GHA

THE GLASGOW HOUSING ASSOCIATION LIMITED

BOARD MEETING

29 November 2019 at 10.30am
Board Room, 3rd Floor,
Wheatley House, 25 Cochrane Street, Glasgow

AGENDA

1. Welcome to new Board member – Jo Boaden

2. Apologies for Absence

3. Declarations of Interest

4. a) Minute of 4 October 2019 and matters arising
   b) Action List

Main Business Items

5. International diamond prize for Excellence in Quality

6. Rent Campaign (presentation)

7. Delivery Plan 2019-20: Quarter 2

8. Universal Credit & Welfare Reform Update

9. Project Update: Bell Street Conversion

10. New Build Performance Dashboard

11. Delegated Authority for Disposals

Other Business Items

12. Health and Safety Update

13. Finance Report

14. Information Governance update

15. Group Assurance Update 2019/20

16. GHA Corporate Risk Register

17. AOCB

GHA

THE GLASGOW HOUSING ASSOCIATION LIMITED

GHA BOARD
MINUTE OF MEETING – FRIDAY 4 October 2019

Present:
Bernadette Hewitt (Chair), Jo Armstrong, Andrew Clark, Robert Geddes, Councillor Frank McAveety, Cathy McGrath and Jean Albert Nietcho

In attendance:
Martin Armstrong (Group Chief Executive), Anthony Allison (Director of Governance), Steven Henderson (Group Director of Finance), Olga Clayton (Group Director of Housing and Care), Graham Isdale (Group Director of Corporate Affairs), Jehan Weerasinghe (Acting Managing Director, GHA) and (In Part) Tom Barclay (Group Director of Property and Development), David Fletcher (Director of Development) and Jackie McIntosh (Director of Property Development and Initiatives)

1. **Apologies for Absence**

Apologies were received from Councillor Kenny McLean, Michael McNamara, Professor Paddy Gray and Iwona Mazjuk-Soska.

The Chair confirmed to the Board that Iwona had now taken the decision to step down from the Board. The Chair explained that we would now establish a recruitment process where we would also seek to identify a further individual to support our 2020 succession planning when a further tenant Board member retires from the Board.

2. **Declarations of Interest**

The Board noted the standing declarations of interest.

3. **a) Minute of 16 August 2019 and matters arising**

Decided: The Board approved the minute of 16 August 2019

b) Action List

Decided: The Board noted the updates.

4. **2020 Rent Setting**

The Board received proposals for the 2020 rent setting options, including how we have taken into account affordability and comparability. It was explained that the proposals were lower than our business plan assumptions as we have utilised reduced borrowing costs and efficiencies to reduce the base proposal.

It was explained that our management costs remain less than the average and that the proposals have been assessed in terms of affordability and comparability.

The Board discussed in detail the current external environment, in particular the level of economic uncertainty and inflation, and the implications of the proposals for our financial viability. It was recognised that we have continued to deliver efficiencies which have allowed us to set a base level below our business plan assumption and we continue to challenge ourselves on costs.

The Board discussed the consultation process, reiterating the importance of understanding our tenant views and how we plan to segment the information being returned.   The Board discussed how we can expand the focus groups, in particular to include LivingWell given it is a well-established service.

The Board discussed how we continue to promote our wrap around services, in particular MySavings which we have established can deliver tenant savings greater than the recent rent uplifts.

It was explained that our next strategy has a continued strong focus on supporting tenants in the cost of running a home as well as challenging ourselves on rent assumptions.

The Board discussed our sensitivity testing in relation to Brexit and it was confirmed this has been undertaken in detail and reviewed by the Group Audit Committee.

It was explained that we have undertaken detailed, neighbourhood level analysis of value for money satisfaction to inform our understanding of value drivers for tenants.

Decided: The Board agreed to progress to consultation on a base level of rent and service charge increase for 2020/21 of 3.4%, with options given for 3.9% and 4.4%.

5. **High Rise Living Framework – Uniqueness by Design**

The Board received a presentation setting out: the challenges and opportunities of high rise living; our current high rise stock portfolio; the proposed high rise living guarantee; and the key themes of the revised framework.

The Board welcomed the proposals, in particular the focus on our tenants rather than the asset itself. The Board recognised that satisfaction levels are already high in our high rise stock but that we were proposing to build on this.

The Board discussed the provision of temporary furnished flats and the proportionality of this within certain stock. It was explained that the temporary accommodation was in part to support homeless allocations and that we were conscious of how it impacted the overall make up of a block. It was further confirmed how we seek to support tenants in such properties.

The Board reemphasised the priority of fire safety within high rise properties and how we can potentially support tenants to reduce energy consumption in high rise properties. It was explained that we are seeking to explore a range of options to improve energy efficiency, including how we can innovate in this area.

The Board discussed the anticipated future demand for high rise properties and how we continue to engage tenants, in particular through the High Rise Living Forum.

Decided: The Board:
1) Noted the progress to date on promoting High Rise Living; and
2) Approved the High Rise Living Framework 2020-25.

6. **Delivering Investment in Mixed Tenure Stock - Update**

The Board received an update on progress with delivering investment in mixed tenure blocks, include the range of options we have explored.

The Board considered the options in relation to External Wall Insulation ("EWI") and our desire to allow to extend this benefit to tenants wherever possible.

Decided: The Board:-
1) Noted the updated status of outstanding EWI investment need across the city and our intention to deliver EESSH compliance by 2020;
2) Noted the value of grant award confirmed by GCC for delivery of our HEEPS programme in 2019/20; and
3) Approved the recommendation to deliver EWI to half blocks where majority consent cannot be attained to improve the full block.

7. **Acquisition, disposal and demolitions**

The Board received a short presentation setting out the proposals for each of the three recommendations and received a further summary of the options appraisal process as it related to each proposal.

The Board considered each in turn and reviewed the proposals. The Board recognised the positive community feedback in Carntyne on how we have engaged. In relation to the proposed demolition, the Board discussed the potential for contamination and having associated contingencies. It was confirmed appropriate contingencies were in place.

a) **Dove Street and land to the rear of 415 Nitshill Road, Glasgow**

   Decided: The Board:-

   1) **Approved an application of the adoption of the privately owned road at Dove Street, Nitshill which is partially owned by GHA; and**

2) **Approved** entering into a sub-lease with Strathcarron Developments Ltd over land located immediately to the south of, and for the benefit of, our property at 415 Nitshill Road.

b) **Proposed Disposal of Property at 10 Trinley Road, Knightswood, G13 2JB**

Decided: The Board:-

1) **Agreed to sell the property to Scottish Water at the value of £95,000, subject to agreement of GHA funders;**
2) **Agreed that an application be made to Scottish Government for exemption from the Disposal Clawback Agreement but that, if unsuccessful, remittance of 80% of free proceeds to Scottish Government is made.**

c) **392-428 Carntytne Road Asset related Proposals**

Decided: The Board:

1) **Noted the history of structural defects affecting this stock;**
2) **Approved the demolition of the block at 410-416 Carntyne Road, Glasgow; and**
3) **Approved the acquisition of the property at 394 Carntyne Road, Glasgow.**

d) **Main Street, Baillieston**

The Board received a further short presentation on proposed amendments to the previously agreed contract price. The rationale for the proposed changes, associated grant funding and net financial impact were explained. The Board confirmed their satisfaction with the financial neutrality of the proposals.

Decided: The Board approved the revised Total construction costs, inclusive of novated fees, of £5,600,354 and a total development cost - £6,190,394 for Main Street, Baillieston.

8. **Transforming Communities: Glasgow update**

The Board received a short update recapping on the purpose and achievements to date of Transforming Communities: Glasgow ("TC:G").

The Board strongly welcomed the significant transformation TC:G is delivering and has planned for the future. In particular, the plans for Sighthill were discussed including the prominence of connectivity for residents.

Decided: The Board:-

1) **Noted GHA's membership of Transforming Communities: Glasgow and the purpose of the partnership; and**
2) **Noted the significant impact GHA and Wheatley Group subsidiaries has made in the Transformational Regeneration Areas in Glasgow,**

along with strategic partners Glasgow City Council and Scottish Government in the 10 years since the formation of Transforming Communities: Glasgow.

9.   **Annual Assurance Statement**

The Board received an update on the Annual Assurance Statement, which will include our own arrangements.

The Board discussed the evidence and its validation, including by Internal Audit and how it applies to us specifically.

Decided: The Board noted the Group's Annual Assurance Statement, which covers GHA.

10.   **Governance update**

The Board received a summary of the proposed appraisal process for the year and the confirmation of the election of Professor Paddy Gray.

Decided: The Board:
1) Approved the appointment of Professor Paddy Gray as Vice-chairperson, subject to the relevant Parent approval; and
2) Noted the approach for 2019 Board appraisal.

11.   **Finance Report**

The Board received a summary of financial performance for the year to date, in particular the impact of grant recognition as we continue to deliver new homes. The underlying position excluding grant income was set out and in particular the variance in capital spend for new build.

The Board considered rental income and the link to any delays in our development activity.

Decided: The Board noted the management accounts for the period to 31 August 2019.

12.   **AOCB**

There was no other competent business.

Signed …………………………………….. 	 Date …………………..
        (Chair)

GHA

GHA BOARD ACTION LIST

Date of Meeting	Action	By When	Update
15/2/19	Report on 'cost of a home' savings to be brought to a future meeting	Nov 2019	Now a strategy 'impact measure' with a methodology for measuring to be developed. Board to receive proposals for this at February meeting.
29/3/19	Update report to Board on Solar PV	August 2019	To be consolidated into the sustainability strategy being developed as part the agreed Group strategic framework
16/8/19	Fire Safety assurance update to be brought to future meeting	November 2019	Interim update in Health and Safety report with full update to be provided in February

GHA

Report

To:	**GHA Board**
By:	**Jehan Weerasinghe, Managing Director of GHA**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**International diamond prize for Excellence in Quality**
Date of Meeting:	**29 November 2019**

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1.   Purpose

1.1   To advise the Board of recognition by the European Society for Quality Research.

2.   Discussion

2.1   The European Society for Quality Research ("ESQR") promotes quality awareness, recognizes good business practices, technological innovation, quality achievements in organizations worldwide, and publicizes these organizations' successful performance strategies. It is based in Switzerland.

2.2   Each year the ESQR hold and annual convention during which selected companies, public administrations and organizations from Europe, Asia, the Americas, Africa and Australia will receive their International Diamond Prize for Excellence in Quality 2019.

2.3   The Diamond Prize is awarded in recognition of their superior development efforts, overall excellence and commitment to economic progress, both for themselves and their communities as a whole.

2.4   The prize is not awarded via an application or accreditation process. The recipients are selected by ESQR based on results of their own polls, consumer opinion research and market studies. Our exceptionally high level of external and independent accreditation is therefore likely to have been a factor in our selection.

2.5   Our review of past winners indicated we are the only housing organisation to receive the prize and one of only a handful from the UK more widely. Past winners include a range of well-known global brands including American pharmaceutical giants Merck and Co, the BMW Group and Cathay Pacific Airlines. The GHA Chair will attend the awards ceremony in Vienna to collect the prize, fully funded by the ESQR.

3.   Recommendation

3.1   The Board is asked to note the receipt of the ESQR Diamond Prize for Excellence.

GHA

Report

To:-	**GHA Board**
By:-	**Jehan Weerasinghe, Managing Director of GHA**
Approved by:-	**Martin Armstrong, Group Chief Executive**
Subject:-	**Delivery Plan 2019-20: Quarter 2**
Date of Meeting:-	**29 November 2019**

1   Purpose

1.1   This report outlines progress on the Delivery Plan Measures and Projects for Quarter 2. Appendix 1 contains the overall Performance Dashboard and Appendix 2 provides progress on Strategic Projects.

2   Authorising context

2.1   Under the terms of the Intra-Group Agreement between GHA and the Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, the GHA Board is responsible approving regulatory returns including the Charter. It is also responsible for monitoring of performance against agreed targets. In the case of GHA, this includes the on-going performance of its services. In addition, the Group Authorising Framework states that the GHA Board is responsible for approving any changes to their Service Delivery Model or arrangements which it may consider necessary in order to deliver the level of performance to achieve agreed targets.

3   Risk appetite and assessment

3.1   Our agreed risk appetite in relation to Board Governance is "cautious". This level of risk tolerance is defined as *"Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential reward".*

4   Background

4.1   The report outlines performance against our current Delivery Plan as at Quarter 2, with actions and updates where appropriate. Most of the key indicators which will be reported to the Scottish Housing Regulator as part of the Annual Return on the Charter are included within this report.

5   Quarter 2 performance

5.1   ASB, Repairs and Compliance – We are meeting target for a range of indicators. Anti-social behaviour responses completed within target are now at almost 95%, 1% better than at year end 2018/19 and now meeting target. The time taken to complete emergency repairs increased slightly this quarter. However, it remains considerably better than the 3 hour target at 2.3 hours and well within top quartile. Repairs appointments kept and gas safety by the anniversary date remain at 100%. Average time taken to complete non-emergency repairs is slightly above target of 5.5 days at 5.84 days but continues to exceed top quartile of 8.49 days. The new MyRepairs model launched in September is aimed at addressing performance around non-emergency repairs.

5.2   Gross rent arrears have increased by 0.43% in quarter 2 to 4.65%. This is against the 3.99% target. Arrears were at 3.75% at the same time last year. The increase in sitting tenant arrears has been broadly in line with the predictions made in relation to the impact of Universal Credit. On average more than 460 customers have moved onto Universal Credit each month. The rent campaign commenced in October and there has been a renewed focus on rent from day 1, increasing direct debits and maximising income collection. We have also been sharing best practice across our offices including making best use of available tools such as Go Mobile to deliver 'one and done' services. We have set local targets in relation to Universal Credit and non Universal Credit arrears. Working closely with the Group Universal Credit team we are supporting housing officers to deliver performance improvements and help customers out of debt.

5.3   During quarter 2 we had 1,166 new Universal Credit customers. We saw 385 non- Universal Credit customers helped out of debt as well as 90 Universal Credit customers. 1,048 non- Universal Credit customers also saw improved balances and 214 Universal Credit customers had reducing balances during the same period. This indicates that core performance is still strong across the City.

5.4   The % of complaints responded to in full within SPSO timescales has improved from 94.3% last quarter to 95.7% this quarter, just short of the 96% target. A similar improvement in the next quarter would enable this measure to meet target.

5.5   Average days to let have improved by almost 2 days from the year end position and are now virtually on target at 14.01 days. This measure should also fully meet target by Quarter 3.

5.6   Satisfaction with repairs and maintenance has also steadily improved, up by 1.5% in the quarter, and is now less than 0.5% below target. If progress continues target should be met by financial year end.

5.7   Reactive repairs completed right first time has improved by more than 1% from year end and is just 0.1% off the 97.5% target. Performance is already better than top quartile.

5.8   The proportion of <u>lettable homes</u> becoming vacant has slipped slightly off the 8% target this quarter at 8.56%. This remains strong performance for an urban RSL and is only 0.5% above the top quartile benchmark. Some of these vacancies are caused through positive moves as part of the remaining stock reprovisioning programme. The most common reasons for vacancies are tenants being rehoused, tenants absconding and death of the tenant. We are reviewing all tenancies where customers are rehoused to understand if these are positive moves.

