill or a direct payment. The proportion of our customers benefitting is likely to be higher than this; and
- £10m in 2022-23 to continue the Fuel Insecurity Fund to help households from rationing their energy use.

4.7 In December 2021, the Scottish Government launched a consultation on proposals to introduce a new Scottish benefit to replace the current Cold Weather Payment scheme in Scotland from winter 2022. The proposed new benefit, *Low Income Winter Heating Assistance*, would give the 400,000 low income households currently eligible for Cold Weather Payments a £50 payment every year. This will be an investment of around £20 million each year to support people towards the costs of heating their homes in winter no matter what the weather or temperature. The current requirement is for temperatures to be recorded or forecasted at below zero degrees Celsius for seven days in a row in order to trigger a £25 payment.

4.8 Also in December, the Scottish Government launched a £4m Home Heating Support Fund, administered by Advice Direct Scotland. Our Fuel Advice team have been granted access to this fund as Trusted Referral Partners, allowing us to submit applications on behalf of our customers who are in fuel debt, experiencing financial hardship or are self-rationing their energy use. The fund seeks to provide financial relief to energy consumers who are experiencing significant financial hardship and strives to provide this support to households regardless of the fuel or payment method used. The grant will pay up to a maximum of £1,000 per household and closes on 31st March 2022. The fund is open to users of prepayment and credit meters, district heating networks and unregulated fuels. Since the fund opened in January 2022, our Fuel Advice team have been submitting applications for our customers, with 25 successful applications to date and a total of £20,180 paid into these customers' utility accounts.

**5. Customer engagement**

5.1 As discussed above.

**6. Environmental and sustainability implications**

6.1 Our housing stock generally performs well from an energy efficiency perspective, and we continue to install energy efficiency measures in line with our strategy, as noted in the five-year investment plan report on the agenda. Further discussion on our energy efficiency, decarbonisation and retrofitting plans will take place at the Board workshop on sustainability in March.

**7. Digital transformation alignment**

7.1 There are no digital transformation implications associated with this report.

**8. Financial and value for money implications**

8.1 The proposals in this report can be funded within existing budgets as set out in our business plan projections; there are no new financial implications.

**9. Legal, regulatory and charitable implications**

9.1 Not applicable.

**10. Risk appetite and assessment**

10.1 The rising cost of energy presents a number of risks; it will see customers face increasing financial hardship, which in turn could impact on their ability to pay rent. While we maintain conservative provisions for rent arrears in our business plan, it is also important that we take direct action to support our customers where they face acute issues of fuel poverty.

**11. Equalities implications**

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

## 12. Key issues and conclusions

12.1 Rising energy costs will have a material impact on the cost of a home for our customers. Our strategy focusses on reducing the cost of a home in several areas, including maximising the energy efficient of their homes, providing advice to customers and supporting to access to better tariffs or financial support.

12.2 This report sets out how we are seeking to support customers within the context of the significant energy market cost increases.

## 13. Recommendation

13.1 The Board are asked to note the measures we are taking to support customers facing hardship due to the energy crisis.

Loretto Housing

# Report

**To:** Loretto Housing Board

**By:** Hazel Young, Managing Director

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

**Subject:** ***A New Deal for Tenants*** **– draft Rented Sector Strategy consultation**

**Date of Meeting:** 28 March 2022

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## 1. Purpose

1.1 This report summarises the Scottish Government's recently published draft strategy for the rented sector in Scotland, *A New Deal for Tenants*, and outlines potential implications arising from the proposals it contains; and

1.2 Seeks the Board's views on the draft strategy to inform the Group's overall response to the consultation exercise.

## 2. Authorising and strategic context

2.1 The Scottish Government's draft strategy for the rented sector has Group-wide implications including for the delivery of the Group's strategy, *Your Home, Your Community, Your Future*.

## 3. Background

3.1 When the Scottish Government published Housing to 2040, the country's first long term housing strategy, it signalled its intention to publish a new Rented Sector Strategy to set out how it would achieve improved accessibility, affordability and standards across the rented sector.

3.2 The draft strategy – *A New Deal for Tenants* – was subsequently published on 20 December 2021.[1] The government is now consulting on the draft with the aim of having the final strategy in place by the end of 2022 and bringing forward housing legislation to implement key aspects of it in 2023.

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[1] https://www.gov.scot/binaries/content/documents/govscot/publications/consultation-paper/2021/12/new-deal-tenants-draft-strategy-consultation-paper/documents/new-deal-tenants-draft-strategy-consultation-paper/new-deal-tenants-draft-strategy-consultation-paper/govscot%3Adocument/new-deal-tenants-draft-strategy-consultation-paper.pdf?forceDownload=true

3.3 The draft strategy is one of the first outputs from the cooperation agreement between the Scottish Government and the Scottish Green Party, and reflective of the concerns of the latter, it has a strong focus on enhancing tenants' rights across all rented sectors, including the social and private rented sector (PRS). Some areas of the strategy such as supply and access to affordable housing are relatively undeveloped or, in the case of pushing up quality standards, reference other policy initiatives already underway.

3.4 The Scottish Government is seeking responses to the draft strategy by 15 April 2022.

## 4. Discussion

4.1 The draft strategy document aims to take a whole rented sector approach to "*ensure all tenants, whether living in private or social rented homes, can access secure, stable tenancies, with affordable choices – whilst also benefiting from good quality homes and professional levels of services and rights*."

4.2 By 2025, through the proposals in the draft strategy, the Government intends to deliver:

- Enhanced rights for tenants;
- New requirements for data collection on rents in the private sector;
- New cross-tenure housing standards;
- A new private rented sector Regulator; and
- Legislation to underpin a new effective system of rent controls.

4.3 The draft strategy is clear that the private rented sector is behind the social rented sector in many of the areas where the Government wants to see progress, and therefore the weight of policy proposals being consulted on are for that sector with implications for the Group drawn out in the discussion of each part of the draft strategy below.

4.4 The tables that follow for each chapter of the draft strategy summarise the key proposals along with considerations for the different parts of the Group's, as well as how we already deliver against the various proposals, key elements for our response to the consultation.

| *Key Proposals* | *Considerations for Wheatley Group* |
|---|---|
| **Ensuring tenant's voices are heard with an equalities led approach** | |
| Establishing a **PRS Tenant Participation Panel** to inform the development and implementation of national policy. | We would welcome any opportunities for tenants to be involved in shaping the development and implementation of national private rented sector policy. The Group is committed to ensuring that customers voices are heard, and that they co-create services with us, and therefore we support any developments which also allow tenants to shape the policy environment for those services. |
| Consider the role of **tenant unions** in tenant participation and influencing decision-making processes and policies. | We welcome feedback from all relevant organisations. However, increasingly we find that this is more robust and more representative when sought in a whole range of ways. These include instant feedback, digital engagement and detailed input on specific items. Younger people and those from protected characteristic groups tend to be more inclined to become involved through these mechanisms rather than in a more traditional and long-term forum.<br><br>Landlords of any tenure should be encouraged to develop strong tenant engagement, which can involve individuals from a robust cross-section of their customer base. If landlords consistently engage customers across all aspects of service development, allowing them to lead in the direction of travel, we will steadily build up the customer voice so that tenants are a powerful influence locally and nationally. This is likely to create more diverse and representative feedback to add to that from formal organisations. There is a role for regulators in assuring this engagement process. |
| Deliver a national **awareness raising campaign** of tenant's rights and how to exercise them in 2022. | At the point of let we talk to tenants about their rights, and information is available through our websites where we also direct customers to independent advice through Citizen's Advice Scotland and Shelter. We would welcome any campaign to increase tenants understanding of their rights, especially with regards the new Private Rental Tenancy which offers tenants more security than previously, helping to make this a more viable housing choice for many households wary of the PRS sector. |
| Consider how best **advocacy and advice** can be offered to PRS tenants seeking to access the First-tier Tribunal (FTT). | We understand the value of high quality, independent advice and advocacy for tenants delivered by trusted sources such as Shelter and the Citizen's Advice Bureaux and would support any development of this or similar provision should the Scottish Government make funding available. |
| Further develop Regional Networks to | Our Strategy commits us to ensuring that our services and approach are led by our customers, |

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| represent diversity in the sector. | representing all parts of society. We have recently undertaken a range of work as part of the development of the New Scots Action Plan and will take a similar approach as we implement the homelessness policy.<br><br>We know from experience that it can be difficult to ensure that all protected characteristics are represented. Regional Networks would be welcome as an additional mechanism to hear from customers but should not replace the work of each landlord. |
| **Enhancing rights within the existing tenancy framework** | |
| Tenancy Deposit Schemes – use **unclaimed deposits** to improve and benefit the private sector. | We remind all tenants to reclaim any unused deposits from the scheme we use. Analysis has shown unclaimed deposits is not a big issue for our PRS tenants. However, we would welcome the recycling of unclaimed deposits after an appropriate time to support PRS tenants access to advice and support. |
| Consider reforms to the current **grounds for repossession** under the Private Residential Tenancy (PRT). | The PRT has been in place since 2017 and is now the main form of tenancy for Lowther's tenants. There are 18 grounds for eviction which are a mix of mandatory, where the FTT would have to grant an eviction order if all the requirements were met, and discretionary, where the FTT could consider wider factors. All grounds have been discretionary under emergency Covid legislation and are due to remain so until March 2022. Scottish Government has already sought views on making this change permanent in line with the social rented sector.<br><br>From our experience the current grounds work well. We are comfortable with the requirements on landlords seeking evictions under the grounds, and welcome the introduction of pre-action protocols as discussed below. |
| Revise pre action protocols in the social rented sector to take account of Universal Credit and the impacts of domestic abuse. | Pre-action requirements work well in Wheatley by codifying the actions we already undertake. Court and eviction action are only undertaken as a very last resort. We provide thorough support to help tenants to pay their rent or resolve their behaviour and as a result very few cases go to court.<br><br>We have already modified our approach to the initial 5 week wait arrears which result in Universal Credit cases and allow these to be paid back incrementally.<br><br>Additional proposals to support those experiencing domestic abuse are also welcomed. It is important that victims can stay in their existing home where they feel it is appropriate to do so as it can help to maintain existing support networks. |

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| Introduce **pre-action protocols** when considering issuing notices of eviction for arrears permanently for PRS tenancies. | During the pandemic when the requirement to use pre-action protocols was put in place, Lowther drew on the established model already used by our RSLs. This has worked well in helping to structure engagement with tenants around arrears prior to issuing a Notice, so we welcome the proposal to make these permanent for the PRS sector.<br><br>Pre-action requirements work well for the Group – they codify the actions that we were already taking for tenants. Court and eviction action are only undertaken as a very last resort. Our thorough approach to ensuring tenants are supported to pay their rent or resolve their behaviour means that very few cases go to court and even less are evicted.<br><br>This extensive approach is easier for larger RSLs and it is recognised that it would be difficult to replicate in full for small private landlords. However, a standard pre-action protocol as implemented by Lowther would be welcomed as it should have a beneficial effect on preventing homelessness.<br><br>The national aim to end homelessness can only be achieved through supporting at-risk households well before they become homeless. This will allow them to transition to a new home without the trauma of temporary accommodation. Supporting private rented sector tenants in this situation will require teams with the skills to address their particular issues – for example mediation, advocacy and legal services. These are very different from those found in traditional homelessness and housing options teams. |
| Review legislation to tackle **commercial sexual exploitation** and consider as part of a wider package of support housing measures to support women to exit. | We would welcome a review of the terms “immoral purposes” and “brothel keeping” within the model SST. The language currently used is outdated and should instead be focussed on criminality and disturbance to communities. The review must balance the need to avoid harm to individuals with the potential impact on the wider community. It should take account of the potential for managed moves where community relationships have broken down in order to avoid eviction but allow people to start afresh.<br>Commercial Sexual Exploitation (CSE) is a form of Violence Against Women and it is important that all sectors within housing understand and appreciate this and that the appropriate level of support is given to those affected, including access to safe and suitable forms of accommodation. The Group has developed specialist training to enhance the |

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| | knowledge and understanding of our staff in this area and this will shortly be rolled out across our wider frontline staffing teams to ensure anyone impacted is able to access the right support at the right time. |
| Ensure a **joint tenant** can end interest in a PRS tenancy.<br><br>And joint tenants who experience **domestic abuse** can remain in the family homes as the sole tenant.<br><br>Introduce a ground that enables private landlords to apply to the FTT to transfer a tenancy to enable a survivor of domestic abuse to remain in the family home as sole tenant. | We would welcome improvements to how PRS sector joint tenants can end tenancies to equalise practices with the social rented sector. However, we would recommend that longer notice periods may be advisable to give tenants time to save for the deposit or make plans if the rent and deposit is no longer affordable.<br><br>We would welcome grounds that support domestic abuse survivors to remain in their homes as a sole tenant. Allowing private rented sector tenants to end a joint tenancy may also assist in avoiding a greater crisis. Victims of domestic abuse should have the option to remain in their existing home where they feel it is appropriate to do.<br><br>The Group offers a wide range of support including risk assessment and safety planning, access to safe and secure home/personal safety referrals, attendance at multi-agency forums to take a collective approach towards targeted action planning and established partnership working with statutory and non-statutory agencies. Women are known to be most disadvantaged by domestic abuse and, as they often assume the role of primary caregiver, remaining within the community where children attend education, existing GPs surgeries etc is of real importance to their support structure. |
| Amend the **PRS rent adjudication** process so Rent Officers or FTT can only agree a proposed rent increase or lower it. | As required whenever we increase PRS rents for sitting tenants, we inform them of their right to apply to a Rent Officer if they disagree with the rent increase. Removing the fear that the Officer could increase the rent is likely to lead to more applications, however, as our PRS partner Lowther's annual rent setting exercise is based on market data and rents are set within the Local Housing Allowance for MMR homes, information which the Rent Officer also looks at, our rent increases can be justified and unlikely to be challenged. |
| **Greater flexibility to personalise a rented home** | |
| Potentially creating a right to keep **pets** in the PRS and Social Rented Sector. | Generally, across both our RSLs and Lowther we recognise the importance of pets and the impact they can have on wellbeing. However, out of consideration for neighbours the new right should allow for restrictions in numbers and in some other limited circumstances – for example in social housing, to allow decisions to be taken on a project basis in specialist and supported housing. |

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| Amend the Private Housing (Tenancies) Scotland Act to allow people to personalise their home by internal **decoration**. | We allow our Lowther tenants to personalise their home taking into account the extent and cost of returning it to a lettable state, for example tenants can put up pictures and can change the wall colour although we would expect them to return the property to a neutral colour at the end of the tenancy or at their cost, but they would not be allowed to change the flooring because of the cost of replacing or rectifying any damage to carpets.<br><br>Any reforms would need to be specific about the extent of personalisation allowed without explicit landlord consent. One consequence may be that landlords look for a higher deposit at the start of the tenancy up to the maximum of 2 months rent to cover additional costs in returning flats to a lettable state and this could create an affordability barrier for some lower income tenants. |
| **Reform of the eviction process** | |
| Introduce measures that **prevent evictions over the 'winter period'** to give tenants more time to access support and alternative accommodation when subject to a notice to leave or notice of proceedings<br><br>One way of achieving this could be by introducing a requirement on the FTT/Sheriff Court to consider delaying enforcement of an eviction order during winter except where there is ASB or criminal behaviour | The 'winter period' is undefined and the strategy does not provide a detailed justification for preventing evictions at this time, other than saying that particularly during the festive period it can be hard to find support and alternative accommodation due to less properties being available, disruption to services due to staff holidays or increased costs such as utilities.<br><br>Most notice to leave periods are 3 or 6 months, the only exceptions to this being 28 days for grounds relating to a relevant criminal conviction or ASB or an abandonment. Giving longer to leave under these circumstances could have wider implications for neighbouring tenants. For other grounds at least 3 months would be reasonable for tenants to find alternatives throughout the winter season. It also can take a month from an eviction order being granted to paperwork being processed for Sherriff Officers to carry out an eviction.<br><br>As the difficulties identified for tenants in the draft strategy seem to be most acute over the 2-week Christmas period it would indicate that any 'ban' on winter evictions should be limited only to this period of winter. In our social rented tenancies, we already stop issuing NOPs, booking cases to court or carrying out evictions from mid-December to the beginning of January. However, this does mean rent arrears continue to accrue and extending this |

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| | period for any longer means tenants have more debt to clear. Often, servicing the notice prompts engagement which has not been forthcoming despite our support at earlier stages.<br><br>Any restriction on evictions means that costs to landlords from any additional unpaid rent through this period could increase. The draft strategy does not address this impact - presumably expecting landlords to absorb this cost. The unintended consequence of a winter eviction ban will be landlords timing action to avoid it, leading to notices and higher demand on courts before and after the winter period. Where this is not possible and evictions are due to unpaid rent, the financial cost of extra time in the tenancy during the ban period is unlikely to be recovered from the outgoing tenant therefore we would welcome additional financial support measures for tenants through this period that would cover unpaid rent.<br><br>The draft strategy suggests local authorities could offer income maximisation advice to prevent winter evictions. As part of a range of support for tenants we already offer income maximisation advice to prevent eviction for arrears, however, it is often the case that by the time a case has reached the FTT/Courts income maximisation will not address the accumulated arrears so while useful, it is unlikely this would prevent or even delay eviction or cover the additional unpaid rent owed to the landlord.<br><br>Financial support to tenants, similar to the Tenant Hardship Grant Fund could allow more effective engagement with RSLs and private landlords not having to take the whole burden of ongoing arrears and reduce the stress of the situation for tenants. However, this would require an additional financial resource not currently available to RSLs or private landlords. Ideally, there would be a national approach to how this was delivered as the approach to Tenant Hardship Grant has varied by local authority. |
| **Rent Guarantor Schemes** | |
| Potentially developing a **rent guarantor scheme(s)** to support key groups to access the PRS. | Lowther's letting policy sets out that we would not usually accept guarantors except where in exceptional circumstances, for example, this is the prospective tenant's first tenancy and they are not able to provide any landlord references or income history.<br><br>Lowther would welcome rent guarantor schemes |

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| | where it would help key groups to access housing, for example, young people or people leaving care environments to access the sector. We feel this should also be broadened to deposit guarantee schemes in response to the points from MMR tenants earlier in the draft strategy that saving up a deposit can be a barrier to accessing or moving within the sector. Unclaimed deposit monies may be a potential source of funding for this. |

4.5 It is notable that the strategy is largely silent on **increasing access to affordable housing**, especially around the growing mid-market rent part of the private rented sector. Each provider will have their own approach to marketing and allocation as well as letting criteria, and there is limited understanding amongst prospective tenants about MMR and how to access these affordable homes. For example, there is no single place for customers to find these homes and Local Authority websites with links to MMR providers are often out of date, requiring prospective tenants to approach each provider and navigate different letting criteria and processes.