5.9   <u>Tenancy sustainment</u> remains relatively static at just under 91% against the 93% target. The top quartile benchmark for us is 89.7% and for the other RSLs 92.4%. Work is underway to review the causes of lack of sustainment and to examine where there may be potential actions to prevent tenancy failure. Officers are proactively contacting tenants who impact this indicator to ensure appropriate support is offered. As this indicator looks at tenants who moved in more than a year ago it will be difficult to move this to achieve target by year end.

6   Strategic projects – progress at Quarter 2

6.1   Appendix 2 outlines progress on the strategic projects in the Delivery Plan at the end of Quarter 2 (end of September).

6.2   The mechanical and electrical service contract procurement plan has been agreed and contract to be signed with Engie. Switch over will occur in January 2019. Any impacts will be reported in Q4. The priority is to ensure that there will be continuity of service with no impact to the service customers see.

6.3   The following projects are now overdue and have revised completion dates:

- **Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations** –Any proposals will to be developed will need to take account of the GC H&HCP's protocol which will happen in December;
- **Development framework and Group asset strategy –** Drafts of these enabling strategies have been developed and will be caste within the framework of the overarching final corporate strategy. The Wheatley 2020-2025 strategy 'Inspiring Ambition, Unleashing Potential' was approved by the Group Board on 30 October 2019 and this will allow the final context setting work to be done on the development and asset strategies for presentation to Boards in February; and
Group Homelessness Framework - This project has been delayed from the end of September due to external factors. The results from the Vanguard intervention in Glasgow are still awaited and funding announcements for the rapid rehousing transition plans have just been received. This project will now complete by February 2020.

6.4   The following list provides updates on projects which have slippage against interim milestones:

- **Develop and implement governance monitoring arrangements for the renewal of core strategies, policies and frameworks -** this will now complete one month later than originally scheduled, in November;

- **Review approach to service charges** – Proposals for any changes to existing charge structure will be submitted to Board in February 2020. Affordability will be a key consideration for any of the forthcoming proposals;
- **Develop LivingWell specifications for new build -** The Living Well Team have been working closely with colleagues in Development to ensure that that the new build specification is in line with the expectation for the service. The full specification is due in December 2019; and
- **Leadership and development framework implemented** - This is now on track to be completed by the end of the financial year.

7   Key issues and conclusions

7.1   We are already meeting the target for the year in a number of indicators. We are also making good progress in most indicators which are not currently meeting target. Projects are generally on track or still expected to complete within the financial year.

8   Value for money implications

8.1   There are no direct financial implications arising from this report. Any financial requirements related to actions and projects within the report are subject to separate reporting and agreement.

9   Impact on financial projections

9.1   No implications.

10   Legal, regulatory, and charitable implications

10.1   Registered Social Landlords are required to provide an Annual Return on the Charter to the Scottish Housing Regulator. The key indicators within this return are included in monthly performance reporting. RSL Subsidiary Boards approve the final return and this information is included in the year end performance report to the Wheatley Group Board. RSLs are also required to involve tenants in the scrutiny of performance (this is done through our Tenant Scrutiny Panel) and to report to tenants annually by October each year.

11   Partnership implications

11.1   Reports on the Delivery Plan can be used to identify areas where partnerships need to be strengthened or amended to help us achieve our strategic vision.

12   Implementation and deployment

12.1   Not required.

13   Equalities impact

13.1   There is no direct equalities impact from this report.

14   Recommendation

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

List of Appendices

Appendix 1: Measures dashboard
Appendix 2: Strategic projects dashboard

Appendix 1 - GHA Board - Delivery Plan 19/20 - Strategic Measures

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% All complaints responded to in full within SPSO timescales (Includes YP)	95.07%	95.74%	96%	🔺
Average time taken to complete emergency repairs (hours) – make safe	2.79	2.29	3	✅
Average time taken to complete non-emergency repairs (working days)	5.68	5.84	5.5	🔺
% reactive repairs completed right first time	96.01%	97.37%	97.5%	🔺
% repairs appointments kept	100%	100%	98.02%	✅
% properties requiring a gas safety record which had gas safety check by anniversary date	100%	100%	100%	✅
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service (4 Weekly)	93.54%	93.77%	94.2%	🔺
% anti-social behaviour cases resolved within locally agreed targets	93.8%	94.84%	94.03%	✅
% new tenancies sustained for more than a year - overall	90.87%	90.75%	93%	🔺
% lettable houses that became vacant	8.24%	8.56%	8.5%	🔺
% Tenants satisfied with the standard of their home when moving in	97.04%	96.67%	94%	✅
Average time to complete approved applications for medical adaptations (calendar days)	18.95	18.24	25	✅
Gross rent arrears (all tenants) as a % of rent due	3.85%	4.65%	3.99%	🛑
Average time to re-let properties	15.79	14.01	14	🔺
% avoidable contact	7.69%	7.66%	18%	✅
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	94.57%	93.31%	96%	🔺

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
GHA - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	408	279	250	✅
New build completions - Reprovisioning	197	173	44	✅
New build completions - Social Housing	0	38	0	✅
New build completions - Mid-market	145	64	29	✅
% Sickness rate	2.85%	3%	3%	✅

Appendix 2 - GHA Board - Delivery Plan 19/20 - Strategic Projects

Strategic Project	Delivery Date	Status	% Progress
Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations	31-Aug-2019	🔴	0%
Development Strategy	30-Sep-2019	🔴	80%
Develop Group Homelessness Framework including rapid rehousing	30-Sep-2019	🔴	70%
Develop and implement governance monitoring arrangements for the renewal of core strategies policies and frameworks	31-Oct-2019	🔺	50%
Review approach to service charges	31-Oct-2019	🔺	60%
Develop Group Asset Strategy for Housing, Commercial and Care	31-Oct-2019	▶️	0%
Develop LivingWell specification for new build	31-Oct-2019	🔺	70%
Work with Police Scotland to develop a Group wide Antisocial Behaviour and Crime Prevention and Mitigation Framework	30-Nov-2019	▶️	70%
Implement repairs improvement project phase 1	30-Mar-2020	▶️	70%
New Wheatley Graduate Development programme in place	31-Mar-2020	▶️	50%
Develop 2020-2025 Group workforce development plan	31-Mar-2020	▶️	0%
Leadership and development framework implemented	31-Mar-2020	🔺	15%
Tenancy sustainment innovation - virtual home development (phase 3)	31-Mar-2020	▶️	25%
Mechanical & Electrical service contract procurement plan agreed and implemented	31-Mar-2020	✅	100%
Implementation of strategy to meet "no home unimproved" by 2020 - GHA	31-Mar-2020	▶️	40%
Implement MSF strategy – GHA and Cube	31-Mar-2020	▶️	0%
Co-create our new engagement approach	31-Mar-2020	▶️	40%
Implement tenancy Star - Phase 2 (Group wide project)	31-Mar-2020	🔺	25%

GHA

Report

To:-	**GHA Board**
By:-	**Jehan Weerasinghe, GHA Managing Director**
Approved by:-	**Martin Armstrong, Group Chief Executive**
Subject:-	**Welfare Reform & Universal Credit Update**
Date of Meeting:-	**29 November 2019**

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1.   Purpose

1.1   To provide the Board with an update on our response to the UK government's roll out of Universal Credit.

2   Authorising context

2.1   Under the terms of the Group Authorising Framework and Group Authorise/Manage/Monitor Matrix, the Board is responsible for monitoring the organisation's operational performance and implementing the Board's strategy.

2.2   All Group Registered Social Landlords (RSL) are provided with a bi-annual update on Welfare Reform and how it is impacting in their areas.

3   Risk appetite and assessment

3.1   Our risk appetite related to Welfare Reform is open, defined as willing to choose the approach that is most likely to result in successful delivery while also providing an acceptable level of reward (i.e. value for money).

3.2   On-going management of the following risks continues.

Risk	Response
Inconsistent practice and errors in Universal Credit (UC) by Department of Work and Pensions (DWP).	Secondee from DWP in place, identifying areas for improvement in DWP delivery of Universal Credit e.g. Landlord Portal through membership of internal DWP Housing Improvement group. Case specific issues identified and escalated through local DWP contacts. Established Housing Officer sub-group to highlight frontline issues with Universal Credit. Regular local operational meetings in place with DWP to address issues with cases.

An upward trajectory in rent arrears.	Assumptions have been made in our Business Plan to accommodate this.
While this will happen if tenants move off direct payments to landlords, there is also a risk as tenants adjust to Universal Credit when budgeting for their households.	Moving more tenants to sustainable payment methods such as direct debits or online payments.
	On-going Communication Plan with customers to help them prepare in advance.
	Universal Credit Team in place to support the GHA and target resources as we embed new practices that mitigate against any negative impact.
Payment transactions: Resources stretched and increased costs	Moving more tenants to sustainable payment methods such as direct debits or online payments, ensuring increased control and certainty of payment process.
Impact on wrap-around services	We have created more joint working and shared practice across our wrap-around services by bringing them together as part of the new Universal Credit Team.
A low awareness amongst our customers of changes to welfare benefits	Welfare Reform has featured regularly in our newsletters and website and is a key part of Housing officer conversations with tenants. We have recently started an awareness campaign around Universal Credit and how we can help customers with this.

4   Background

4.1   Universal Credit is now rolled out in our areas of operation. We are seeing a steady increase in line with our projections. Similar to other organisations, Universal Credit is presenting a challenge to income collection and is increasing hardship for vulnerable customers. We are however, developing greater knowledge and understanding of how Universal Credit works and are adapting our service to meet the changing needs of frontline staff and customers.

5   Engaged, knowledgeable and confident staff

5.1   On average our Housing Officers have 26 Universal Credit customers per patch. We have focused on increasing their knowledge of Universal Credit to build their skills and enable them to confidently provide immediate, accurate support to tenants and drive performance improvements.

5.2   Completed and current workstreams:

Completed Workstreams:	Completion Date:
Universal Credit toolkit rolled out and has been updated with current information in an interactive format	September 2019
Managed Payment to Landlord missed payment calculator has been updated for all subsidiaries and shared with staff.	October 2019
Housing Officer Universal Credit engagement sessions delivered, including consultation with 250 GHA Housing Officers at a frontline conference	August 2019
Frontline teams completing specialised UC training	July 2019
New mailbox #Wheatley UC Team for staff to send Universal Credit enquiries to	August 2019

Current Workstreams:
Housing Officer Universal Credit Group set up to share best practice and develop a forum of Universal Credit experts
Joint training sessions with Housing Officers and DWP staff arranged in agreement with DWP's Customer Service Operations Team Leader from Laurieston Job Centre to pilot a shared learning approach in relation to supporting 'clean' applications for Universal Credit
New Universal Credit page being developed on W.E. connect to provide a hub for staff to access Universal Credit information
Debt Recovery Team piloting new approaches to elements of income collection using automation and dialler telephone technology to support Housing Officers and providing Effective Collections training sessions

6   Successful partnerships and support services for tenants

Escalations/Partnership

6.1   Our local connection sessions continue to be delivered in partnership with DWP to build and strengthen strategic and operational relationships between our frontline staff and staff within local Jobcentres. We are also working on a joint session at leadership level with senior leaders within DWP to share learning and develop joint approaches for the benefit of our shared customer group.

Payment methods/frequency

6.2   We are increasingly transitioning customers to more efficient ways to pay rent that help to guarantee our rental income. We continue to sign up numbers of customers onto Direct Debits and we are starting to see an impact in our CSC with rent payment calls decreasing as more people pay via Direct Debit. Currently almost 20% of our customers pay by Direct Debit and 19.3% of UC customers pay by this method.

6.3   We are currently undertaking a review of payment methods, considering those that offer most choice and control for customers while also strengthening our capacity to prevent loss of rental income through non-payment of rent. This is particularly important given the challenges of UC.

6.4   Direct payments from DWP for UC customers are currently paid as part of a bulk payment to RSLs, often a significant period of time after the customer has received their UC payment. Work is ongoing to change this so that RSLs receive individual housing cost payments at the same time as the customer. The date for this change has yet to be confirmed but our relationship with DWP should allow us access to the proposed implementation details which we will ensure align with our approach.

6.5   Completed and current workstreams:

Completed Workstreams:	Completion Date:
Websites updated with step by step guidance for customers to apply for Universal Credit and update their journals	August 2019
Customer learning journeys carried out to other Registered Social Landlords across UK to learn how others are tackling Universal Credit	October 2019
Campaign to advise and assist mixed age couples with Pension Credit changes delivered by the Money Advice Team	May 2019
Reinforced message to DWP of importance of customer paying their rent whenever an Advance has been taken. DWP are unable to split the housing cost element out of the overall advanced payment however we will continue to lobby on this subject	September 2019

Current Workstreams:
Bespoke Universal Credit pages within Web Self Service being developed to ensure customers can access the key housing costs information they need to make a Universal Credit claim any time via their Web Self Service account
A Universal Credit Strategy being developed
Welfare Reform Tenant Advisory Group (WRTAG) helping to ensure we understand the 'lived experience' of tenants impacted by welfare reform
Customer case journeys being mapped to seek learning and minimise potential delays
Extension of the Eatwell service in conjunction with Wheatley Foundation
Working with DWP to build knowledge and confidence of DWP staff by helping to design their internal "Building Housing Confidence" programme for delivery between January and March 2020.
Working with DWP on Youth Obligation, to support mentoring circles and ensure recognition for customers supported by our existing employability programmes, such as the Wheatley Foundation Wheatley Works
Plans for a specific bespoke DWP event are underway.
Preparation for Rent Increase process for UC customers for April 2020
Customer Experience Panel set up to learn from Universal Credit claimants and co-design solutions to mitigate the impact of Universal Credit – first meeting scheduled for November 2019
Refining reporting to influence deployment of wraparound services, involving future planning and a more sophisticated understanding of income collection under Universal Credit.
A promotional campaign, 'With You All The Way' highlighting the ways in which we can support customers moving onto or already on UC

7 Performance monitoring and future planning

7.1 We continue to protect our income through a robust and comprehensive approach to rent collection and income maximisation, supporting our customers to become debt free. Relevant performance measures are closely monitored.

7.2 The number of people moving onto Universal Credit has increased substantially from 788 in September 2018 to 4,920 to the end of September 2019. 26% of customers are in credit or have a zero balance. 74% of Universal Credit customers are in arrears. The level of customers in arrears has remained consistent throughout the year. We are expecting over 8,000 customers to be tagged as Universal Credit by the end of the financial year.