4.6 Considering the significant investment by the Scottish Government and RSLs in MMR as a tenure, we would welcome a discussion on how the MMR sector can deliver better outcomes for low income households by increasing the visibility of and ease of access to this high quality affordable housing product. For example:

- A clearer 'brand' for MMR that enables potential customers to understand the benefits and security of this tenure, accompanied by a national public awareness campaign;
- A common platform to market MMR homes;
- A review of the use of deposits in the MMR sector and the reach of deposit guarantee schemes;
- An understanding of the role it plays in reality in preventing homelessness; and
- Standardisation in letting processes and criteria for MMR homes.

*Affordable Rents*

| *Key Proposals* | *Considerations for Wheatley Group* |
|---|---|
| Develop a **shared understanding of affordability** - views are being sought on the most important factors to be considered in developing that understanding, and also how such an understanding could be used and evaluated. | A shared understanding of affordability would usefully build on existing work in this area, including the detailed review Scottish Government published in 2019 which we and others already use to inform our guideline of social rents being within 35% of household income. Similarly, the SHFA affordability tool, extensively used in the sector, is the product of detailed research and input from a variety of bodies and works well as a broad indication of affordability.<br><br>The factors that influence affordability will vary significantly across the country but it would be useful to have a tenant informed view which will give greater understanding. This should include all aspects of affordability e.g. heating and potential commuting costs as well as rent, and would be very |

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| | useful in informing decisions and consultation for RSLs. However, the social sector rent consultation directly with tenants should remain the key determinant of rent increases. Tenants in each RSL need to consider the balance of services, quality of homes and cost of living. This cannot be determined by a one size fits all approach.<br><br>Rents, although just one part of housing costs, in the MMR sector are pegged to Local Housing Allowance and the Scottish Government's Broad Market Rental Area data as the proxy for affordability. Lowther's letting policy, which is in line with other providers in the MMR sector, assesses affordability by looking at a prospective tenant's ability to sustain the rent and other key housing and living costs, where as a rule of thumb rent should be no more than 35% of income. MMR letting criteria includes an income banding of £21 – 40k/pa, as this income can sustain MMR rents up to 100% of the local housing allowance for the areas we operate in.<br><br>A shared understanding of affordability could be used to refine and standardise letting criteria and affordability assessments by MMR providers to improve accessibility for low income households. |
| Mandate the need for PRS landlords to provide a range of **rental data and other property information** - to support future rent control policies – provisions to be included in the Housing Bill.<br><br>Scottish Government is proposing to make available rent and property information for all properties including rents paid by previous tenants. | The exact data to be collected has not been determined and needs further expert input but a sample list is provided in the draft strategy<br><br>Lowther already provides rent data annually for our full and MMR homes to the Scottish Government in the format they request it and would be happy to provide future data.<br><br>The issue of data accuracy and keeping it up to date will be challenging for the sector as whilst sitting tenant rents can only change once a year, rents can change significantly at re-let to reflect market conditions. This can mean tenants in similar properties in the same block or street paying different rents depending on when the property is let. Publishing this data may lead to more challenges to Rent Officers, however, we would be confident that rents can be justified with reference to the local market and the quality of our product. |
| Views are sought on the proposed vision for **national rent controls** for the PRS sector aimed at tackling poverty and improving outcomes for low income families. | Rent control for MMR homes is already in place through the grant regime which should be recognised in any approach to national rent controls.<br><br>Further, any control system must recognise that to provide high-quality landlord services, such as repairs, we face cost inflation, and therefore controls cannot be lower than relevant indices such as CPI or building cost indexes in order that services to |

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| Views are also sought on the principles of national rent controls:<br>- Give local authorities mechanisms to introduce local measures<br>- Be evidence based<br>- Encourage PRS to improve the quality of properties<br>- Learn from processes already in place for social sector tenants<br>- Seek to give tenants a stronger voice.<br><br>National rent controls for the PRS only. | tenants are not negatively impacted.<br><br>The underlying principles would indicate that the Scottish Government may introduce tenant consultation around rent increases in the PRS sector. Reflecting that rent setting in the private sector is market driven to ensure that rents are competitive, Lowther does not apply a single rent increase across our diverse portfolio. The practicalities of tenant consultation on rent increases specific to a single street or block would need to be worked through if this was to be proposed, so as to ensure it provides value and benefit to tenants.<br><br>We agree that there is no need for a rent control approach in the social sector. It is vital that these are set at an organisational level determined by tenant engagement. The existing safeguards through the Scottish Housing Regulator ensure that this engagement is appropriate. |

*Supply of Rented Homes*

4.7 This section has no proposals, instead it recognises a number of challenges in increasing supply and asks for views on a number of questions set out below.

| *Key questions* | *Considerations for Wheatley Group* |
|---|---|
| Beyond the routes already available to deliver **MMR** homes how could new **additional investment** in this be supported? | The delivery of an MMR programme across the East and West has been successful in recent years, giving a route to increase numbers of affordable homes being delivered and creating balanced, mixed communities. MMR delivery is hampered in some areas such as Dumfries and Galloway as a result of the Local Housing Allowance levels.<br><br>However, private sector finance appetite to invest in Scottish affordable housing sector via the existing model of senior, secured debt is significant with debt priced relatively cheaply given the strong support from Scottish Government grant funding. However, introducing different types of funding (mezzanine and/or equity) into the model is somewhat limited given the rate of return required for these investors is higher and future income streams on MMR are limited by rent increases, tied to Local Housing Allowance. Similarly, if PRS is subject to rent |

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| | controls it will act as a deterrent to private sector finance as returns to investors will be constrained.<br><br>The new Scottish National Investment Bank (SNIB) has a potential role to play here, meeting a gap in supply to provide either mezzanine or equity funding, or potentially a 'whole-ticket' approach (including senior debt), priced to reflect the low risk of default in the sector and the sustainable outcomes for the people of Scotland (access to affordable housing, increase of supply of new energy-efficient homes, creation and support of 20-minute neighbourhoods, regeneration of brown sites etc.). |
| What measures can be put in place to encourage **build to rent** (BTR) in Scotland? | Purpose built BTR has seen some growth in Scotland in recent years. Unlike south of the border, house market factors (including lower average house price purchase pricing), mean that the economic viability of PBBTR is very challenging and can often only work in housing markets areas that are very strong in Scotland. Competition for land in such markets is consequentially very high making the investment case for PBBTR on a financial rate of return basis, very challenging when set again open market sale competitors.<br>The majority of BTR investors work UK-wide and consider investments using a rate of return model, with assumptions of rent increases over a 25/30-year timeframe. Scotland may be put at a competitive disadvantage in the event that rent controls are introduced here, but not in the rest of the UK.<br><br>Also there is a current pipeline of 9,000 new homes in the BTR sector. Should this expand, there may be a risk to MMR demand in some market areas. Given this, demand reports will need to be carefully considered. |
| Is the approach to allocations achieving the right balance between supporting existing social tenants and those seeking a home within the sector | The ambition to end homelessness means that a significant proportion of social stock must be used to achieve that aim. The current shortfall in supply means that this comes at the cost of less ability to help others in need. There are particular challenges in meeting the needs of those who require larger or accessible homes. Changing the approach to allocations is unlikely to achieve a significant difference until the balance of supply is changed |