7.3 Internal benchmarking is set out shown below:
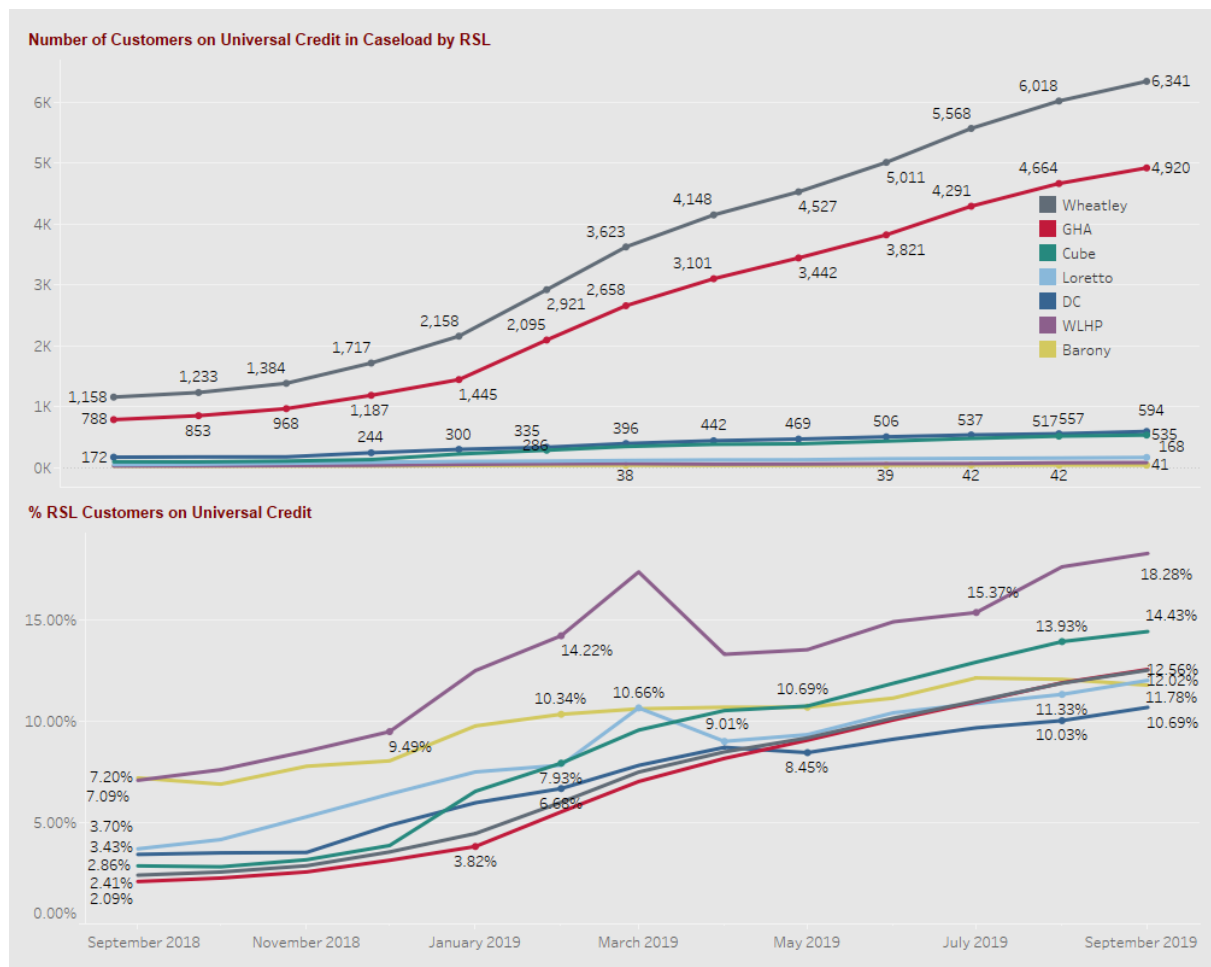
7.4 The average level of arrears per Universal Credit customer is £684 compared to £496 for non-Universal Credit tenants. Many customers tend to go into arrears at the outset of their move to Universal Credit because of the delays associated with receiving the first payment of Universal Credit. This can take between 5-13 weeks depending on the payment method agreed between our customers and the DWP.

7.5 As of September 2019, we have seen an increase in sitting tenant arrears as a percentage of Operational Gross Debit, compared to April 2019, from 2.63% to 3.12%. Operational Gross Debit includes the rent debit for all properties in an RSL including for example Non-Standard Lets and Temporary Accommodation. This differs slightly from the ARC measure of Gross Rent Arrears which is defined as total rent due during the year with a number of exclusions defined by the Scottish Housing Regulator, including but not exclusive to: temporary accommodation, overpayments from HB/UC, decants, void properties waiting on insurance claims. Core arrears have also increased by 0.12%, a monetary value of £250,630.

7.6 Universal Credit arrears have increased from 0.87% to 1.45%, a monetary increase of £1.03 million.

7.7 Arrears attributable to Universal Credit has increased by 0.37% against Operational Gross Debit for the Group from April 2019 to September 2019.

7.8 The impact can be seen in the charts below:

Core and Arrears Attributable to UC as % of Operational Gross Debit
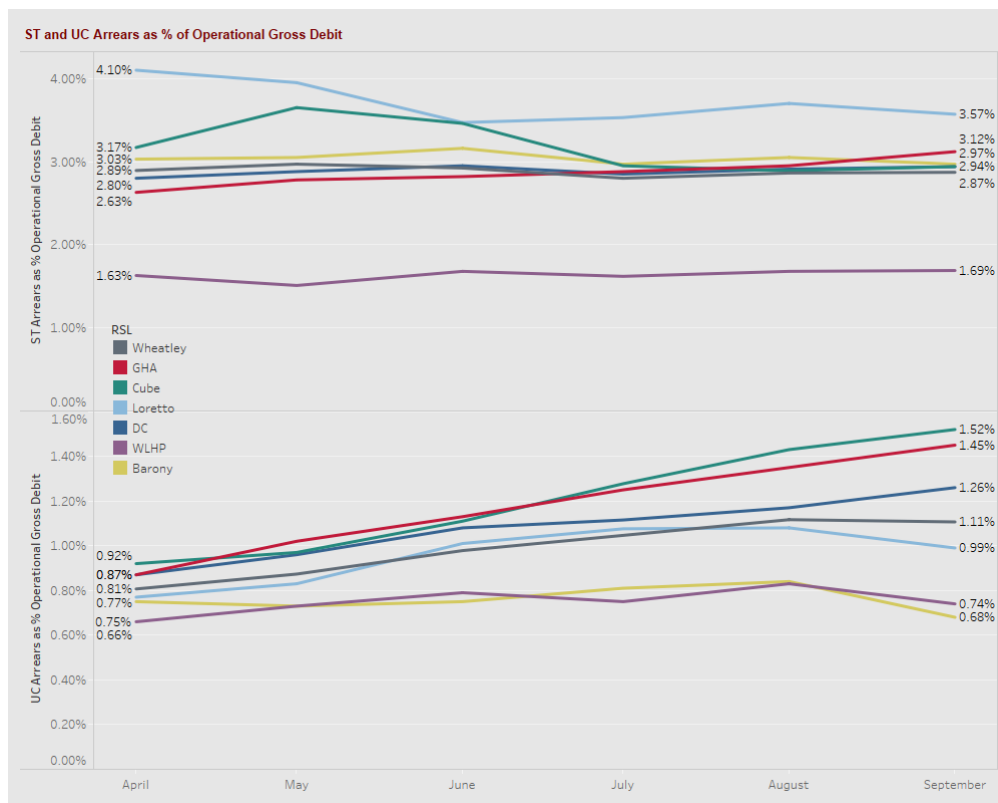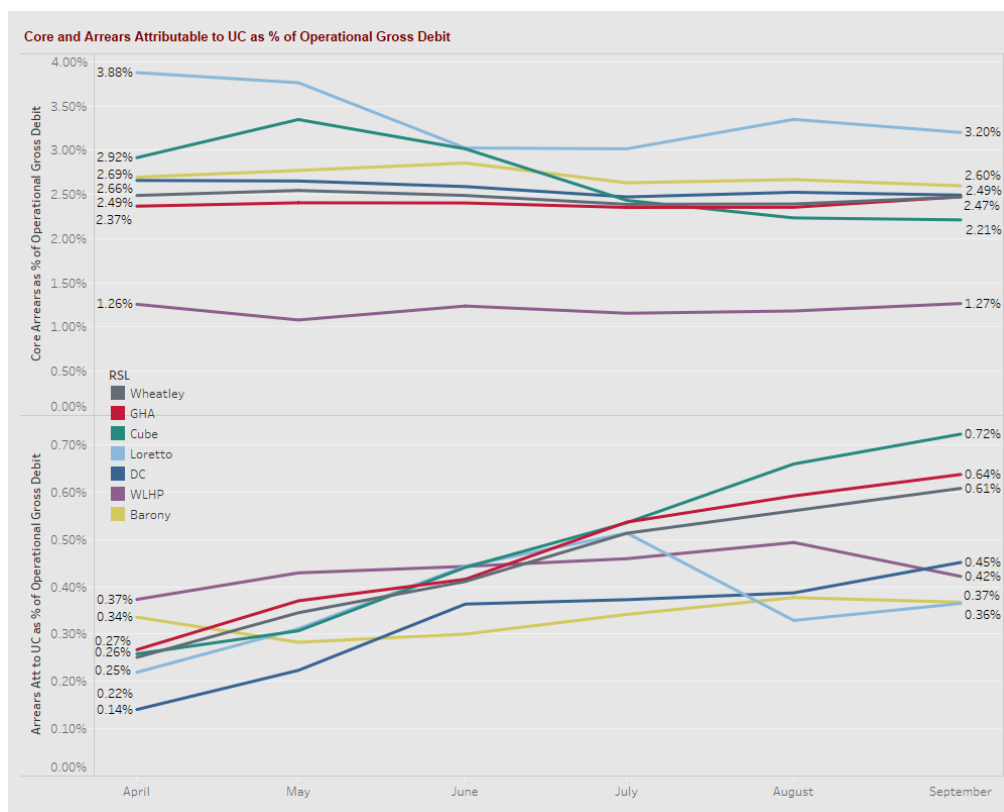
7.9   A dedicated workplan is in place to continue to mitigate the impact of Universal Credit:

Future Workstreams:
Deploying iPads in office reception areas and iPad Pros in our interview booths to ensure our customers are able to access the internet to make a Universal Credit claim, with our assistance if required
Minimisation of digital exclusion will be a priority– linked to a wider sanctions strategy; access to devices, broadband via wayleaves access etc
Draw down on the learning from the Accelerator Programme, developing a digital lending library to allow customers to borrow a digital device, enabling them to access the internet for job searches etc.
Deployment of predictive analytics to inform our future planning and approaches to the challenges of Universal Credit.
Preparations for the 'Move to Universal Credit' to be made based on findings of the Universal Credit Harrogate pilot – we are watching this pilot carefully
Pre and early tenancy approaches will be developed, including working with development colleagues around reducing uncertainty in handover dates that cause issues and delays with Universal Credit payments potentially
Developing joint approach to supporting homeless customers who will become our tenants, with welfare benefit advisors working full time to help with transition and ensure they build financial resilience of this vulnerable customer group; also influencing the partnership with Scottish Prison Service to help protect tenancies of customers who receive short term sentences and to help with rapid re-housing and fast tracked Universal Credit claims for prisoners due for liberation
Exploring opportunities with DWP to install low cost wifi in customers' homes and have this included as an eligible housing cost.
Developing an approach to supporting sanctioned customers as our learning journeys have told us that in year 2 after full roll out, this starts to become a big issue.
Facilitate a joint Leadership event with Senior leaders from DWP to build relationships and share leadership approaches. Utilise this as a great opportunity to foster closer working and for us to learn from each other.

8.   Conclusions

8.1   Over the next four years a large number of our customers will migrate to receiving their housing costs via Universal Credit. This will be a significant change for them and for us.

8.2   We continue to seek ways to influence the implementation of Universal Credit both at a UK level and at a Scottish level, alongside other landlords.

9.   Value for money implications

9.1   Welfare Reform relates to the aim within our value for money framework of improving flexibility and responsiveness and improving the life chance of our customers.

10.   Impact on financial projections

10.1   All work streams in this paper have been accounted for within the 2019/20 budgets.

10.2   Within our Business Plan financial projections, we have provided for an increase in arrears as a result of the roll out of Universal Credit. During the current financial year this is assumed at £1.4m across the Group with a further increase of £2.7m reflected in 2020/21. In the Group's Income and Expenditure Account, the overall provision for bad debts across our RSLs is 1.8% per year. In context, this compares to our actual write-off for the 2018/19 financial year of 1.53% and therefore contains some prudence.

11.   Legal, regulatory and charitable implications

11.1   There are no legal, regulatory or charitable implications.

12.   Partnership implications

12.1   We are represented at a range of national and local forums including:

- Glasgow City Council's (GCC) Corporate Welfare Reform Group (GCC/ Wheatley/NHS);
- Housing, Investment Welfare Reform sub-group (GCC, Scottish Federation of Housing Associations, RSLs);
- The UK Government's Universal Credit Social Landlord Group (Social Justice Division) – large landlords and Senior Officials from DWP;
- The Scottish Government's Housing Benefit Advisory Group – quarterly meetings with Scottish Government Housing Benefit and Social Security Depts. Members also include SFHA, The Pension Advisory Service Scotland, Glasgow West of Scotland Forum of Housing Associations, Convention of Scottish Local Authorities, Shelter and other Scottish Government Departments;
- Scottish Campaign on Welfare Reform - quarterly third sector influencing group (Members include Shelter, One Parent Families Scotland, Child Poverty Action Group, Poverty Alliance, Engender, SFHA); and
- Glasgow Financial Inclusion Partnership (FIP), quarterly strategic planning funders meeting with GCC, Greater Glasgow Health Board.

12.2 We use these to identify risks and opportunities, including an ability to influence how changes are being implemented on the ground.

13. Implementation and deployment

13.1 We are working with partners in the Group to share lessons and experiences, including via a Rent and Income Community of Excellence group. Every front-line team has a Universal Credit champion who is providing feedback and input on how we are managing and mitigating Universal Credit.

14. Equalities impact

14.1 Universal Credit changes will disproportionately affect young people and people on low incomes, both in and out of work. This paper is focussed on how we seek to manage the changes for those customers.

14.2 All literature and leaflets are available in a range of languages for people whose first language is not English. We provide updates on welfare reform at various tenant forums. Our Welfare Reform Programme is overseen by a Welfare Reform Tenant Advisory Group made up of tenants from across Wheatley.

15. Recommendations

15.1 The Board is asked to:

1) Note the update on Universal Credit and Welfare Reform; and
2) Note the range of mitigations in place to manage the impact of Welfare Reform on our customers, communities and business.

GHA

Report

To:	**GHA Board**
By:	**Tom Barclay, Group Director of Property and Development**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Project Update: Bell Street Conversion**
Date of Meeting:	**29 November 2019**

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1. Purpose

1.1 To seek the Board's agreement on a negotiated final account figure with the contractor, CCG Scotland Ltd, with additional cost of £490,566 (£200,000 of which was previously reported to the GHA Board).

2. Authorising context

2.1 The Bell Street conversion project was approved by GHA Board on 10 February 2017, and Wheatley Housing Group Board on 22 February 2017. Additional costs outlined in this report are a further development on the estimated cost over run update provided to the GHA Board of over £200,000 back in November 2018. The subsequent final account remeasurement process has been developing in recent months on which this update report is based.

2.2 A report on the anticipated outturn cost for the Bell Street project was presented to the Group Development Committee at its meeting on 29 October 2019. The Committee, following a visit to the completed project, considered the various matters that had impacted on the cost overrun for this project and confirmed its support for the additional costs, noting that at that time engagement with the contractor and our Quantity Surveyor was still on-going.

2.3 It is proposed that subject to consideration of this report by the Board that an update report on the Bell Street project will also be presented to the Wheatley Housing Group Board on 18 December 2019.

3. Risk appetite and assessment

3.1 The Board, in approving the project, acknowledged the risks involved in a major conversion of a historic building, and noted that the project would deliver affordable housing in line with our charitable objectives. In addition, the retention and redevelopment of this building, in a key historic part of the city, was a strategic priority for the City Council and was consequently an 'off market' purchase offered exclusively to us as a key delivery partner.

3.2   Due to the nature of the project a traditional JTC 'with quantities' contract form had to be used, in contrast to our customary 'design and build' form of contract for mainstream, modern construction projects. While this allowed for some detailed development of proposals prior to tender, it required us to adopt residual risks inherent in work on an old building, and with limited physical access for surveys in advance of the contracts commencement.

3.3   We conducted the project procurement in compliance with all aspects of the New Build Framework Procedure for call-offs, and the related OJEU procedures. The change to project out-turn cost does not affect this compliance.

4.   Background

4.1   The building at Bell Street comprised a disused B-listed four and five-storey sandstone and brick stable, constructed in 1896-1898 for Glasgow's Cleansing Department, and later used to house police horses. The ground and first floors were later converted to provide office and garage space for the Cleansing Department. The building was added to the 'Buildings at Risk' register in 2013.

4.2   While the basic structure of the building was sound, it had suffered water ingress from the roof for many years, and had significant wet and dry rot outbreaks at acquisition. As can be common on works to historic buildings, a number of unforeseen, and indeed unforeseeable, items came to light when the building was opened up by our contractor.

4.3   The completed development comprises 52 flats for mid-market rent (MMR) providing badly-needed affordable housing in the highly pressured Merchant City sub-market. The development is managed by Lowther Homes who collect and set the rent, as well as managing the letting and maintenance of the properties.

4.4   The development was formally opened by Derek Mackay MSP, Cabinet Secretary for Finance, on 16 July 2019. It is a unique and high-profile project, showcasing our work in contributing to the regeneration of the city.

5.   Discussion

5.1   Conversion of a historic building inherently carries significant unknown risks and costs, which only become apparent when building work starts. This proved to be the case at Bell Street. Whereas provisional sums had been allocated to specific areas of work such as rot and stone repair, these were estimated only and the cost risk rested with us as employer.

5.2   The use of a traditional JCT 'with quantities' contract, where the risk of unknowns largely remains with the client, and the inclusion of provisional sums with the intent of covering those risks is the only way, in the current climate, to obtain an affordable tender and manage risk on projects of this nature. Four tenders were received ranging from £5.844 million to £8.027 million. The accepted tender was the only affordable option.

5.3 The most economically advantageous and compliant tender was **£5,844,371**. In order to meet our internal rate of return (IRR) target of 6.2%, the project was approved at a reduced target construction cost of **£5,684,371.** This assumed a £160,000 reduction to be achieved through post-tender value engineering. As the project progressed on site the value engineering target proved to be unachievable, and the actual outturn saving was £120,770. Provisional and prime cost sums were reduced to the minimum considered possible, leaving no room for further contingencies in the sum approved by the Board.

5.4 To meet our internal rate of return target, and with the agreement of the Scottish Government and Glasgow City Council, initial rents at the development are set at 120% of Local Housing Allowance (LHA) which, although it is above the Scottish Government's guidance of 80% of LHA, is well below the level of private rents in the Merchant City. This is outwith the norm and again emphasises the exceptional nature of this project and its importance to the City Council.

5.5 The complexity of the project is demonstrated by the fact that there were over 400 individual items formally instructed via Architect's Instruction (AI). By comparison, a new build project of similar scale typically has under 20 individual items instructed. These AIs were generally required to address changes in the technical solution that required to be adopted, rather than to introduce client changes. The exception to this was in the upgrading of the lift installation specification, which was justified by an expected reduction in long-term maintenance costs.

5.6 As the project progressed on site and the building was opened up, numerous unforeseen issues, and associated costs, arose. Costs associated with the cobbled courtyard represent 25% of the total overspend, with a further 40% on additional woodwork and rot repairs, including works to the horse ramps, and a further 19% on roofing and lead works. To partially offset these costs, the project team went to considerable lengths to ensure savings were identified wherever possible. Despite these actions, the final balance of savings and extra-over costs results in an overspend on the approved costs.

5.7 The final account is now agreed. Our Quantity Surveyor has been involved in cost remeasurement activity with CCG that results in a final account figure for the construction/refurbishment works of £6.174m. This is some £45,000 lower than the anticipated maximum construction works cost presented to the Group Development Committee in October 2019.

5.8 The original contract completion date was 14 September 2018. Extensions of time were granted to 16 April 2019. The project completed on 15 August 2019. Our Quantity Surveyor negotiated with CCG on the further extensions of time, with costs, that could have been sought.

[Paragraphs 5.9 and 5.10 have been removed as exempt for FOI]

5.11 The increase in construction costs over the original budget figure is £490,566. This is an increase of just under £300,000 on the indicative final costs estimate provided to the GHA Board in November 2018.

5.12 The complexity of the project, and the numerous variations and changes which occurred during construction, with multiple dependencies and interactions between and arising from these, required that we seek to agree a negotiated final account with CCG.

5.13 It would be possible, within current guidance, to increase the rents charged at Bell Street above inflation, which would improve project viability in the longer term. This remains an option for Lowther Homes to consider in the future.

5.14 The current situation, and recommended funding, compared to the approved funding is shown in tables 1 and 2:

Table 1 – costs approved by the Board:

Costs		Funding	
Construction	**£5,684,371**	Scot Govt Grant	£2,131,157
Other costs (inc. acquisition & fees)	**£1,016,231**	Private Finance	£4,569,445
Total Development Cost	**£6,700,602**	**Total Funding**	**£6,700,602**

Table 2 – Cost status of the project at November 2019 and suggested funding:

Costs		Suggested Funding	
Construction costs	**£6,174,937**	Scot Govt Grant Private Finance	£2,131,157 £4,569,445
Other costs	**£1,016,231**	Repairs and investment budget savings	£490,566
Total Development Cost	**£7,191,168**	**Total Funding**	**£7,191,168**

6. Key issues and conclusions

6.1 The project is a high-profile example of the creative reuse of a former industrial building for affordable housing. This has been achieved providing high quality, affordable and popular housing, the first affordable housing in Glasgow's Merchant City. We anticipate there are reputational advantages for us, beyond the specific achievement of the project itself.

6.2 As is inherent in the rehabilitation/conversion of a large historic listed building, the project proved to be exceptionally complex and difficult, as demonstrated by the very high number of necessary instructions and variations. The post tender value engineering target proved to be unachievable, and the actual outturn saving was £120,770 in lieu of the £160,000 required. Provisional and prime cost sums were reduced to the minimum considered possible, leaving no room for further contingencies in the sum approved by the Board.

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6.3 While we made every effort to find savings, the scope for these on a building of this type was limited by practicality, and by the insistence of the planning authority and Historic Environment Scotland that certain historic features were retained and indeed significantly enhanced. Specifically, the courtyard cobbled finish was found to be bedded in bitumen which made removal and relaying particularly difficult. A cost effective alternative of conservation paving was offered to the Planning authority, but this was rejected, following dialogue with Historic Environment Scotland. The lifting, cleaning and reuse of existing cobbles became very protracted and resulted in significant additional cost to the contract representing over 25% of the projected cost overrun. This, together with other repair works and rot works reported at 5.6 above, represent nearly 85% of the total overspend.

6.4 Whilst there was an estimate of the cost overrun position reported to the Board in November 2018 at over £200,000, this was at an early stage of the remeasurement process of the final accounts development. That work has matured in recent months as a result of the final account engagement process, and as summarised in this report, represents further cost movement of £290,566 on the indicative costs estimate provided to the Board. We are confident that the cost overrun can be managed within the repairs, investment and VAT efficiencies forecast for the year.

7. Value for money implications

7.1 The final outturn figures for Bell Street was subject to a negotiated final account settlement with CCG. The commercial sensitivity of the eventual settlement, in the context of our continuing development programme, has been made clear to CCG.

8. Impact on financial projections

8.1 A cash-flow forecast for the project is used to calculate certain key indicators including net present value (NPV) and internal rate of return (IRR) to ensure it generates sufficient return to cover cost of funds plus a margin for risk. Our minimum requirement for social and MMR schemes is **6.2%**.

This originally demonstrated that a positive NPV and IRR of 6.2% could be achieved:

Units	NPV	NPV Per Unit	IRR	Payback Period
52	£1	£1	6.2%	30 years

8.2 A revised IRR calculation has been carried out on the basis of the revised costs and anticipated rent levels, without additional funding, the NPV and IRR are now as follows:

Units	NPV	NPV Per Unit	IRR	Payback Period
52	(£507,730)	(£9,764)	5.8%	30 years

8.3 The additional cost results in an IRR of 5.8%. This is, however, still above our current long term business plan projection for cost of capital of just over 5%.

8.4 A valuation of the completed building was commissioned from Jones Lang LaSalle. This reported on 2 October 2019 and confirmed a market valuation of £7.6m, with a vacant possession value of £8.3m. This is above the revised development cost of £7.191m.

9. Legal, regulatory and charitable implications

9.1 No new implications.

10. Partnership implications

10.1 As mentioned previously the project was a strategic priority for the ongoing regeneration of the Merchant City area for Glasgow City Council. Delivery of the project has further cemented our relationship with the Council as a strategic partner, whilst also contributing to the Scottish Government's More Homes Scotland targets and our 2,800 unit Bond Programme.

11. Equalities impact

11.1 No new impacts.

12. Recommendations

12.1 The Board is asked to:

1) note that the Group Development Committee considered the additional costs for the Bell Street project at their meeting on 29 October 2019;
2) agree, subject to the approval of the Wheatley Housing Group Board, the anticipated increase in costs of £490,566 over the originally approved figure for the Bell Street conversion project; and
3) approve that forecast in-year savings in repairs and VAT on investment budgets will be utilised to cover the final negotiated overspend.

GHA

Report

To:-   **GHA Board**

By:-   **Tom Barclay, Group Director of Property and Development**

Approved by:-   **Martin Armstrong, Group Chief Executive**

Subject:-   **New Build Performance Dashboard**

Date of Meeting:-   **29 November 2019**

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1.   Purpose

1.1   To provide the Board with an overview of our new build programme performance, including any programme highlights and/or exceptions.

1.2   To seek approval for proposed shared equity arrangements.

1.3   To seek approval for a property disposal.

2.   Authorising context

2.1   The Group Authorising Framework provides that each member of the Group is responsible for its own new build development programme.

2.2   The GHA Board is responsible for scrutinising and approving its development programme on a 5-year rolling basis. The Board considers its development programme each February with updates provided at regular intervals throughout the year. Once approved, the Group Development Committee is responsible for scrutinising and approving each individual contract award.

2.3   This report enables the Board to consider and monitor the progress of the new build development programme.

3.   Risk appetite and assessment

3.1   Our risk appetite in relation to new build is 'open', which is defined in relation to development options as "*Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward*".

3.2   Risks on individual projects have been assessed and reported separately to the Group Development Committee at approval stage. A Risk Register is created for each development project to facilitate the management or mitigation of all identified risks, and this is re-assessed and mitigated as each project progresses.

4.   Background

4.1   The growth programme of 2,800 affordable housing units agreed with the Scottish Government in 2014, and supported by Bond funding, is now fully committed, with projects either complete or on site.

4.2   Our future programme is now funded from grant provided directly by Glasgow City Council (GCC) through the Transfer of Management of Development Funding (TMDF) role, along with our own private borrowing.

5.   Discussion

<u>New build performance dashboard</u>

5.1   The New Build Performance Dashboard is attached to Period 7 (31 October 2019) at **Appendix 1.** Commentary on the dashboard indicators is provided below:

Indicators	Highlights & Exceptions
On site	We have 668 units on site, in 10 development projects. Works at Sighthill are expected to start by late November 2019.
Due on site	Since the last performance report four projects have started on site at Watson St, Kennishead Avenue, Scaraway Street and Baillieston, a total of 180 units.
Budget versus Spend	Project spend continues to be below budget, but projects are generally operating within the agreed total development cost. Year to date spend is £27.4 million. This remains lower than the budgeted £35.6 million, the difference mainly accounted for by a £5 million shortfall at Sighthill. Please note this summary will differ from the Finance report which includes accounting adjustments for capitalised development staff, finance and demolition costs as well as costs incurred for projects not yet on site. The new build dashboard focuses on live developments only.
Planned Completions	Completed projects so far in the current year include Glenacre Drive, Hinshelwood Drive and Bell Street. Total handovers at period 7 are 304 units against our 2019/20 target of 413 units.
Engagement Status	We have 8 'High Engagement' projects on site or due on site, rated according to either scale of project (above 70 units), or complex ground conditions such as demolition or contamination. All of these projects are progressing satisfactorily and will continue to be monitored regularly.

Current matters

Contractor Performance: Engie Regeneration Limited

5.2   We continue regular engagement meetings with the Engie Managing Director for Scotland and their senior management team.

5.3   Ibroxholm Oval Phase 2 is due to complete by the end of November 2019. The Auchinlea and Bellrock projects continue to progress well and, while Bellrock is slightly delayed (a 31 March 2020 completion is now forecast rather than 31 January 2020), Auchinlea remains ahead of programme. Kennishead Avenue started on site in March 2019 and continues on budget and on programme.

Gallowgate Phase 2: Sale of flats under shared equity scheme

5.4   The scheme for Gallowgate Phase 2, in the Gallowgate TRA area comprises 143 units. Of these 113 units were designated for social rent (reprovisioning) and 30 units for mid-market rent. The project is progressing well on site with 101 of the units now handed over and in management.

[Paragraphs 5.5 to 5.10 have been removed as exempt for FOI]

6.   Key issues and conclusions

6.1   Progress on the new build development programme continues with site starts, completions and performance against budget healthy across the programme, but some delay outwith our control is being experienced with the start on site for Sighthill. This contributes to the targets set out in our 'Investing in Our Futures' strategy. The 2019/20 Business Plan target is 413 completions.

6.2   On the 1 November 2019 the Chair of the Board hosted an event at our Gallowgate new build project with the Leader of Glasgow City Council and our customers to celebrate the completion of GHA's 3,000th new build home.

7.   Value for money implications

7.1   Our ability to successfully deliver new housing helps strengthen the income streams in our business plan and supports our charitable objectives to address housing need by providing much needed homes for potential customers on our waiting lists.

7.2   Delivering value for money to our funders and stakeholders, including the Scottish Government and Glasgow City Council is also important, in maintaining our position as a key delivery partner.

7.3   Developments are generally proceeding in line with Board approvals, and value for money assessments remain as presented in those papers.

8.   Impact on financial projections

8.1   Delivery of the programme is reflected within the 2019/20 business plan financial projections previously presented to the Board. The programme reflected within these projections will be delivered within our business plan funding arrangements. Although a number of completions slipped from 2018/19 to 2019/20 we do not expect this to have a material impact on the financial results.

8.2   The year to date budget and actual spend headlines are shown on the development dashboard at Appendix 1.

9.   Legal, regulatory and charitable implications

9.1   The legal team assists with preparation of legal documents, including Building Contracts and Development Agreements, to safeguard our development operations, and in the preparation of documentation and due diligence associated with asset securitisation.

10.   Partnership implications

10.1   The programme is discussed and agreed with grant funders at an early stage in the development process. We seek a Scheme Agreement with Glasgow City Council for each project, and inclusion of our future projects within the City's Strategic Housing Investment Plan.

10.2   Consultation on individual projects takes place with local communities.

11.   Implementation and deployment

11.1   The delivery and performance management of the new build programme is monitored on an ongoing basis.

12.   Equalities impact

12.1   Our developments are built to Housing for Varying Needs (HfvN) standard and continue to include housing to wheelchair standard, as a contribution towards the City Council's targets. Our new housing also meets the Council's 'Glasgow Standard' for energy efficiency, amenity and living space.