*Quality-Raising Standards*

| *Key Proposals* | *Considerations for Wheatley Group* |
|---|---|
| A review of existing **registration regimes in the PRS sector** to identify lessons and ways to strengthen them to drive up standards.<br><br>Also a suggestion there could be new fines for landlords and letting agents who fail to comply with requirements in relation to property adverts, and expanding the scope of penalties that local authorities can issue to landlords. | Our commercial entity, Lowther, is both a registered landlord and letting agent. Both sets of registrations require to be renewed every 3 years but whilst the key fit person tests are consistent, the systems are different with local authorities administering the former and the Scottish Government the latter.<br><br>Lowther will be introducing an annual self-assurance statement for review by its Board, following the model currently required of social landlords, that will set out requirements including those in the Letting Agent Code of Practice, and compliance with those as well as continuous improvement actions. |
| Intention to consult on **a new housing standard**, to be published in 2023 and legislated for in 2024/25 with phased implementation from 2025 to 2030. This will incorporate the energy efficiency standards set out in the Heat in Buildings Strategy. | There are already extensive cost implications from the EESSH2 requirement in the social sector, estimated to cost tenants across the sector £2 billion through their rents. Any new standard needs to be accompanied by sufficient funding and to consider the impact on affordability for tenants if rents have to increase to fund the necessary investment.<br><br>The current grant fund for Net Zero Social Housing is a welcome start but we would strongly welcome removal or reduction of the need for 50% match funding which acts as a barrier to bidding.<br><br>The ongoing investment in our RSL stock, the age of Lowther's PRS properties and planned investment in our portfolio should position us well to meet any new housing standard. However, there could be financial implications for the Group from the housing standard depending on the precise requirements, particularly around minimum space and digital connectivity and particularly if these are implemented for existing stock. For example, if studio flats are not regarded as meeting the space standard funding would be required to adapt or demolish these. This would also reduce supply.<br><br>The requirement around energy efficiency in Heat in Building Strategy is welcome, as is the commitment to put legislation in place |

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| | given our commitment to the energy efficiency of our properties |
| Introduce regulations in 2025 requiring all **PRS to reach EPC C** as a minimum where technically feasible and cost-effective at change of tenancy, and for all properties by 2028. | Lowther's investment approach is already focused around achieving EPC C for the small number of properties not currently achieving it and we project this target should be achievable by the proposed deadline. |
| Legislate to require the installation of **zero or new zero emission heating** in existing buildings, and all buildings to meet this standard by 2045. | The Group is committed to playing our part in achieving net-zero and recognise the importance of zero emission heating in achieving this. Detailed consideration will be need on the cost implication of changing existing systems and the best way for Government to support required change. Wider consideration such as the rate of adoption of new technologies, such as hydrogen based fuel, will also have an impact on implementation. |
| Fundamental review of the **adaptations system** | A full review of adaptations is required. The current system is deeply unfair to tenants who have to self-fund adaptations now that limited allowances made in the transfer business plan settlements from 20 years ago have been exhausted, whilst other social rent tenants do not. There should be an equal national system that is fair to all tenants and provides the higher funding levels that the SFHA has consistently argued for.<br><br>The system at present is fragmented and difficult for customers. It can often delay discharge from hospital and/or exacerbate health issues.<br><br>The direct funding of adaptations to RSLs continues to work well allowing a streamlined approach for our tenants to receive what they need. However, across the country adaptations are considered through a different route from aids and equipment even though the same people will often require both. The pressure on our health and care services, together with the ageing population mean it is vital to get this process right going forward. Adaptations (either for individuals or on a more widely planned basis) will be the main mechanism to make our existing stock more accessible.<br><br>The resource allocation to adaptations needs to be significantly altered given the ageing profile of our population, the existing demand for adapted homes and the need |

| | |
|---|---|
| | to be able to move people out of hospital more rapidly. If we are to meet these needs much of the work needs to be done in existing stock. All our landlords have a strong approach to working with tenants and other stakeholders to facilitate adaptations and welcome any review however that review needs to look at funding as a key enabler of a more effective adaptations system. |
| **Cross-sector regulation** through setting out clear outcomes and standards that landlords in both the private and social sectors would be assessed against, for example implementing a Charter for the PRS sector. Views are sought on a vision of a tenure-neutral outcomes for tenants in both sectors, and underlying principles that focus on:<br><br>- **Setting up a PRS regulator** building on experience of SHR<br>- **PRS regulation based on defined standards** for quality, affordability and fairness<br>- Being evidence based but taking account of stakeholders views and value for money<br>- Be reflection of the draft strategy's ambitions | The Group has a well-established approach to meeting and exceeding regulatory requirements as set out in the Charter for our RSLs.<br>However, any increase in regulation on the PRS sector will mean higher management costs and this will need to be factored into Lowther's business plan and our appraisal of future MMR growth opportunities. |

Implications

4.8 Looking across the range of proposals in the draft strategy many of the proposals will have no or relatively low impact, especially for our RSLs. The draft strategy presents some opportunities to support more vulnerable groups such as tenants who are survivors of domestic abuse, and ensure tenants are aware of their rights which we would welcome. However, there are a number of areas where the implications for the Group could be more significant:

- A new housing standard is likely to have significant cost implications as we have already seen with EESSH2, and with inadequate Government funding it will put pressure on rents across the social and private rental sectors impacting services and affordability for households on low incomes counter to the aims of the draft strategy.
- A ban on winter evictions looks to be likely, and depending on the definition of 'winter' that is adopted, the additional rent arrears accrued could be significant. Our mitigation will be to re-profile our arrears and legal actions to reduce this impact.

- The cumulative impact of the proposals in the PRS sector – increased regulation, new requirements to provide data, national rent controls, a new housing standard, changes to how evictions are handled by the courts – will increase management costs for Lowther's PRS portfolio whilst limiting ability to recover that through rents. We will need to take this into account in the rate of return we use when we appraise future MMR growth opportunities. We will also need to review our existing FMR portfolio which is older stock on which the majority of Lowther's investment programme is focused, some of which has not performed well in recent years.
- Increased pre action protocols in the private sector should help to prevent homelessness. However, this will only be the case if a targeted approach is adopted to help households find alternative accommodation – largely remaining in the private rented sector. If this is not well planned there is potential for an increase in the number of households coming through the homelessness route and being referred to our RSLs for accommodation.

4.9 The Scottish Government draft rented sector strategy contains a range of proposals to deliver on its ambition to improve access, affordability and quality across the rented sector. There is a strong focus on levelling up the PRS which has a bigger distance to travel as a sector as a whole, although there is considerable variation across it which is not well acknowledged in the proposals and discussion.

## 5. Customer engagement

5.1 As part of the development of the Group's response to the consultation document we have discussed the proposals with our Tenant Scrutiny Panel. They agreed with our draft response and also asked that some further points be made to the Scottish Government. These were:

- Emphasizing that existing RSL rent consultation processes work well and that there cannot be a one size fits all approach;
- That rent control in the private rented sector should balance the risks of affordability for customers and viability to private landlords, bearing in mind that if this balance is not right the pressure is likely to fall on social housing;
- Placing an increased focus on bringing empty homes back into use as quickly as possible in all sectors;
- Supporting the desire for high quality housing but emphasizing that this must not come at the expense of affordability;
- Support increased engagement amongst customers but be aware that not everyone can use or wishes to use digital engagement approaches – ensure there are routes of engagement which suit all customers; and
- To express concern at the prospect of Tenant Unions – the panel expressed concern that the phrase "union" had a particular and political meaning in Scotland which might discourage participation. They also noted that there are in fact a few tenant unions in existence, some of which have links to existing trades unions and they felt that this link might not be helpful.

## 6. Environmental and sustainability implications

6.1 There are no new implications identified at this time.

## 7. Digital transformation alignment

7.1 There are no implications identified for our digital transformation alignment arising from the draft strategy consultation document and its proposals.

## 8. Financial and value for money implications

8.1 There are no implications identified at this time, however, there a number of areas which may have future implications, such as meeting increased regulatory requirements, which will be assessed when more detail is available.

## 9. Legal, regulatory and charitable implications

9.1 The draft strategy sets out a number of areas where further legislation will be developed, the implications of which are discussed above.

## 10. Risk appetite and assessment

10.1 Our agreed risk appetite in relation to changes in policy is cautious. This level of risk tolerance is defined as "p*reference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward*".

10.2 Through discussion of the draft strategy and a comprehensive response to the consultation, as well as our networks with key stakeholders and relationship with the Scottish Government we would aim to inform policy arising from the strategy and its implementation, and effectively plan to mitigate negative impacts as far as possible, whilst maximising the opportunities it creates to deliver better outcomes for our customers.

## 11. Equalities implications

11.1 There are no implications for identified at this time.

## 12. Key issues and conclusions

12.1 The draft strategy – *A New Deal for Tenants* has a strong focus on enhancing tenants' rights across all rented sectors, including the social and private rented sector (PRS).

12.2 We have a strong organisational ethos which already fits with the key elements of the strategy. We have also identified a number of areas where the strategy would benefit from being more clearly codified, such as supply and housing access. Our response will seek to highlight those areas for further consideration.