13.   Recommendations

13.1   The Board is asked to

         1) note the contents of the report;

[Recommendations 13.1 (2) and (3) have been removed as exempt for FOI]

List of Appendices

Appendix 1 – GHA New Build Performance Dashboard

Development Dashboard

Highlights

In Year Budget	Actual Spend
£35.6M	£27.4M

Note: excludes non-specific project costs such as capitalised demolition, employee and finance costs, etc.

	on site	due on site
projects	10	1
units	668	198

Completions to end of Period

304	73
Actual	Target

Annual Targets

Tenure	Target ▲
MMR	57
Reprov	143
SR	213

Project Spend

● YTD Actual ● YTD Budget

Project	YTD Actual	YTD Budget
Linkwood, A...	£4.8M	£5.0M
TRA: Gallowgate Ph2	£4.1M	£6.6M
Auchinlea	£2.9M	£3.4M
Inglefield Street	£2.9M	£3.0M
Scaraway Street	£2.8M	£0.0M
Bellrock	£2.7M	£3.5M
Kennishead Avenue	£2.3M	£5.0M
TRA: Ibroxholm Ph2	£1.6M	£1.1M
Watson St Ph2	£1.0M	£0.0M
Glenacre Drive / Terr	£0.4M	£0.0M
Batson Street, Hollyb...	£0.4M	£0.0M
Calton Village Ph1	£0.3M	£0.0M
TRA: Hinshelwood	£0.3M	£0.0M
Bell Street / Watson ...	£0.2M	£0.0M
Main Street, Bailliest...	£0.2M	£2.7M
Dougrie Drive	£0.1M	£0.0M
Cathay Street	£0.1M	£0.0M
Dovehill Phase 1	£0.1M	£0.0M
TRA: Sighthill MMR	£0.0M	£5.0M

On site (units)

Project	Units
Auchinlea	80
Bellrock	53
Inglefield Street	49
Kennishead Avenue	48
Linkwood, Airgold	98
Main Street, Baillieston	37
Scaraway Street	49
TRA: Gallowgate Ph2	143
TRA: Ibroxholm Ph2	65
Watson St Ph2	46

Due on site (units)

Project	Units
TRA: Sighthill MMR	198

Project Engagement

● High ● Medium

Engagement	Count
High	8
Medium	3

GHA

Report

To:-   **GHA Board**

By:-   **Tom Barclay, Group Director of Property and Development**

Approved by:-   **Martin Armstrong, Group Chief Executive**

Subject:-   **Delegated Authority for Disposals**

Date of Meeting:-   **29 November 2019**

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1.   Purpose

1.1   To seek approval for delegated authority to the GHA Board Chair for disposal of assets (property and / or land) under agreed criteria.

2.   Authorising context

2.1   Under the terms of the Group Authorise, manage, monitor matrix the Board is responsible for approving its own acquisitions and disposals and, Board approval is being sought for delegated authority according to agreed criteria.

3.   Risk appetite and assessment

3.1   The Board's agreed risk appetite for disposal of property is "Open". This level of risk tolerance is defined as "Eager to maximise financial income for the Group and to improve the environment within our communities".

3.2   The proposal to delegate authority for certain property disposals supports an "averse" approach to legal compliance. The proposed criteria reflect the need to demonstrate compliance with the protocols agreed the Scottish Housing Regulator, Scottish Government and Glasgow City Council.

4.   Background

4.1   We have generally not disposed of assets (property and / or land) since the transfer from the Council in 2003 except for implementation of the Right to Buy legislation and demolition. The Disposals Clawback Agreement as part of the original transfer agreement applied in the main to any sale of properties and / or land.

4.2   Over the past year we have received an increasing number of requests for approval of disposal transactions from the Council, other housing associations and third parties. Approval timescales are lengthy and depend on the frequency of Board meetings.   These transactions include land, buildings, transfer of retained rights over land, excambions, adoption of roads by the Council, and enforcement by statutory authorities.

4.3   A review of recent disposals approved by the GHA Board has been undertaken. Since the beginning of 2019 six requests for disposals have been submitted to the Board for approval. A further three requests for approval are expected in the coming months.

4.4   With the exception of the approval of the disposal of Winget properties (approved at the August board) the majority of these transactions are of low or nil financial value.   Examples include disposal of a property for demolition, adoption of a road by Glasgow City Council, transfer of land and land rights for flood prevention to Glasgow City Council.   The conveyancing activity is straightforward in nature but transactions require approval to demonstrate good governance.   This proposal provides the criteria to be used to determine whether a transaction should be subject to approval by the Board in future.

4.5   The Scottish Housing Regulator has changed its criteria for informing them of property transactions so that only those for untenanted properties with a financial value greater than £120,000 are now notifiable. We have used this as a useful guide for setting financial criteria for our governance relating to disposals. Our proposal reflects this change in approach.

5.   Discussion

5.1   It is proposed that this approach will be applicable to all disposals of the following types:

    ▪ Disposal of land;
    ▪ Disposal of property;
    ▪ Excambion;
    ▪ Adoption by Roads Authority;
    ▪ Enforcement by Statutory authority; and
    ▪ Retained rights over land.

5.2   For any request for a disposal we will confirm that we own the property or land or have the relevant retained property rights. Once ownership is confirmed the market value of the disposal will be determined by having a valuation prepared by the District Valuer. We will also confirm whether the asset is allocated to a funder.

5.3   Our proposed approach takes account of the need to notify our funders of all proposed disposals to meet the requirements of our loan agreements. The process will ensure that the consent of funders is sought prior to disposal.

5.4 The proposed criteria for determining how a disposal of an interest should be approved are as follows:

Criterion	Delegated Authority to Chair	GHA Board approval
No. of properties	Single property	Multiple properties
Property or Land valuation	Less than £120k	Over £120k
Disposals Clawback Agreement	Exemption	Applies
Is Funder consent required?	Yes	Yes
Is Scottish Housing Regulator consent required?	No (less than £120k value)	Yes (more than £120k value)
Is the transaction complex / high risk / reputation	No	Yes
Will the disposal result in change to a minority or no ownership interest in a mixed tenure block, but GHA remains the registered factor?	No	Yes

5.5 A proforma has been developed to manage the end-to-end process including consideration of ownership, value, approval and implementation. The GHA MD will be consulted as part of the process. Sign off by the GHA MD and Group Director of Property and the Group Director of Finance or Director of Financial Reporting will be sought prior to presenting the disposal for approval by the GHA Chair. The draft proforma is provided in Appendix 1.

5.6 Some potential disposals may have implications for us as the registered property factor for example loss of income or ability to fully perform the duties of a factor. Where this is the case it will be detailed along with any mitigations in the disposal proforma.

6. Key issues and conclusions

6.1 The proposed process will provide the appropriate level of governance while streamlining the current arrangements. We will maintain records of all transactions and the number of disposals will all be reported to the Board at the next meeting following the disposal.

7. Value for money implications

7.1 To demonstrate value for money any disposal will be valued by the District Valuer on a full market value basis in accordance with the requirements of the Scottish Housing Regulator.

8. Impact on financial projections

8.1 Any surplus generated from a disposal will be added to our budget to fund future acquisitions which meet our acquisition criteria.

9. Legal, regulatory and charitable implications

9.1 When seeking to dispose of an asset, we are required by the Scottish Housing Regulator to ensure we achieve value for money and it is not to the detriment of our tenants if the value of the asset is greater than £120,000. The proposed criteria reflect this requirement.

10. Partnership implications

10.1 There are no partnership implications relating to this proposal.

11. Implementation and deployment

11.1 The criteria will take effect immediately if agreed and the disposals will be reported to the Board on an ongoing basis.

12. Equalities impact

12.1 No equalities issues have been identified.

13. Recommendation

13.1 The Board is requested to agree to delegate authority to the GHA Chair for asset disposals which meet the criteria set out in Section 5.4 of this report.

List of Appendices

Appendix 1 – Draft Disposals Proforma

PRIVATE AND CONFIDENTIAL

GHA

Asset Strategy – Single Property Disposal Approval

Property Address	

Property Valuation		**Recommended Offer**	

Ownership Split	

Sector	Social	☐	Mid-Market	☐	Full-Market	☐

Funder Consent Required		**Date Consent Received**	

SHR Consent Required		**Date Consent Received**	

Risk : Low / High / Complex / Reputational	

Does home Loss & Disturbance apply	

Locality Housing Director Consent		**Date Consent Received**	

Lowther Homes Consent		**Date Consent Received**	

Finance & Treasury Consent		**Date Consent Received**	

Net Present Value (NPV)	

Supporting Documentation	Disposal Assessment Summary

Evelyn McDowall, Director of Group Assets

Signed _____

Date _____

Tom Barclay, Group Director of Property and Development

Signed _____

Date _____

Bernadette Hewitt, GHA Chair

Signed _____

Date _____

PRIVATE AND CONFIDENTIAL

GHA

Asset Strategy – Land Disposal Approval

Location / Address	

Land Valuation		**Recommended Offer**	

Sector	Social ☐	Mid-Market ☐	Full-Market ☐

Funder Consent Required		**Date Consent Received**	

SHR Consent Required		**Date Consent Received**	

Risk : Low / High / Complex / Reputational	

Locality Housing Director Consent		**Date Consent Received**	

Lowther Homes Consent		**Date Consent Received**	

Finance & Treasury Consent		**Date Consent Received**	

Supporting Documentation	Land Disposal Assessment Summary

Evelyn McDowall, Director of Group Assets

Signed _____

Date _____

Tom Barclay, Group Director of Property and Development

Signed _____

Date _____

Bernadette Hewitt, GHA Chair

Signed _____

Date _____

PRIVATE AND CONFIDENTIAL

GHA

Asset Strategy – Relinquishing of Rights

Location / Address			
Land Owner			
Nature of GHA interest			
Funder Consent Required		**Date Consent Received**	
SHR Consent Required		**Date Consent Received**	
Risk : Low / High / Complex / Reputational			
Locality Housing Director Consent		**Date Consent Received**	
Lowther Homes Consent		**Date Consent Received**	
Finance & Treasury Consent		**Date Consent Received**	
Supporting Documentation	Reliniguishing of Rights Assessment Summary		

Evelyn McDowall, Director of Group Assets

Signed _____

Date _____

Tom Barclay, Group Director of Property and Development

Signed _____

Date _____

Bernadette Hewitt, GHA Chair

Signed _____

Date _____

PRIVATE AND CONFIDENTIAL

GHA

Asset Strategy – Adoption by Roads or Statutory Authority

Location / Address	

Statutory Authority	

Nature of GHA interest	

Funder Consent Required		**Date Consent Received**	

SHR Consent Required		**Date Consent Received**	

Risk : Low / High / Complex / Reputational	

Locality Housing Director Consent		**Date Consent Received**	

Lowther Homes Consent		**Date Consent Received**	

Finance & Treasury Consent		**Date Consent Received**	

Supporting Documentation	Reliniguishing of Rights Assessment Summary

Evelyn McDowall, Director of Group Assets

Signed _____

Date _____

Tom Barclay, Group Director of Property and Development

Signed _____

Date _____

Bernadette Hewitt, GHA Chair

Signed _____

Date _____

GHA

Report

To: **GHA Board**

By: **Tom Barclay, Group Director of Property and Development**

Approved by: **Martin Armstrong, Group Chief Executive**

Subject: **GHA Health and Safety Update**

Date of Meeting: **29 November 2019**

_____

1.   Purpose

1.1   To update the Board on our ongoing activity in relation to Health and Safety matters.

2.   Authorising context

2.1   Under the Group Authorising Framework (GAF) and Intra-Group Agreement (IGA) the Wheatley Group Board is responsible for approving and implementing Group Policies. The Health and Safety Policy was approved and designated as a Group Policy.

2.2   Under the policy the Group Chief Executive is expected to agree a Group Health and Safety Management System ("Management System").

3.   Risk appetite and assessment

3.1   Our risk appetite relating to laws and regulations is "Averse" i.e. avoidance of risk and uncertainty is a key organisational objective. The risk tolerance of all subsidiaries relating to technical compliance (e.g. Health and safety, gas, asbestos etc) is also "Averse".

3.2   Health and safety compliance risks are included in the group strategic risk register and in our risk registers.

3.3   Key organisational risks to us are identified in this report where there will be the immediate focus in applying the Management System.

4.   Background

4.1   The Wheatley Group Board approved the revised Group Health and Safety Policy at its meeting in August 2018.

4.2   A key element of embedding our health and safety culture is strong leadership. Our group policy incorporates this and includes regular reporting to this Board as part of its ongoing role in oversight of health and safety. This includes a combination of an annual report, regular updates and health and safety related performance measures.

5.   Discussion

5.1.1 As we maintain a focus on health and safety, the agreed health and safety management system remains the driver for continuous improvement in the group's health and safety culture. In the on-going development of the management system, we have taken into account, the HSE model for successful health and safety management (as below).

5.1.2 This management system helps demonstrate that we have a clear overarching means for managing health and safety and, importantly, further communicate and drive cultural importance of health and safety as an active, on-going activity. This includes further embedding and integrating health and safety into strategic decisions and operational activities in a manner proportionate to the level of risk.
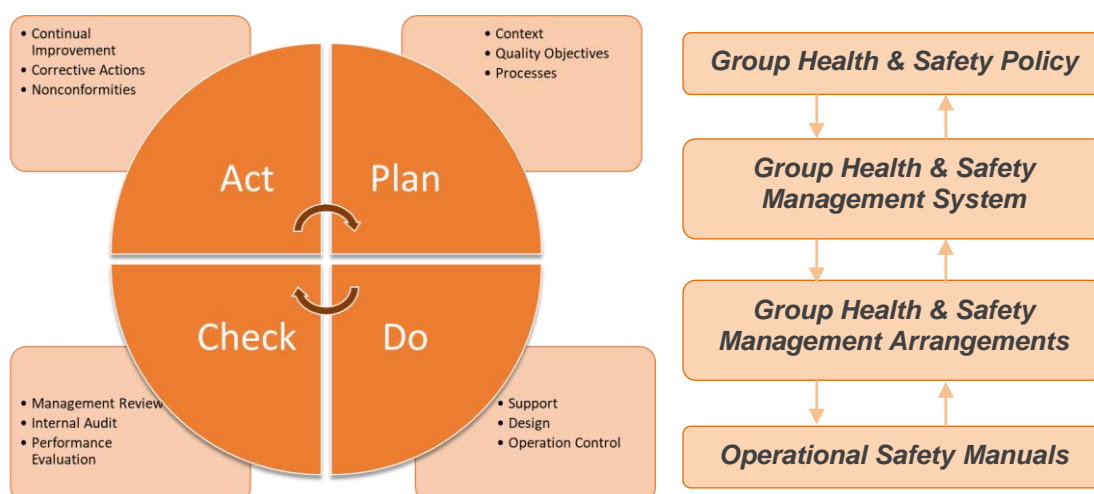
5.1.3 Details of the key elements of the management system agreed by the Group and how it will be implemented are set out below:

5.2   Health and Safety Policy

5.2.1 The Group Health and Safety Policy has been communicated to all our staff and is available on W.E. Connect (the Group Intranet). It remains a mandatory read for all staff and management.

5.2.2 This Policy is regularly reviewed and as the organisational structure evolves and risk profile develops.

5.3 Continuous improvement-Health and Safety Management Arrangements

5.3.1 As previously reported to the Board, a managed programme of enhanced Health and Safety Management Arrangements are being developed for implementation over the next 18 months. Health and Safety Management Arrangements that have already been established and implemented following a period of consultation are as follows:

a) Group Health and Safety Management System, and;
b) Health and Safety Management Arrangements for:

- Fire Safety;
- Gas Safety;
- New and Expectant Mothers;
- First Aid; and
- Display Screen Equipment.

5.3.2 Further planning in the next 6 months will result in the following Health and Safety Management Arrangements being implemented:

- Asbestos Management;
- Transport Safety;
- Control of Legionella; and
- Construction (Design and Management).

5.4 Risk Management

<u>Health and Safety Risk Register</u>

5.4.1 As well as the overarching strategic risk on our risk register relating to health and safety, we have in place a Health and Safety Risk Register. The primary focus of the register is on legal compliance and potential future legal or regulatory obligations. This is a key means by which we seek to mitigate against the risk of non-compliance and potential enforcement.

5.4.2 The health and safety risk register will be updated regularly and, as the health and safety management system evolves.

5.4.3 Our key technical compliance risks and statutory obligations are as follows:

- Asbestos Management;
- Fire Safety;
- Gas Safety;
- Control of Legionella;
- Construction (Design and Management) – CDM; and
- Transport Safety.

5.4.4 We have identified a wide range of actions to continuously improve and mitigate the risk in each of these areas; details of forthcoming actions are set out in Appendix 1.

Asbestos Management

5.4.5   An external review of our Asbestos Management procedures has been undertaken and completed. Findings and recommendations have been noted and proposals for statutory compliance and best practice have been established. In particular, it was noted that our managers and staff are familiar with the requirements to manage asbestos in our customers homes.

5.4.6   Key personnel have received industry recognised training for the Management of Asbestos (P405 British Occupational Hygiene Society). This training will deem them to be competent Asbestos Co-ordinators to advise, guide and lead duty-holders in their respective duties for us under the regulations.

5.4.7   Customer information for new and existing tenancies has also been reviewed and is now being communicated to all our customers to uphold our duty of care to them.

Fire Safety

5.4.8   Our Health and Safety Management Arrangement for Fire Safety is well established and being implemented. This management arrangement will remain under constant review and will be updated as required.

Fire Safety Risk Assessments

5.4.9   We have adopted the recognised standard for Fire Safety Risk Assessments in Publicly Available Standard (PAS) 79: Guidance and Methodology for Fire Risk Assessment which will be used to undertake fire risk assessments in our high rise blocks.

5.4.10   Fire Safety Risk Assessments for all of our Relevant Premises (i.e. offices, concierge stations) have been completed within their respective due dates. The programme will remain a continuous work stream to ensure that our offices meet the requirements of the Fire Regulations.

5.4.11   In the last 6 months, there has been 6 Fire Safety Risk Assessments undertaken in our properties. These generated on average, 11 recommendations per site in relation to physical, maintenance and management improvement opportunities.
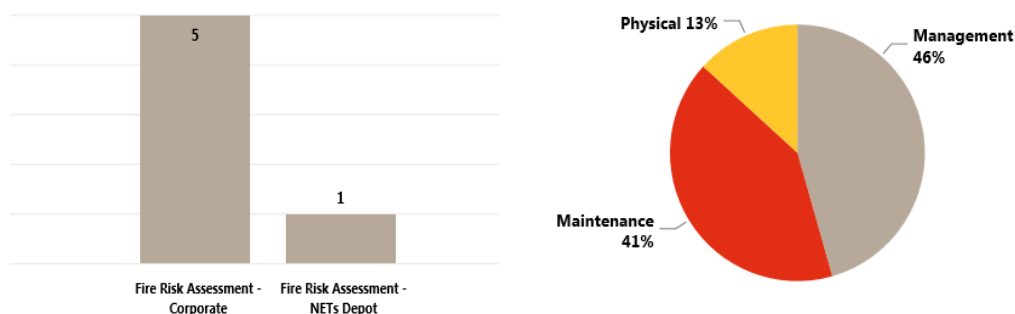
5.4.12   The frequency for completion of fire safety risk assessments has been agreed by the Fire Safety Working Group (Appendix 2) and will be included within the management arrangement documentation.

5.4.13   Fire safety risk assessments for properties where it is considered best practice e.g. High Rise and Living Well are being completed in advance of any new guidance being proposed by Scottish Government following recommendations made by the Ministerial Working Group set up to review Building Standards and Fire Safety.

Fire Safety Training

5.4.14   Fire Safety Awareness Training remains a mandatory attendance for all our staff however, it is currently under review with a view to establishing a blended e-learning approach to maximise the use of resources and in the development of further training needs.

5.4.15   It is anticipated that Fire Marshall Training will be extended to NETS Operatives in site workstations, to increase their knowledge and awareness on measures of fire safety in high rise and low rise properties. This training should commence in 2020 and be considered mandatory attendance to be refreshed every 3 years.

5.4.16   Fire Management Training continues to be delivered outlining the roles and responsibilities for managing fire safety. This training includes the procedures for raising and closing actions that arise from Fire Safety Risk Assessments.

Fire Prevention – Mitigation Framework

5.4.17   The Fire Prevention – Mitigation Framework continues to be implemented across the organisation. The Annual Progress Report will be presented to the Wheatley Board in December 2019 and thereafter be presented to this Board.

5.4.18   As well as reporting progress on the implementation of the framework, the annual update will also provide the Board with information on Scottish Government and Grenfell guidance and recommendations, our approach to fire risk assessments and the development of a performance management and assurance framework. Our own annual report is therefore being delayed to allow us to take account of these emerging factors.

Gas Safety

5.4.19   Our Health and Safety Management Arrangement for Gas is well established and being implemented. Gas Safety Certification is currently operating at 100% compliance with all our properties in receipt of annual gas safety inspection within the last 12 months.

5.4.20   External gas safety audits undertaken by CORGI continue to report above national benchmark figures on performance in respect to standard of work, quality of work, statutory compliance and customer satisfaction in our properties.

Control of Legionella

5.4.21 The Health and Safety Management Arrangement for Control of Legionella is currently at draft stage and will be issued early 2020 for consultation.

5.4.22 Inspection and maintenance of water systems in our properties will continue to be implemented to manage water quality and mitigate the risk of legionella proliferation in line with best practice.

Construction (Design and Management) – CDM

5.4.23 The Health and Safety Management Arrangement for CDM will establish and outline how we complies with its statutory obligations as Client and the interaction between other duty holders such as Principal Designers and Principal Contractors.

5.4.24 Current good practice will be maintained and enhanced to ensure there remains strong compliance with the CDM Regulations from concept to completion of construction projects.

5.4.25 Contractor Vetting procedures have been developed and implemented on our investment and new build contracts to demonstrate that we already have a robust process to determine the appointment of competent contractors, where health and safety management is concerned.

Transport Safety

5.4.26 The Safe Driving Policy has been revised and implemented. Driver Licence verification checks are undertaken by an accredited third party (Drivercheck). The system has been recently audited leading to improved assurance in the management of personal data.

5.4.27 Training on the system has been provided to Drivercheck Administrators in order that system reports can be received and distributed to relevant managers.

5.4.28 The Health and Safety Management Arrangement for Transport Safety is currently being drafted for consultation. This will replace the Safe Driving Policy and will also include a revised Driver Handbook.

Reversing Assistant Training

5.5.29 Reversing Assistant Training has been developed to assist drivers in reversing manoeuvres and improve driver safety has been established and rolled out. Over 200 members of staff in NETS teams have received training where they can assist Drivers whilst maintaining their own safety and that of other road users and members of public.

5.6   Health and Safety Monitoring

Incident Reporting Procedures

5.6.1   Following a review of existing incident reporting procedures, we have identified an opportunity to harmonise the different format of various incident report forms and how their information is disseminated and escalated.

5.6.2   We are currently evaluating the use of an electronic incident reporting system that compliments existing information management systems. This would allow for online reporting across all locations and would provide quicker, more informed incident data that can be used to provide updated statistics, trends and reports for management.

Reporting of Injuries Diseases and Dangerous Occurrences (RIDDOR)

5.6.3   We continue to experience an accident incidence rate for RIDDOR related incidents, at less than half the national average, as published by the Health and Safety Executive. This positive trend will be monitored, reviewed and targeted as necessary.

5.6.4   In the last 6 months, staff have experienced 6 RIDDOR reportable incidents. 3 Manual Handling Incidents and 3 slips, trips and falls. All incidents resulted in Over 7 Day Absence that required them to be reported to the Health and Safety Executive.

5.6.5   Health Surveillance

Health Surveillance continues to be rolled out to our staff exposed to vibration and noise in the course of their employment. No cases of Occupational Ill Health have been reported in respect to Hand Arm Vibration or Noise Induced Hearing Loss.

5.7   Communication, cooperation and consultation

5.7.1   Health and Safety Meetings

Health and Safety Meetings that allow for effective communication, cooperation and consultation of health and safety matters are ongoing. The Health and Safety Meetings, agreed by terms of reference, convene on a quarterly basis where all business areas are represented, to communicate and work together on resolving matters arising.

5.7.2   Lone Working Group

A new Lone Working Group has been established to identify best practice and new technology to address our approach to Lone Working. Existing safe working practices will be enhanced where necessary following best practice review and consultation.

5.7.3   Fire Safety Working Group

A Fire Safety Working Group has been established with representation from H&S, CIP Fire Safety, Repairs, Investment and Compliance, Environmental Service Delivery Leads and senior staff from GHA.

5.7.4   The Fire Safety Working Group convenes regularly to discuss progress on the fire risk assessments, fire incidents, fire safety legislation, best practice, fire safety training and fire related investment programmes.

Practical Fire Safety Guidance – Scottish Government

High Rise

5.7.5   We have provided a collective response to Scottish Government proposals for the introduction of Fire Safety Guidance in Domestic High Rise Property.

5.7.6   It is anticipated that the practical fire safety guidance for Domestic High Rise properties will be issued late 2019. The implications for our stock will be reviewed.

Specialised Housing

5.7.7   The Scottish Government have issued a consultation on the introduction of Practical Fire Safety Guidance in Specialised Housing and other supported domestic accommodation.

5.7.8   We have provided a collective response to the consultation which incorporated our views relating to specialised housing within its portfolio.

5.7.9   We hosted a Stakeholder Engagement Session in respect to Fire Safety in Specialised Housing where, stakeholders, partner organisations, care providers, regulators and management teams involved in the provision of specialised housing for vulnerable persons, attended a presentation by Scottish Government and leading Fire Safety experts, in the Academy earlier this month.

6.   Key issues and conclusions

6.1   Whilst there are solid foundations in place, we continue to build upon existing arrangements and embed health and safety into our operations.

6.2   The Management System and Health and Safety Strategy will drive the continuous improvement in health and safety and help foster the ownership, accountability and responsibility of directors, managers and staff.

6.3   Progress and improvements of the health and safety management system and health and safety arrangements are positive and being well received across all subsidiaries. There are tangible results being realised in our health and safety management system that will drive the continuous improvement of our safety culture.

7.   Value for money implications

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

8.   Financial implications

8.1   There are no direct financial implications arising from this report.

9.   Legal, regulatory and charitable implications

9.1   The development and implementation of the Management System and Health and Safety Strategy will support the overall approach to achieving legal compliance of health and safety legislation.

9.2   Health and safety is subject to a wide range of legal requirements and we take into account HSE guidance in the development of all health and safety related documents.

10.   Partnership implications

10.1   We actively work in partnership with external stakeholders, in particular via the Community Improvement Partnerships in health and safety related areas.

11.   Implementation and deployment

11.1   The implementation of the Health and Safety updates will take immediate effect.

12.   Recommendation

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

List of Appendices

Appendix 1: Health & Safety Actions Update
Appendix 2: Frequency and Review of Fire Safety Risk Assessments

Ref	Actions	Target Date	Completed
1.0	Health and Safety Management System		
1.1	Harmonisation and development of safety procedures into group health and safety management arrangements	Apr 2021	
1.2	Develop Operational Safety Manual and risk assessment for DC Property Services Trades Teams	Apr 2020	
1.3	Review and implementation of group operational safety manuals to include new Care Vehicle	Oct 2019	✔
1.4	Review and assess group health surveillance programme	July 2020	
1.5	Investigate and review health and safety training packages and e-learning as part of training needs analysis	Apr 2020	
	with Learning and Innovation Team.		
1.6	Develop W.E. Connect H&S Website	Apr 2020	
1.8	Investigate and seek Safe Contractor Accreditation for NETS Teams and Trades Teams	Oct 2019	✔
1.9	DGHP – review and develop plan to integrate and harmonise Dumfries and Galloway safety policies and procedures	Apr 2020	
2.0	Fire Safety		
2.5	Review and agree with group legal team revised Lease Agreement that clarifies and strengthens	Mar 2020	
	fire safety responsibilities		
2.6	Develop electronic version of fire safety risk assessment to make for a more dynamic and time efficient process	Mar 2020	
2.7	Establish and deliver fire marshal training programme for NETS Operatives and Care staff	Feb 2020	
3.0	Asbestos		
3.1	Review and establish group strategy in relation to Asbestos Management Surveys with technical and compliance teams	Mar 2020	
4.0	Gas Safety		
4.2	Monitor gas safety performance and report at group health and safety meetings	Oct 2019	✔
5.0	Control of Legionella		
5.1	Develop and implement group health and safety management arrangement: Control of Legionella	Jul 2020	
5.2	Review and consider current position with existing water systems risk assessments	Jun 2020	
5.3	Review and consider current written scheme of control for control of legionella	Jun 2020	
6.0	Construction (Design and Management) - CDM		
6.1	Develop and implement group health and safety management arrangement: CDM	Apr 2020	
6.2	Develop and maintain records management system for contractor safety submissions to include construction phase plans	Dec 2019	
	risk assessments, method statements, training records etc.		
6.3	Develop and implement for issue Contractor on boarding guidance	Apr 2020	
7.0	Transport Safety		
7.2	Establish regular programme of reports to be issued to operational managers	Oct 2019	✔
7.3	Review driver training available for Fleet and Grey Fleet Drivers	Apr 2020	

Fire Safety Risk Assessments – Frequency & Review

Type of Property	No. in Portfolio	1Yrs	2Yrs	3Yrs	Significant Change or Fire Incident	Completed By
Care	40 (2yrs) 6 (1yrs)	●	●		●	Group H&S Team
Corporate	29			●	●	Group H&S Team
HMO	38 (3yrs) 24 (1yr)	●		●	●	Group H&S Team
NETS Depots	7		●		●	Group H&S Team
• **75 FSRA per year for Group H&S Team re: Relevant Premises.**						
Living Well	42			●	●	CIP FSO
Multi Storey Flats	136			●	●	CIP FSO
• **47 FSRA per year combined total for CIP FSO re: Non-Relevant Premise**						

NB:

**Relevant Premise fall within the legislative framework of
Fire Safety (Scotland) Act and Fire Safety Scotland Regulations and
considered a statutory requirement.**

**Non-Relevant Premise are considered best practice under
Practical Fire Safety Guidance published by Scottish Fire and Rescue.**

GHA

Report

To:-	**GHA Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Finance Report**
Date of meeting:	**29 November 2019**

1. Purpose

1.1 The purpose of this report is to provide the GHA Board with an overview of the finance report for the year to 31 October 2019.

2. Authorising context

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

3. Risk appetite and assessment

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

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

4. Discussion

4.1 GHA has reported a statutory surplus of £4,975k for the 7 month period to 31 October 2019, which is £15,183k favourable to budget. An operating surplus of £31,516k has been reported, £14,297k favourable to budget also.