## 13. Recommendation

13.1 The Board is asked to consider and discuss the draft proposals set out in a *New Deal for Tenants,* to inform the Group's response to the Scottish Government's consultation exercise.

Loretto Housing

# Report

**To:** Loretto Housing Board

**By:** Sarah Stocks, Finance Manager

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Finance report

**Date of Meeting:** 28 March 2022

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## 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 2022 including the latest forecast for 2021/22.

## 2. Authorising and strategic context

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

## 3. Background

**Financial performance to 28 February 2022**

3.1 This results for the period to 28 February 2022 are summarised below.

| | **Year to Date (Period 11)** | | |
|---|---|---|---|
| **£000** | **Actual** | **Budget** | **Variance** |
| Turnover | 11,260 | 11,077 | 183 |
| | | | |
| Operating expenditure | 11,846 | 11,724 | (122) |
| | | | |
| **Operating deficit** | **(586)** | **(647)** | **61** |
| | | | |
| Net interest payable | (2,211) | (2,378) | 167 |
| | | | |
| **Deficit** | **(2,797)** | **(3,026)** | **229** |
| | | | |
| **Net Capital Expenditure** | **13,155** | **7,611** | **(5,544)** |

## 4. Discussion

4.1 This report outlines performance against budget with the appendix providing more detail on the financial results.

4.2 We have reported a statutory deficit of £2,797k for the period to 28 February 2022, which is £229k favourable to budget.

Key variances against budget include:

- Gross rental income is in line with budget. Void lost rent is £138k favourable to budget, with changes in referral criteria at one of our temporary accommodation sites having a positive impact since they were implemented in June.
- Direct employee costs are £17k unfavourable to budget due to the creation of Community Engagement Officer post in Loretto.
- Group services employee costs are £31k higher than budget, due to the launch of the new Customer First Centre and additional staffing resources put in place to support our new ways of working. This is offset by lower Group service running costs resulting from continued homeworking.
- In repairs and maintenance costs of £2,231k are £339k higher than budget as a result of higher compliance costs (mainly M&E), an increase in the property cyclical programme and higher utility costs. The repairs service is fully remobilised and meeting customer demand for reactive works.
- Bad debt costs are £207k favourable to the budget. The budget for 2021/22 includes a prudent level of provision for costs associated with an assumed increase in arrears levels related to Universal Credit (UC).
- Interest payable is £167k lower than budget, following restructure of WFL1's loans in March 2021.

4.3 Net capital expenditure is £5,544k higher than budget, which is linked to the new build programme. New build spend is £2,193k unfavourable to budget due to reprofiling from 2020/21. The Dargavel and Queens Quay sites are all progressing well and driving the higher spend year to date. New build grant income is £3,380k lower than budget due to timing of grant claims, with more grant being claimed in the 2020/21 financial year.

## 5. Customer engagement

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

## 6. Environmental and sustainability implications

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

## 7. Digital transformation alignment

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

## 8. Financial and value for money implications

8.1 The statutory surplus for the period to 28 February 2022 is £229k favourable to budget. Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying results for the period to 28 February 2022 were £84k favourable to budget ensuring that these efficiency targets are met.

## 9. Legal, regulatory and charitable implications

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

## 10. Risk appetite and assessment

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

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

## 11. Equalities implications

11.1 There are no equalities implications arising from this report.

## 12. Key issues and conclusions

12.1 This paper presents the financial performance position for the period to 28 February 2022.

## 13. Recommendation

13.1 The Board is requested to note the finance report for the period to 28 February 2022 at Appendix 1.

### List of Appendices

Appendix 1: Loretto Finance Report to 28 February 2022

Loretto Housing

# Finance Report
# Appendix 1 – period to 28 February 2022





Classified as Internal

# Operating Statement – YTD February 2022

| | Period To 28 February 2022 Actual £k | Budget £k | Variance £k | Full Year Budget £k |
|---|---|---|---|---|
| **INCOME** | | | | |
| Rental Income | 11,009 | 11,013 | (4) | 12,188 |
| Void Losses | (217) | (355) | 138 | (393) |
| **Net Rental Income** | **10,792** | **10,658** | **134** | **11,795** |
| **Other Income** | **274** | **269** | **5** | **295** |
| **Grant Income** | **194** | **149** | **45** | **167** |
| **Total Income** | **11,260** | **11,077** | **183** | **12,257** |
| | | | | |
| **EXPENDITURE** | | | | |
| Employee Costs - Direct | 1,927 | 1,910 | (17) | 2,120 |
| Employee Costs - Group Services | 389 | 358 | (31) | 398 |
| ER / VR | 0 | 0 | 0 | 0 |
| Direct Running Costs | 1,576 | 1,599 | 24 | 1,752 |
| Running Costs - Group Services | 224 | 259 | 35 | 287 |
| Revenue Repairs and Maintenance | 2,231 | 1,892 | (339) | 1,941 |
| Bad debts | 89 | 296 | 207 | 328 |
| Depreciation | 5,410 | 5,410 | 0 | 6,003 |
| **TOTAL EXPENDITURE** | **11,846** | **11,724** | **(122)** | **12,828** |
| | | | | |
| **OPERATING SURPLUS / (DEFICIT)** | **(586)** | **(647)** | **61** | **(571)** |
| Interest Payable | (2,211) | (2,378) | 167 | (2,514) |
| **STATUTORY SURPLUS / (DEFICIT)** | **(2,797)** | **(3,026)** | **229** | **(3,085)** |

| | Period To 28 February 2022 Actual £k | Budget £k | Variance £k | Full Year Budget £k |
|---|---|---|---|---|
| **INVESTMENT** | | | | |
| **Total Capital Investment Income** | **2,710** | **6,090** | **(3,380)** | **6,260** |
| **Investment Works** | 2,640 | 2,540 | (100) | 2,834 |
| **New Build** | 13,038 | 10,845 | (2,193) | 11,957 |
| **Other Capital Expenditure** | 187 | 316 | 129 | 351 |
| **TOTAL CAPITAL EXPENDITURE** | **15,865** | **13,701** | **(2,164)** | **15,143** |
| | | | | |
| **NET CAPITAL EXPENDITURE** | **13,155** | **7,611** | **(5,544)** | **8,882** |

Loretto Housing

**Income and Expenditure account – key points**

- Net operating deficit of £586k is £61k favourable to budget. Statutory deficit for the year to date is £2,797k, £229k favourable to budget. The main driver of the favourable variance is lower voids, and interest payable. The results at February include the activities transferred from Cube Housing Association from 28th July.
- Gross rental income of £11,009k is £4k unfavourable to budget.
- Void losses in the year to date are 1.97% against a budget of 3.23%. Voids notably improved after implementation of new referral criteria at Broad St, one of Loretto's 3 temporary accommodation sites, in the June.
- Grant income relates to medical adaptations and the release of grant for New Build completions. To date grant has been released for 1 new build unit at Cobblebrae, noting that no new build grant income was budgeted.
- Employee costs are £17k unfavourable to budget, this is due to the Community Engagement Officer's post and handover / training period for a small number of new staff joining the team. Employees recharged from Group Services are for Loretto's share of Wheatley Solutions staff. The recharge has increased following the launch of the new Customer First Centre and additional staff resources to support our new ways of working..
- Direct running costs are £24k favourable to budget, with a number of budget lines showing underspends, which offset higher property costs. Our new ways of working have enabled us to make YTD operational group services running costs savings of £35k.
- Revenue repairs and maintenance expenditure is £339k unfavourable to budget as a result of higher compliance costs (mainly M&E), an increase in the property cyclical programme for communal utility costs.
- Bad debts are £207k favourable to budget. A prudent approach was taken when setting the budget.
- Gross interest payable of £2,211k represents interest due on the loans due to Wheatley Funding Ltd. YTD costs are £167k lower than budget, following the re-arrangement of WFL1's loans in March 2021.
- The net capital position of £13,155k is £5,544k higher than budget. This is due to the timing of new build spend and grant received. Grant income has now been fully drawn down against Queens Quay, Cobblebrae and Hallrule, the variance will continue to increase until year end.
- Investment works expenditure of £2,640k mainly relates to core programme works, including central heating, KBR, windows & doors and smoke & heat detector installations.
- New build expenditure of £13,038k, is £2,193k higher than budget and relates mainly to 4 ongoing sites – Hallrule, Dargavel, Cobblebrae Farm and Queens Quay, with Dargavel and Queens Quay driving the higher spend year to date. Approx. £1.6m of the capital investment income received is for Hallrule, with the remainder being for Cobblebrae (£647k) and Queens Quay (£339k).
- Other capital expenditure of £187k relates to the Loretto contribution to Wheatley Group IT and office refurbs. The full year budget includes £108k for office refurb and conversion of housing properties previously used as offices by Wheatley Care.