Key points to note:

- Grant income recognised on the completion of new build properties is £13.2m favourable to budget following handovers of units at Glenacre, Hinshelwood, Bellwatson and Ibroxholm that were budgeted in 2018/19 but completed in the current year. In addition, earlier than planned 2019/20 handovers at our Gallowgate development have also contributed to the variance reported to date; 101 units have completed to date. The budget assumed these would not be handed over until Q4.

- Operating expenditure is £880k favourable to budget. Repairs spend is £1,057k favourable to budget with lower levels of cyclical maintenance costs to date. Total employee costs are £253k adverse to budget following the creation of new, unbudgeted roles in the year to date. A number of staff have signed up for ER/VR in the second half of the year, which is expected to yield employee cost savings.

4.2 GHA has reported net capital expenditure of £50,959k for the period to 31 October 2019, which is £7,210k lower than budget. Key points to note:

- The core investment programme reports spend £2,535k lower than budget. The variance reported has arisen because as higher proportion of work carried out falls under the VAT shelter applicable to first time works.

- New build expenditure is reporting a variance of £8,687k to date. As previously reported to the Board, both Sighthill and Kennishead developments are reporting large variances. Kennishead is now on site and progressing well, however, the year to date variance of £2.7m is not expected to catch up. Sighthill, which is part of the wider regeneration of the area, is expected on site in November 2019, 8 months later than budgeted. A £5.0m variance is reported for this development to date.

Q2 2019/20 Forecast

4.3 Operating surplus for the full year is expected to be £5,884k higher than budget, due to the timing issue of grant income on completion of new build units at Hinshelwood, Glenacre, Bellwatson and Ibroxholm which were expected to hand over in 2018/19 but completed this year. Rental income is forecast to be £204k higher than budget driven by early completions Gallowgate and a strong void performance reported in the year to date.

4.4 Operating costs are expected to be £203k favourable to budget. Repairs expenditure is forecast to be £500k lower than budget due to the timing of cyclical works. The demolition of properties at Gallowgate is expected to slip into next financial year and therefore £100k of costs associated with this will roll into 2020/21. In contrast ER/VR costs are expected to be £397k higher at the year end but will realise greater long term savings.

4.5 Net capital expenditure is expected to be £3,728k lower following the later than budgeted site start at Kennishead, the delay to the start of the Sighthill development and accelerated grant income received in 2018/19.

<u>Dumfries and Galloway Housing Partnership</u>

4.6 The proposed Wheatley Group partnership with Dumfries and Galloway Housing Partnership requires consent from both the European Investment Bank ('EIB') and RBS on behalf of the syndicate lender. The EIB requires all of Wheatley's RSLs to sign the consent letters to allow the transaction to proceed. There are two lending agreements with the EIB and a consent letter is required for each agreement. RBS, as the agent for the syndicate lenders also requires a consent letter to be signed. Copies of the draft consent letters are attached at Appendix 2.

5. Value for money implications

5.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. GHA has reported a statutory surplus to October 2019 of £4,975, noting that a deficit of £10,208k was budgeted, ensuring the achievement of these targets to date.   After excluding grant income reported in the year, the favourable variance reported for the year to date is £1,972k.

6 Impact on financial projections

6.1 The 2019/20 Business Plan was approved by the Board at the February 2019 meeting. No material changes have been noted since this date.

7. Legal, regulatory and charitable implications

7.1 No implications.

8. Equalities impact

8.1 Not applicable.

9. Recommendations

9.1 The Board is requested to
1) Note the management accounts for the period to 31 October 2019;
2) Approve the draft EIB consent letters and delegate authority to any Board member, the Group Chief Executive, Group Director of Finance, Director of Treasury or Company Secretary to agree the final form of the letters and execute same on behalf of GHA;
3) Approve the draft funding syndicate consent letter and delegate authority to any Board member, the Group Chief Executive, Group Director of Finance, Director of Treasury or Company Secretary to agree the final form of the letter and execute same on behalf of GHA; and
4) Note that the funding syndicate letter can also be signed by Wheatley Housing Group Limited as agent of GHA.

List of Appendices

Appendix 1: Period 7 – 31 October 2019, Finance Report
Appendix 2: Consent letters (EIB x2; Syndicate x1)

GHA

**Period 7 - October 2019/20
Finance Report**

Better homes, better lives

Period 7 – 2019/20 Finance Board Report

GHA

SUMMARY FINANCIAL PERFORMANCE

GHA

	Year to October 2019			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
INCOME				
Rental Income	£103,027	£102,864	£163	£176,326
Void Losses	(£674)	(£715)	£41	(£1,225)
Net Rental Income	**£102,353**	**£102,149**	**£204**	**£175,101**
Grant Income	£17,387	£4,176	£13,211	£26,903
Other Income	£4,051	£4,049	£2	£7,056
Total Income	**£123,791**	**£110,374**	**£13,417**	**£209,060**
EXPENDITURE				
Employee Costs - Direct	£19,956	£19,631	(£325)	£33,839
Employee Costs - Group Services	£7,001	£7,073	£72	£12,086
ER / VR	£1,422	£1,025	(£397)	£1,025
Direct Running Costs	£6,312	£6,434	£122	£11,038
Running Costs - Group Services	£4,049	£4,108	£59	£7,031
Revenue Repairs and Maintenance	£14,847	£15,904	£1,057	£26,901
Irrecoverable VAT and bad debts	£5,056	£5,270	£214	£9,978
Depreciation	£33,421	£33,421	£0	£57,293
Demolition and Tenants Compensation	£211	£289	£78	£496
TOTAL EXPENDITURE	**£92,275**	**£93,155**	**£880**	**£159,687**
NET OPERATING SURPLUS / (DEFICIT)	**£31,516**	**£17,219**	**£14,297**	**£49,373**
Net operating margin	*25.5%*	*15.6%*	*9.9%*	*23.6%*
RTB Income	£0	£0	£0	£0
Net Interest payable & similar charges	(£26,541)	(£27,427)	£886	(£48,209)
STATUTORY SURPLUS / (DEFICIT)	**£4,975**	**(£10,208)**	**£15,183**	**£1,164**

INVESTMENT	Year to October 2019			Full Year
	Actual £ks	Budget £ks	Variance £ks	Budget £ks
Total Capital Investment Income	**£6,598**	**£10,661**	**(£4,063)**	**£15,200**
Total Expenditure on Core Programme	£25,775	£28,310	£2,535	£50,078
New Build & other investment expenditure	£29,360	£38,047	£8,687	£54,248
Other Capital Expenditure	£2,422	£2,473	£51	£3,619
TOTAL CAPITAL EXPENDITURE	**£57,557**	**£68,830**	**£11,273**	**£107,945**
NET CAPITAL EXPENDITURE	**£50,959**	**£58,169**	**£7,210**	**£92,745**

Key highlights year to date:

- A net operating surplus of £31.5m is £14.3m favourable to budget. The statutory surplus of £5.0m is £15.2m favourable to budget.

- Net rental income is £204k higher than budget with a strong void loss performance (0.65% of rental income), earlier than budgeted handover of homes at the Gallowgate new build development as well as higher than budgeted rental income on units completed in 2018/19, all contributing.

- Grant income of £17.4m has been recognised following the completion of social rent units at Glenacre (26), Hinshelwood (113) and Gallowgate (101) and mid market units at Bellwatson (52) and Ibroxholm (12). This is £13.2m higher than budget with Glenacre, Hinshelwood and Bellwatson assumed to complete in 2018/19 and earlier than budgeted handovers at Gallowgate recognised to date.

- Total employee costs are £253k adverse to budget with the creation of the new universal credit team and maternity cover costs in GHA driving the variance on the direct employee cost line. The budget includes an in-year savings challenge profiled evenly through the year, however, a number of staff taking up ER/VR have leave dates phased in the second half of the year. Employee costs recharged from Wheatley Solutions are £72k favourable to budget and are helping offset the impact of the above.

- Total running costs are £181k favourable to budget with lower levels of spend to date on the Helping Hand Fund, Tenancy Sustainment and running costs recharged from Wheatley Solutions. We expect the gap on the Helping Hand Fund to close as we move through the year. The Tenancy Sustainment initiative is managed by Loretto; all outcomes are currently being met but at lower than budgeted costs.

- Repairs spend is £1,057k favourable budget with lower levels of cyclical spend in the year to date.

- Core Programme spend is £2.5m lower than budget with investment work with a higher proportion continuing to meet the criteria for the VAT shelter. The programme of works for GHA is on track with budget to date overall.

- New build spend is reporting an £8.7m variance at the end of P7 with Kennishead and Sighthill continuing to drive the YTD variance. As previously reported, Sighthill (£5.0m variance to date) was expected to commence in April 2019 but is now due on site in November 2019. the development at Kennishead started later than originally budgeted which led to a £2.7m variance earlier this financial year. The contractor is now on site and it is progressing well.

- Investment income of £6.6m relates to grant received in the financial year. The gap of £4.1m against budget has arisen because of the new build delays discussed above; grant can only be claimed when the spend has been incurred.
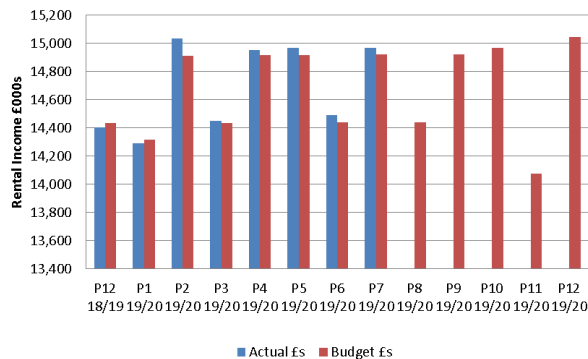
2. Income – Rental Income & Void Losses

	YTD Actual £000s	YTD Budget £000s	YTD Variance £000s
Rental Income	103,027	102,864	163
Void Losses	(674)	(715)	41
Net Rental Income	102,353	102,149	204

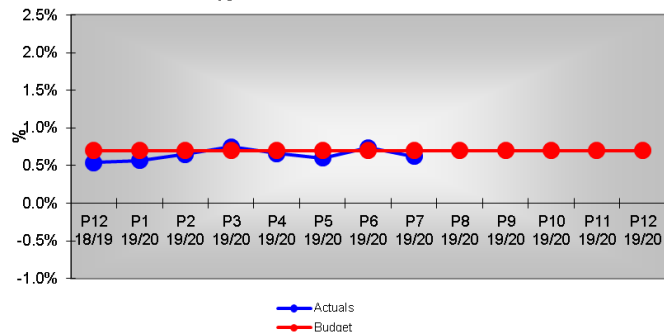**Rental Income 2019-20**

Void Loss % of Gross Debit 2019/20 - Total GHA

Comments:

- Gross rental income is £163k higher than budget at the end of period 7. There have been accelerated completions at Gallowgate – 101 units have been completed to date against a budget profile of January 2020.

    – Hinshelwood: all remaining 113 units were handed over by end of P4.

    – Glenacre: all units are now complete and have been handed over.

- The Rental Income graph shows the actual and budgeted rental income for the financial year. The budget fluctuates each month as a result of the number of days in the month, any expected new build handovers, and assumed acquisitions.

- Void rental losses are £41k favourable to budget at the end of October 2019. The void rental performance measure for period 7 is 0.65% across the city which is favourable to budget. The Void Loss % graph shows lost rental income performance against the gross rental debit.

- Net rental income for GHA is £102,353k at the end of P7. This is £204k favourable to budget.

2. Arrears as a proportion of Gross Debit

Total Arrears - Gross Debit

Area/Division	Year To Date			2019/20
	Actual	Budget	Variance	Budget
North East Area	69,436	79,439	10,003	136,181
North West Area	66,463	65,994	(469)	113,132
South Area	73,787	77,497	3,710	132,853
Housing & Care	127,341	164,403	37,062	281,834
Glasgow Housing Association	**337,027**	**387,333**	**50,306**	**664,000**
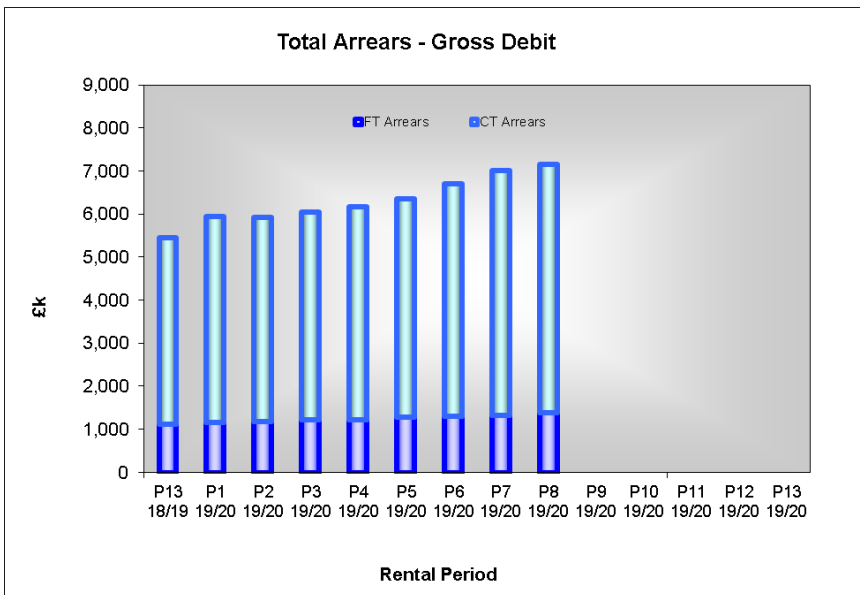
Comments:

- The rental periods operate on a 4 weekly cycle.

- The chart opposite shows arrears up to the end of rental period 8 (28th October 2019). Total arrears are £7,170k. This is an increase of £1.7m from period 13 of 2018/19 with the increase linked to the roll out of universal credit. At the end of the last rental period £1,223k of arrears were attributable to tenants on universal credit.

- Current Tenant arrears are £5,783k at the end of rental period 8. This is an increase of £1,447k from the position at the end of rental period 13 in 2018/19. Arrears can fluctuate in the year; however, the impact of universal credit roll out has increased arrears.

- Former Tenant arrears have also increased from £1,125k at period 13 to £1,387k at the end rental period 8 2019.

- The business plan and budget provided for an increase in arrears following the roll out of universal credit and the current levels are within the amounts provided.

- Helping Hand Fund: a budget of £664k was provided to help tenants particularly affected by welfare reform and financial stress.

- Awards totalling £337k have been made within the first 7 months of this financial year.

- The variance recorded in the Housing and Care Area reflects the difference in timing between actual and budgeted awards. The full year position is expected to be on track with budget.