# Underlying surplus – P11 February 2022

**Key comments:**

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, including capital expenditure on our existing properties.
- In the period to the end of February 2022, an underlying deficit of £221k has been generated using this measure which is £84k favourable to budget. The variance is driven by the lower levels of interest expenditure. The full year budget reflects an underlying deficit of £83k.

| Loretto Underlying Deficit - February 2022 | | | | |
|---|---|---|---|---|
| | YTD Actual £k | YTD Budget £k | YTD Variance £k | FY Budget £k |
| Net operating surplus | (586) | (647) | 61 | (571) |
| add back: | | | | |
| Depreciation | 5,410 | 5,410 | 0 | 6,003 |
| less: | | | | |
| Grant income | (194) | (149) | (45) | (167) |
| Net interest payable | (2,211) | (2,378) | 167 | (2,514) |
| Total expenditure on Core Programme | (2,640) | (2,540) | (100) | (2,834) |
| Underlying deficit | **(221)** | **(305)** | **84** | **(83)** |

# Rental and Other Income – YTD February 2022

| Income | 1 April 2021 - 28 February 2022 | | | 21/22 Annual |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | Budget £k |
| Rental Income | 11,009 | 11,013 | (4) | 12,188 |
| Voids | (217) | (355) | 138 | (393) |
| **Net Rental Income** | **10,792** | **10,658** | **134** | **11,795** |
| | | | | |
| WC Management Fee | 186 | 186 | 0 | 203 |
| Mid Market Rental Income | 77 | 69 | 8 | 75 |
| Garage/ Lock-ups | 12 | 15 | (3) | 17 |
| **Other Income** | **274** | **269** | **5** | **295** |
| | | | | |
| Grant Income | 194 | 149 | 45 | 167 |
| **TOTAL INCOME** | **11,260** | **11,077** | **183** | **12,257** |

**Comments**

**Net rental income**

- Rental income of £11,009k includes a 1.7% rent increase (1% for stock transferred from Cube) and is £4k unfavourable to budget.
- Void lost rent of £217k YTD is £138k favourable to budget and the YTD void rate is 1.97%, versus the budgeted rate of 3.23%.

**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 of £108k is in relation to medical adaptations.
- Grant Income of £86k has been released in relation to the completion of 1 unit at Cobblebrae Farm

# Direct Running Costs – YTD February 2022

Loretto Housing

| Direct Running Costs | 1 April 2021 - 28 February 2021 | | | 21/22 Annual |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | Budget £k |
| Equipment and Furniture | 2 | 21 | 18 | 23 |
| Initiatives | 211 | 234 | 23 | 256 |
| Insurance | 62 | 57 | (5) | 63 |
| Misc Running Costs | 69 | 117 | 48 | 129 |
| Property Costs | 361 | 283 | (78) | 310 |
| Staff Related Costs | 20 | 37 | 17 | 41 |
| Group recharges | 850 | 850 | (1) | 930 |
| **TOTAL RUNNING COSTS** | **1,576** | **1,599** | **24** | **1,752** |

| Initiatives | 1 April 2021 - 28 February 2021 | | | 21/22 Annual |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | Budget £k |
| Helping Hand | 34 | 37 | 3 | 41 |
| Tenancy Support Service | 60 | 71 | 10 | 79 |
| Think Yes | 16 | 25 | 10 | 28 |
| Wheatley Foundation | 101 | 101 | 0 | 99 |
| Wider Action | 0 | 0 | 0 | 9 |
| **Total** | **211** | **234** | **23** | **256** |

.**Comments**

- Direct running costs of £1,576k are £24k favourable to the budget of £1,599k. The favourable position is reported due to lower spend across several categories, which is related to implementation of our new operating model.
- Property costs are £78k unfavourable to budget mainly due to cleaning costs for communal areas at some of Loretto's large supported properties. We will review the budget allocation as part of our update for 2022/23.
- Group recharges includes:
  - Environmental running costs recharged from GHA (relating to vehicles, equipment and depot costs);
  - A recharge from GHA for Loretto's share of the running costs of the Wheatley 360 service; and
  - Payment to Wheatley Care of Loretto's temporary accommodation and Livingwell service charge income (for the services provided by Wheatley Care at these sites) less related property costs paid by Loretto on Wheatley Care's behalf.
- Table 2 provides a breakdown of YTD Initiatives expenditure.

# Repairs and Maintenance – YTD February 2022

| Repairs & Maintenance Expenditure | 1 April 2021 - 28 February 2022 | | |
|---|---|---|---|
| | Actual £k | Budget £k | Variance £k |
| Reactive repairs | 936 | 890 | (46) |
| Cyclical maintenance (compliance) | 839 | 663 | (176) |
| Cyclical property maintenance | 124 | 79 | (46) |
| Other | 54 | 24 | (30) |
| Communal Utilities | 278 | 237 | (41) |
| **TOTAL R&M Expenditure** | **2,231** | **1,892** | **(339)** |

**Comments**

- Revenue repairs and maintenance spend of £2,231k is £339k unfavourable to the budget of £1,892k.
- The number of reactive repair jobs completed has increased in 2021/22 reflecting our service re-mobilisation and is now at a business as usual level.
- Cyclical Maintenance - Compliance spend relates to gas servicing and the maintenance and repair of any mechanical and electric equipment in Loretto's properties, such a lifts, fire safety equipment and pumps and tanks. Reported costs are £176k higher than budget due to higher M&E costs and the timing of gas servicing.
- Cyclical property maintenance includes work at Huntershill and former Cube properties in Kirkintilloch and West Dunbartonshire. The unfavourable variance reported is due to an increase in the programme this year.
- 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 costs are £41k unfavourable to budget, following receipt of both a significant volume and value of invoices from providers not on the Group framework. This has arisen as the project to transition all utility accounts to the Group framework progresses.

# Investment Works – YTD February 2022

| Investment Works | 1 April 2021- 28 February 2021 | | | 21/22 Annual |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | Budget £k |
| **Investment Works Grant Income** | | | | |
| Adaptations | 108 | 149 | (42) | 167 |
| **Total** | **108** | **149** | **(42)** | **167** |
| **Investment Works Expenditure** | | | | |
| Adaptations | 108 | 149 | 42 | 167 |
| Core programme | 2,046 | 1,862 | (183) | 2,072 |
| Capitalised repairs | 191 | 139 | (52) | 159 |
| Capitalised staff | 76 | 80 | 4 | 88 |
| Void repairs | 220 | 309 | 89 | 348 |
| **Total** | **2,640** | **2,540** | **(100)** | **2,834** |

**Comments**

- Overall investment works expenditure of £2,640k for the month of February is £100k unfavourable to the budget of £2,540k.
- Core programme works are £183k higher than budget mainly due to KBR, central heating, compliance capital and M&E works.
- £92k of M&E spend to replace the lift at Wallace of Campsie House, one of our hostels. Although a replacement wasn't planned in the programme for this year it was deemed to be more cost-effective option, due to continuing repairs.
- Compliance costs relate to smoke and heat detector installations and Loretto was fully compliant by the February deadline.
- The cost of adaptations is funded by grant income.

# New Build Programme – YTD February 2022

| Name | Year To Date | | | FY Budget £k |
|---|---|---|---|---|
| | Actual £k | Budget £k | Variance £k | |
| Hallrule Drive | 2,624 | 2,233 | (391) | 2,436 |
| Dargavel | 4,406 | 2,944 | (1,462) | 3,045 |
| Cobblebrae Farm | 1,838 | 2,182 | 344 | 2,335 |
| McDowall Street | 34 | 0 | (34) | 65 |
| Forfar Avenue | 219 | 0 | (219) | 0 |
| Vellore Rd | 0 | 484 | 484 | 585 |
| Queens Quay | 3,682 | 2,536 | (1,146) | 2,842 |
| South Crosshill | 0 | 36 | 36 | 36 |
| Westcliff | 10 | 0 | (10) | 0 |
| East Lane | 2 | 0 | (2) | 0 |
| Prior year schemes | 9 | 0 | (9) | 0 |
| Land Acquisition | 0 | 92 | 92 | 100 |
| Feasibility | 0 | 0 | 0 | 0 |
| **Loretto** | **12,824** | **10,507** | **(2,317)** | **11,444** |

| | | | | |
|---|---|---|---|---|
| **Capitalised Insurance** | **7** | **0** | **(7)** | **0** |
| **Capitalised Interest** | **0** | **0** | **0** | **135** |
| **Capitalised Staff Costs** | **207** | **338** | **131** | **378** |
| **Gross New Build Costs** | **13,038** | **10,845** | **(2,193)** | **11,957** |

| | | | | |
|---|---|---|---|---|
| **Grant Income** | **2,602** | **5,941** | **(3,339)** | **6,092** |
| **Net new build costs** | **10,436** | **4,904** | **(5,532)** | **5,865** |

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

**New Build Expenditure**
**Hallrule Drive**: 32 units for over 55s Social Rent. Start on site 16 November 2020. The contractor has intimated a further delay to handovers, now anticipated May 2022, due to late delivery of steelwork.

**Dargavel**: 58 Social Rent units. Site acquired in December 2019. Start on site took place 15 February 2021. Works are progressing well and 13 units are due to hand over in March 2022. Remaining handovers are phased to completion in August 22.

**Cobblebrae Farm**: 21 Social Rent units. Start on site 16 November 2020. 1 unit has been handed over in February 2022 and the remaining 20 have been handed over in March 2022.

**MacDowall Street**: 35 Social Rent units. This project has been removed from the programme due to the developer's financial standing.

**Forfar Avenue** c.30 units for Livingwell. Demolition complete and site investigations underway. McTaggart now procured from the Framework and a planning application has been submitted. The tender has now been returned but is over the cost plan. Tender assessment is underway before submission of the tender application.

**Vellore Road**: 8 Social Rent units, S75 Turnkey proposal with Lovell in Maddiston, Falkirk. Governance and contract progressing for conclusion this financial year.

**Maddiston Fire Station:** 24 Social Rent units. S75 with Miller Homes. Tender approval anticipated Q4 21/22 with site start Q1 22/23. Contract progressing.

***Cube sites transferred to Loretto on 28th July****
**Queens Quay**: 80 Social Rent units as part of wider regeneration project with West Dunbartonshire Council and Clydebank HA. Extension of Time granted for Covid-19 delays. Handovers anticipated in phases April 22 – August 22.

**South Crosshill Rd, Bishopbriggs**: 38 Social Rent units, S75 with Barratt Homes. Developer has been successful at planning appeal and the project can progress. Programme awaited but start unlikely until 23/24 due to developer phasing. Potential for 8 additional units being explored.

# Balance Sheet

| | 28 February 2022 £k | 31 March 2021 £k |
|---|---|---|
| **Tangible Fixed Assets** | | |
| Housing Properties | 75,766 | 65,498 |
| Investment Properties | 1,280 | 1,280 |
| Other Assets | 1,293 | 1,105 |
| | 78,339 | 67,883 |
| **Current Assets** | | |
| Rent and service charge arrears | 263 | 93 |
| Intercompany balances | 2,055 | 38 |
| Other debtors | 1,008 | 543 |
| | 3,326 | 674 |
| Cash at Bank and in Hand | 763 | 1,322 |
| | 4,089 | 1,996 |
| **Short Term Creditors** | | |
| Amounts due within one year | (9,759) | (3,407) |
| Deferred Income | (4,991) | 0 |
| | (14,750) | (3,407) |
| **Net Current Assets** | (10,661) | (1,411) |
| **Long Term Creditors** | | |
| Amounts due after one year | (36,755) | (32,755) |
| Deferred Income | (7,600) | (7,600) |
| Pension Liability | (2,155) | (2,155) |
| **Net Assets** | **21,168** | **23,962** |
| **Capital and Reserves** | | |
| Share Capital | - | - |
| Revenue Reserve - b/fwd | 26,120 | 25,481 |
| Current year surplus/(deficit) | (2,797) | 636 |
| Pension Reserves | (2,155) | (2,155) |
| **Association's Funds** | **21,168** | **23,962** |

Loretto Housing

**Comments**

The balance sheet reported reflects the 31 March 2021 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** – Other Debtors have increased from March 2021 position as a result of the timing of grant claims. The level of tenant arrears (net of bad debt provision) has increased from the year end position of £93k to £263k.
- **Cash at Bank** - The change from the year end principally reflects the timing of the settlement of intercompany balances and supplier payments.
- **Deferred grants** – This relates to the schemes currently on site and £2.4m settlement from the Duke St legal action. Upon completion of the properties this income will be released to the I&E as grant income.
- **Long-Term Creditors** - This includes £36.8m of loans due to Wheatley Funding Ltd 1.

Loretto Housing

# Report

**To:** Loretto Housing Board

**By:** Anthony Allison, Director of Governance

**Approved by:** Steven Henderson, Group Director of Finance

**Subject:** Governance update

**Date of Meeting:** 28 March 2022

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## 1. Purpose

1.1 To update the Board on the strategic governance review implementation.

## 2. Authorising and strategic context

2.1 Under the Group Standing Orders, the Group Board is responsible for the Group's overall governance arrangements. The RAAG Committee supports the Group Board in this role. Our Board is responsible for ensuring that we operate in accordance with the Group governance arrangements.

## 3. Background

3.1 The Board received an update on the strategic governance review at its last meeting. This report provides an update on the implementation of the workplan in relation to:

- New Loretto Housing Terms of Reference;
- Succession planning and Board diversity;
- Board reporting template;
- Date for the proposed risk workshop; and
- Group structure.

## 4. Discussion

<u>Strategic governance review implementation</u>

*Board Terms of Reference/reporting and escalation*

4.1 As part of the strategic governance review, it was agreed that we develop specific Terms of Reference ("ToR") for each Board. The ToR will consolidate what is already documented in our existing governance framework as well as document the route and parameters for this Board, and the Boards of our sister organisations, escalating issues to the Group Board.

4.2 We recognise there is value in the process of developing new ToR as an opportunity for each Board to refresh their understanding of their specific roles and responsibilities.

4.3 The draft ToR are attached at Appendix 1. The ToR are structured to set out clearly what requires Board approval, and is as such reserved to this Board, and other responsibilities of the Board in terms of ongoing scrutiny such as financial and business performance.

4.4 The ToR incorporate a section that explicitly documents the arrangements for reporting and escalating any matters to the Group Board. This was also a recommendation from the strategic governance review.

4.5 Board feedback is sought on the draft ToR, which will supersede the existing Group Authorising Framework and Group Authorise, Manage, Monitor Matrix sections of the Group Standing Orders. Subject to Board feedback, the ToR will be recommended to the Group Board for formal adoption as part of the Group Standing Orders at its next meeting.

*Board diversity*

4.6 At present, our recruitment and succession planning takes into account diversity of skills and experience and gender.

4.7 In order to inform how we understand diversity in a Board context, we commissioned Campbell Tickell to make suggestions on the factors the Board may wish to take into account in defining diversity. These included a combination of factors that can be readily quantified, such as age, disability, gender and ethnicity, and more subjective areas such as interpersonal and communication style.

4.8 Alongside this, we considered what we would be able to tangibly measure and compare with other organisations. Housemark, a data and insight company for the UK housing sector, is now publishing Environmental, Social and Governance data. This includes information on Board demographics (age, gender, disability and ethnicity) as well as other areas of interest such as Board tenure and structure. As Housemark collect this data on an ongoing basis and has a wide membership in the sector across the UK, it can provide us with a reliable comparator.

4.9 Taking into account the above, the Group Board considered what diversity markers would be appropriate for all Boards across the Group to consider as part of their recruitment and succession planning. It was agreed that we should focus on the following diversity indicators:

- Skills and experience (via the agreed Board skills matrix);
- Gender;
- Age;
- Ethnicity;
- Disability; and
- socio economic (based on National Statistics Socio-economic Classification criteria).

4.10 It was also agreed that we may in future broaden the diversity indicators as part of a second phase.

4.11 It is therefore intended that as part of our annual review of our rolling 3-year succession plan this year we will also consider Board diversity based on the above indicators. The results will then inform our refreshed 3-year succession plan which is scheduled for Board approval at the August meeting.

4.12 In advance of this Board members will already be asked to complete an equalities monitoring form as part of our Annual Return on the Charter.

*Board template*

4.13 The Group Board has approved a new Board reporting template based on feedback from Board members across the Group. The revised template, attached at Appendix 2, has mainly changed the ordering of the sections in the report and reintroduced the key issues and conclusions section.

4.14 The risk assessment and customer engagement sections were previously at the beginning of the report. However, feedback from Boards across the Group referenced that they are read these sections without the report having yet set out the proposals or activities to which they relate.

4.15 They have therefore been relocated to after the main discussion section to allow them to be read within the context of being clear what they relate to. The pack for today's meeting is in the new format by way of example of the new flow.

*Risk*

4.16 A number of the risk related recommendations were contingent on the Board risk workshop. It is proposed that to ensure the risk discussion aligns with our strategy that the risk workshop is integrated with our strategy workshop planned for May. Based on the planned content, the risk discussion will be sufficiently concise to still allow a full discussion on our strategy as the strategic context element will have already been considered by the Board during the workshop.

*Group structure*

4.17 The Boards of WLHP and DCH have now both considered whether creating a single East of Scotland RSL would create a stronger base for investment, new build and keeping rents affordable. Both Boards have agreed that there would be direct benefits for tenants and WLHP now intend to initiate a consultation with tenants in mid-April about transferring to DCH. Both Boards have agreed an outline timetable which would, subject to tenant support in the consultation and a subsequent ballot, see tenants transfer in summer this year.

## 5. Customer engagement

5.1 No customer engagement has been undertaken in relation to the proposals in this report.

## 6. Environmental and sustainability implications

6.1 There are no direct environmental or sustainability implications arising from this report. As previously advised, the Wheatley Solutions Board have been given a formal role in relation to this area as part of the wider strategic governance review.

## 7. Digital transformation alignment

7.1 There are no digital transformation implications associated with this report.

## 8. Financial and value for money implications

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

## 9. Legal, regulatory and charitable implications

9.1 Our approach to governance and managing intra-group decision making is in line with the requirements of the Scottish Housing Regulator to ensure effective parent oversight whilst ensuring we maintain oversight of our own operations.

## 10. Risk appetite and assessment

10.1 Our agreed risk appetite for governance is "cautious". This level of risk tolerance is defined as a "preference for safe delivery options that have a low degree of inherent risk and have only limited potential for reward". This reflects our risk appetite in relation to laws and regulation, which is "averse", with the avoidance of risk and uncertainty being a key organisational objective and a priority for tight management controls and oversight.

10.2 Our strategic risk register contains the risk that, "*The governance structure is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively. Failure of corporate governance arrangements could lead to serious service and financial failures*."

10.3 We mitigate this risk by having clearly defined roles and responsibilities across our governance framework, regularly reviewing our framework and submitting our governance arrangements to external review.

10.4 The proposed Board ToR seek to ensure that the role of this Board is well defined and has been developed based on feedback from the Board. The ToR also respond to the strategic governance review recommendation in relation to reporting and escalation arrangements.

10.5 It is intended that the range of changes associated with the strategic governance review are brought back to the Board as they are agreed, as well as, upon full agreement of the implementation approach, as a collective governance framework.

## 11. Equalities implications

11.1 The future approach to Board diversity will support us in ensuring that equality and diversity is formally embedded into our recruitment and succession planning.

## 12. Key issues and conclusions

12.1 The Board Terms of Reference will help to ensure greater clarity of the roles and responsibilities within the Group.

12.2 Board diversity will be considered as part of our annual review of our rolling 3-year succession plan this year as explained more fully above.

12.3 The risk workshop will be incorporated into the Board strategy workshop taking place between 10am and 5pm Monday 23 May 2022.

## 13. Recommendations

13.1 The Board is asked to:

1) Provide feedback on and agree to recommend to the Group Board the proposed Board Terms of Reference;
2) Note the Board diversity indicators to be factored into our 3 year succession plan;
3) Note the revised Board reporting template; and
4) Agree that we incorporate the risk review into our wider strategy workshop in May.

**List of Appendices**

Appendix 1 – Loretto Housing proposed Terms of Reference
Appendix 2 – Board reporting template

Loretto Housing

# Loretto Housing Association Limited Terms of Reference

**General**

1. Loretto Housing Association Limited ("the Association") is a Registered Social Landlord ("RSL") and a property factor, which it discharges through an agency agreement with Lowther Homes Limited.

2. In accordance with the Association's Rules from time to time:

   I. The Chair appointment will be approved by the Group Remuneration, Appointments, Appraisal and Governance Committee based on having relevant skills and experience; and
   II. Board members appointments, other than tenant Board members, shall be approved by the Group Remuneration Appointments, Appraisal and Governance Committee on behalf of the Parent based on their skills and experience.

3. Relevant members of staff will normally attend meetings of the Loretto Housing Association Board. The Board of Loretto Housing Association has the right to meet in private without the attendance of any non-Board members or staff.

4. The quorum for Board meetings shall be 4, or as otherwise defined by the Rules of Association from time to time.

5. There will be no fewer than 6 meetings per year in compliance with the Scottish Housing Regulator Regulatory Framework requirements.

6. In addition to its Rules, the Association must adhere to the terms of:

   (i) the Wheatley Housing Group Limited Standing Orders; and
   (ii) an intra-group agreement with its parent Association which sets out the nature of the parent and subsidiary relationship including roles and responsibilities.

**Delegated authorities**

Strategy, governance and performance

7. Approval of the Association's 5 year strategy and any material updates during the life of the strategy.

8. Annual approval of performance measures and Loretto Housing Association specific strategic projects, including measures to achieve the delivery of the 5 year strategy.

9. Approve any amendments to the Intra-Group Agreement with the Parent Association.

10. Approve any amendments to the Services Agreement and associated Business Excellence Framework with Wheatley Solutions.

11. Approve the Agency Agreement with Lowther Homes in relation to the provision of factoring services on the Association's behalf.

12. Periodically review and approve recommendations to the Parent on the Association's Rules.

13. Approve the appointment of tenant Board members.

14. Approve the initiation of any formal consultation with all tenants.

15. Approve the Association's Annual Return on the Charter for submission to the Scottish Housing Regulator.

16. Not less than annually review and approve the Board's skills matrix and succession plan for consideration by the Group Remuneration, Appointments, Appraisal and Governance Committee.

<u>Finance</u>

17. Approval of the 5 year Financial Projections for incorporation into the Group 5 Year Financial projections.

18. Approve the annual loan portfolio and Five Year Financial Projections returns to the Scottish Housing Regulator.

19. Approve the annual rent increase and associated tenant consultation approach.

20. Annual approval of the annual budget for the financial year.

21. Review and approve the Association's financial statements.

22. Approve entering contracts on behalf of the Association as required under the Scheme of Financial Delegation from time to time.

23. Approve borrowing levels and any associated loan agreements, covenant returns and granting of security.

<u>Development, investment, leases, acquisitions and disposals</u>

24. Annual approval of the Association's rolling 5 year development programme.

25. Approve any property acquisitions or disposals by the Association, or parameters for where such acquisitions or disposals may be made under delegated authority.

26. Annual approval of the Association's rolling 5 year investment programme.

27. Approval of any stock reclassification, including designation of stock for demolition.

28. Approve the form, key terms and any amendments to the lease agreement for the management of Mid-Market properties by Lowther Homes Limited and delegation of authority to execute leases on the Association's behalf.

Assurance, policy and risk

29. Review and approve the Association's risk register and escalate any risk(s) to the Group Board in line with the Group risk management policy thresholds.

30. Approve any remedial action required in relation to Association specific material Internal Audit recommendations.

31. Approve Association specific policies as they relate to its activities, including, but not limited to:

- Advice, Information and Lettings (allocations) policy;
- Repairs and maintenance policy;
- Arrears and Debtors policy;
- Lock ups and Garage policy;
- Anti Social Behaviour policy; and
- Engagement Framework.

**Other responsibilities**

Governance and performance

32. Undertaken an annual Board self-assessment based on the approach agreed by the Group Remuneration, Appointments, Appraisal and Governance Committee.

33. Monitor financial performance against the agreed business plan and budget.

34. Monitor performance against agreed performance targets and strategic projects.

Assurance, policy and risk

35. Oversee the implementation of relevant group policies and frameworks.

36. Monitor the implementation of agreed risk mitigation actions.

**Role of the Chair**

37. The Chair is responsible for ensuring that the Board discharges its responsibilities.

38. The Chair of the Board or in absentia [the Vice-Chair, whom failing,] a Board Member appointed to chair a meeting of the Board is responsible for the smooth running of Board meetings. This includes:

- agreeing the agenda for each meeting;
- ensuring that any action points from previous meetings are considered timeously;
- ensuring that the meeting runs to time and that adequate time is allocated for each item;
- encouraging contributions and questions where appropriate from all members of the Board;
- ensuring that the resolutions identified in the papers are tabled and dealt with; and
- Undertake an annual appraisal of all Board members and facilitate an annual Board effectiveness review under the approach agreed by the Group Remuneration, Appointments, Appraisal and Governance Committee.

Reporting and escalation

- update the Board on any relevant matters discussed at the Group Board meetings held since the last Board meeting;
- Board meetings held since the last Group Board meeting;
- in discussion with the Group Chief Executive, advise the Group Chair and escalate to the Group Board any matters they agree may:
  - adversely impact the reputation of the Association or the wider Group;
  - have already or have potential to result in material non-compliance with legal or regulatory requirements; and
  - materially impact the financial viability of the Association and/or its ability to meet its obligations under any loan agreements and associated covenants.
- update the Group Board on any relevant matters discussed at Association.

## 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 [xxxxx].

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. Background

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

- Previously agreed decisions, actions or Board discussions;
- Recap of pertinent information previously communicated;
- Any other relevant background information.

## 4. Discussion

4.1 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.

## 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. Environmental and sustainability implications

6.1 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.

## 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. Risk Appetite and assessment

10.1 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.

10.2 It should then go on to identify the key risks / overall level of risk associated with the proposals, taking into account all of the commentary in sections 4-9.

## 11. Equalities implications

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

## 12. Key issues and conclusions

12.1 This section should act as a summary recap of the key issues and conclusions drawn from the preceding sections. This should be in an executive summary style as an aide memoir to the Board/Committee before they consider the recommendations.

## 13. Recommendations

13.1 This section should clearly set out what the governing body is being asked to do, eg 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.