3. Balance Sheet

GHA Balance Sheet	Current Month As at 31 October 2019 £000's	Previous yr end As at 31 March 2019 £000's
Fixed Assets		
Social Housing Properties	1,260,891	1,268,305
Properties under construction	89,728	60,827
Other tangible fixed assets	36,481	34,411
Investment properties	36,399	36,399
Investments - other	8,387	8,387
Fixed Assets	**1,431,886**	**1,408,329**
Debtors Due More Than One Year		
Development Agreement	28,973	38,420
Inter Company Loan	26,381	26,381
Pension Asset	14,711	14,711
Current Assets		
Rent & Service charge arrears	10,608	11,192
less: Provision for rent arrears	(3,888)	(3,375)
Prepayments and accrued income	356	5,304
Intercompany debtors	12,337	5,961
Other debtors	18,436	18,095
	37,839	**37,177**
Bank & Cash	2,809	8,882
Current Assets	**40,648**	**46,059**
Current Liabilities		
Trade Liabilities	(3,811)	(3,825)
Accruals	(24,858)	(23,749)
Deferred income	(32,967)	(43,947)
Rents & service charges in advance	(7,121)	(7,003)
Intercompany creditors	(276)	(1,610)
Other creditors	(2,304)	(5,032)
	(71,337)	**(85,166)**
Net Current Assets	**(30,689)**	**(39,107)**
Long Term Liabilities		
Contingent efficiencies grant	(35,531)	(35,531)
Bank finance	(839,078)	(812,078)
Development Agreement	(28,973)	(38,420)
Provisions	(1,185)	(1,185)
Long Term Liabilities	**(904,767)**	**(887,214)**
Net Assets	**566,495**	**561,520**
Funding Employed		
Capital & Reserves		
Share Capital	0	0
Retained Income b/fwd	260,084	260,084
Income & Expenditure	4,975	0
Revaluation Reserves	301,436	301,436
Funding Employed	**566,495**	**561,520**

Comments:

- The balance sheet as at 31 March 2019 has been updated to reflect the audited statutory accounts for 2018/19 including property and pension valuations. No change in the pension asset is assumed during the year for management accounts purposes as the valuation is carried out annually. The actuarial valuation for the 2018/19 year end reported a £14.7m pension asset.

- The value of our **fixed assets** have increased by £24m in the year to date. This is due to £57.6m of new build and investment expenditure in the year to date, and depreciation of £33.4m.

- **Debtors due after more than one year:** The intercompany loan debtor relates to the £30m of convertible debt with Lowther Homes Limited. This is revalued on an annual basis.

- **Current Assets (before cash)** of £37.8m include an intercompany balance of £12.3m, net rent arrears of £6.7m (after bad debt provision), and £18.4m of other debtors, which includes capital owner billing.

- **Cash at Bank** – At 31 October GHA had £2.8m in the bank, and has access to draw down further funding from WFL1 as and when required.

- **Short-Term Creditors** – Amounts due within one year of £71.3m includes £24.9m in accruals and £33.0m in deferred income, primarily relating to housing association grant received for the construction of new build properties which is released on property completion. The remaining balance includes rent received in advance from our tenants, trade and other creditors and balances owed to other Wheatley entities.

- **Loans** of £839.1m relate to funding drawn down from WFL1. By end of P7 total of additional borrowings of £27.0m have been drawn in the financial year. This is used to fund our new build programme.

- As at the end of October the organisation had drawn loan facilities of £855.0m. The cashflow projections have been reviewed based on the current period reforecast for the year and remain within the approved business plan peak debt levels.

Better homes, better lives

4. Q2 Forecast

GHA

Full Year Forecast	Budget £'000	Qtr 2 Forecast £'000	Variance £'000
INCOME			
Net Rental Income	175,101	175,305	204
Grant Income	26,903	32,380	5,477
Other Income	7,056	7,056	-
Total Income	**209,060**	**214,741**	**5,681**
EXPENDITURE			
Employee Costs	33,839	33,839	-
Employee Costs - Group Services	12,086	12,086	-
ER/VR	1,025	1,422	(397)
Running Costs	11,038	11,038	-
Running Costs - Group Services	7,031	7,031	-
Repairs & Maintenance	26,901	26,401	500
Irrecoverable VAT & bad debt costs	9,978	9,978	-
Depreciation	57,293	57,293	-
Demolition	496	396	100
Total Expenditure	**159,687**	**159,484**	**203**
NET OPERATING SURPLUS	**49,373**	**55,257**	**5,884**
RTB sales	-	-	-
Interest Payable	(48,209)	(48,209)	-
STATUTORY SURPLUS/(DEFICIT)	**1,164**	**7,048**	**5,884**
INVESTMENT			
Total Capital Investment Income	**15,200**	**14,533**	**667**
Total Expenditure on Core Programme	50,078	50,078	-
New Build & other investment expenditure	54,248	49,853	4,395
Other Capital Expenditure	3,619	3,619	-
TOTAL CAPITAL EXPENDITURE	**107,945**	**103,550**	**4,395**
NET CAPITAL EXPENDITURE	**92,745**	**89,017**	**3,728**

Comments:

- This table shows the 2019/20 budget presented to the Board compared to the Q2 forecast for 2019/20, which was compiled following the year to date results.

- The forecast operating surplus of £55,257k is £5,884k higher than budget. Statutory forecast surplus of £7,048k is £5,884k higher than budget.

- The main driver of this variance is the higher level of Housing Association Grant income recognised in the year, following delayed 2018/19 completions at Ibroxholm, Hinshelwood, Glenacre and Bellwatson.

- The year to date variance reported on the net rental income is expected to be realised.

- Operating costs are expected to be £203k lower than budgeted. Repairs spend and demolition costs are expected to be lower as a result of lower cyclical spend in the year to date and a re-profiling of spend into 2020/21 for demolition costs at the Gallowgate site. In contrast additional sign ups for ER/VR will realise larger savings going forward.

- New build expenditure has been updated to reflect the updated pipeline and the delayed spend at the Sighthill development. This was due to be on site at the start of 2019/20 but is now expected in November 2019.

- New build grant receipts are expected to be lower following additional early claims received in Q4 of 2018/19, and lower levels of current year spend.

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Classified as Public

Appendix 2

[Appendix 2 has been removed as exempt for FOI]

GHA

Report

To: **GHA Board**

By: **Ranald Brown, Director of Assurance**

Approved By: **Martin Armstrong, Group Chief Executive**

Subject: **Information Governance Update**

Date of Meeting: 29 November 2019
_____

1.   Purpose

1.1   To provide the Board ("the Board") with an update on Information Management across the Group, focused on the Freedom of Information (Scotland) Act 2002 ("FOISA").

2.   Authorising context

2.1.   Under its Terms of Reference, the Group Audit Committee is responsible for monitoring the Group's assurance activities, ensuring that they are fit for purpose and provide assurance over the strength of Group controls for achieving compliance with legal and regulatory requirements.

2.2.   In accordance with the Group Authorising Framework, the Board is responsible for managing and monitoring GHA's compliance arrangements and operational performance.

3.   Risk appetite and assessment

3.1   The Board's risk appetite in relation to Laws and Regulation is "minimal", meaning that there is a preference for ultra-safe business delivery options that have a low degree of inherent risk.

4.   Background

4.1   The Freedom of Information (Scotland) Act 2002 (Designation of Persons as Scottish Public Authorities) Order 2019 ("the Order") was implemented on 11 November 2019. This Order designates RSLs and their connected bodies as Scottish public authorities in terms of FOISA. The way the Order defines connected bodies includes non RSL subsidiaries of RSLs. The RSLs within group are covered by the Environmental Information (Scotland) Regulations 2004 ("EIRs"). Non RSL subsidiaries are not currently subject to the EIRs. FOISA and EIRs are regulated by the Office of the Scottish Information Commissioner ("OSIC").

5.   FOISA update

5.1   In February 2019 the Scottish Government laid the Order bringing RSLs and their subsidiaries within scope of FOISA. The Order states that FOISA will apply to RSL and subsidiaries, in relation to housing services as defined by section 165 of the Housing (Scotland) Act 2010. Section 165 defines Housing Services as:

a)   The prevention and alleviation of homelessness;

b)   The management of housing accommodation;

c)   The provision of services for owners and occupiers of houses; and

d)   The provision and management of sites for gypsies and travellers, whatever race or origin.

5.2   The Order then goes on to state that paragraph b ("the management of housing accommodation") is limited to that "for which the RSL has, under the Housing (Scotland) Act 2001, granted a Scottish Secure Tenancy, as detailed in Section 11 or a Short Secure Tenancy as defined in Section 34 of the Act".

5.3   It further goes on to state that paragraph c ("the provision of services for owners and occupiers of houses) is expressly omitted. Group RSLs and their Subsidiaries performed an assessment, supported by external legal advisors, Harper Macleod LLP, to identify which activities were in and out of scope of the Order. The output of these assessments were submitted to OSIC in August 2019. The assessments concluded that care, factoring and commercial were out of scope of the Order.

6.   FOISA implementation date and action plan

6.1   The preparations for FOISA implementation have been based on 6 core building blocks:

1.   Determining the extent to which FOISA applies;

2.   Developing and implementing an approach to our Publication Schemes;

3.   Developing a FOISA Policy and Request Process Map on how to deal with requests for information, reviews and appeals to the Scottish Information Commissioner;

4.   Building organisational commitment and capability;

5.   Reviewing and, where required, creating template documentation in contracts, procurement documents and standard response letters; and

6.   Reducing our overall risk profile.

6.2   We have incorporated learning from the GDPR delivery plan into our FOISA implementation plan and have been liaising with other bodies that have been subject to FOISA to understand their processes. As part of this process the Board attended a governing our group event where Harper Macleod delivered a FOISA session on 25 September 2019.

6.3   OSIC have indicated that they are going to take a wide interpretation of activities that are in and out of scope of the Order. We are working with the SFHA to understand what this means for the sector.

6.4   The FOISA implementation action plan is complete. The following table details the status of each part of the FOISA implementation plan:

Key FOISA implementation steps	RAG	status:
1. Determining the extent to which FOISA applies		✓ FOISA/EIRs applicability matrix established
2. Developing and implementing an approach to our Publication Schemes across the Group		✓ Publication Scheme Focus Group established ✓ OSIC notified that the model publication scheme has been adopted for all applicable subsidiaries ✓ Publication scheme owners established for each class of information required ✓ Process to redact board minutes agreed ✓ Guidance produced on how to maintain our publication scheme ✓ Publication schemes on website
3. Developing a FOISA Policy and Request Process Map on how to deal with requests for information, reviews and appeals to the Scottish Information Commissioner		✓ FOISA policy in place and published externally ✓ FOISA request process map established ✓ Operational process for responding to FOISA and EIRs queries established ✓ Metric to log and track enquiries and review requests, publish performance and use of exemptions/exceptions in line with OSIC requirements ✓ Process agreed regarding the release of personal data under FOISA
4. Building organisational commitment and capability		✓ Strategic planning for FOISA (OSIC self-assessment) ✓ FOISA Steering Group established, including GHA MD ✓ FOISA and EIRs Guidance available to staff ✓ Key group policies reviewed from a FOISA and GDPR perspective ✓ Information management exercise ongoing to ensure compliance with Group retention policies in partnership with the SharePoint project ✓ Retention schedules reviewed ✓ Review undertaken of additional duties as a public body under GDPR and other legislation ✓ Bespoke accredited training undertaken for staff involved in day to day management of FOISA and EIRs ✓ Staff training, education and awareness programme supported by the Academy rolled out
5. Reviewing and creating template documentation in Group contracts, procurement documents and standard response letters		✓ Template FOISA and EIR acknowledgement and response letters ✓ Procurement templates and style contractual clauses updated
6. Reducing our overall risk profile		✓ Tone from the top ✓ Publication scheme

Key FOISA implementation steps	RAG	status:
		✓ Staff training and awareness campaigns ✓ FOISA Steering Group (meet monthly) ✓ Compliance with retention schedules ✓ FOISA/EIRs applicability matrix reviewed regularly to take account of OSIC decisions

7. Key issues and conclusions

7.1 The FOISA implementation action plan is complete. OSIC have indicated that they are going to take a wide interpretation of activities that are in and out of scope of the Order. We are working with the SFHA to understand what this means for the sector.

8. Value for money implications

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

9. Impact on financial projections

9.1 There is no impact on financial projections arising from this report. There is no monetary penalty for non-compliance with FOISA and the EIRs.

10. Legal, regulatory and charitable implications

10.1 Compliance with the FOISA and the EIRs is a statutory duty enforced by the OSIC. The GDPR also makes provision for court actions against controllers where an individual considers that their rights under the GDPR have been infringed.

11. Partnership implications

11.1 There are no partnership implications arising from this report.

12. Implementation and deployment

12.1 There are no issues to be raised at this time.

13. Equalities impact

13.1 There are no equalities impacts deemed as arising from this report.

14. Recommendation

14.1 The Board is asked to note the status of the FOISA implementation plan.

GHA

Report

To: **GHA Board**

By: **Ranald Brown, Director of Assurance**

Subject: **Bi-annual Assurance Update 2019/20**

Date of Meeting: **29 November 2019**

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1. Purpose

1.1. This report provides the Glasgow Housing Association Board ("the Board") with a status update on the delivery of the Internal Audit Annual Plan for 2019/20.

2. Authorising context

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

2.2. The Group Audit Committee has responsibility for instructing and keeping under review the long-term plan for internal audit within the Group, approving the annual Group Assurance Plan (the Plan) and monitoring results as presented in the annual internal audit report and assurance statement.

3. Risk appetite and assessment

3.1. The Board's agreed risk appetite in relation to Board Governance is "open", meaning that there is appetite to take decisions that might exposure us to additional scrutiny, but only where appropriate steps have been taken to minimise any exposure.

4. Background

4.1. In February 2019, the Group Audit Committee approved the Internal Audit Plan for 2019/20 (the Plan). This paper summarises the Assurance activity completed since 1 April 2019 ; the GHA specific reviews are highlighted in "red" as detailed below:

Entities Covered Key:

	Group (inc W Solutions)		GHA		Cube		DC
	Loretto Care		Barony		Commercial		W. Foundation
	Loretto Housing		WLHP		CBG		

1

	Group Entities covered	Section
2019/20 Internal Audit Plan update		5
Performance Management and Reporting (*independent review by RSM*)		6
Governance – Annual Assurance Statement		7
Risk Management review		8
Housing: Service Innovation and Improvement		9
MyHousing Post-Implementation Review		10
Repairs and Maintenance – Stage 1		11
Benefits Realisation		12
RSL Service Evaluation		13
Digital Maturity Assessment		14
Data Analytics Update		15
Follow Up of Agreed Management Actions		16

5.   2019/20 Internal Audit Plan update

5.1.   In accordance with the 2019/20 Plan, we have completed 12 of the 23 reviews in the Internal Audit Annual Plan and our Quarter 3 reviews are all planned or underway, as shown in **Appendix 1**.

5.2.   **Amendments to Plan:** The following amendments to the original Annual Plan have been approved by the Group Audit Committee:

	Days
Opening contingency	120
Fullarton self-assessment validation	10
Universal Credit review	40
DGHP due diligence	40
Repairs and Maintenance Stage 2 (Quarter 3)	5
Repairs and Maintenance Stage 3 (Quarter 4)	5
Contingency carried forward	20

5.3. The table below provides a summary of audits completed during Q1 and Q2 (Apr-Sep 2019).

Audit	Report Classification	Number of findings per Rating			
		Critical	Important	Moderate	Minor
RSM audit of Performance Management and Reporting	Minor	-	-	2	-
Governance – Annual Assurance Statement	Minor	-	-	-	2
Risk Management	Moderate	-	-	2	3
Housing: Service Innovation and Improvement	Moderate	-	-	3	4
Care: Service Innovation and Improvement	Minor	-	-	-	7

5.4. In addition to the audits summarised in the table, the Assurance team has completed the following assurance reviews, the results of which have been reported as an Audit Visit Memo:

- MyHousing Post-Implementation Review;
- Care Service Evaluation;
- Fullarton Self-Assessment Validation;
- Repairs and Maintenance;
- Benefit Realisation;
- RSL Service Evaluation; and
- Digital Maturity Assessment.

5.5. Full Assurance reports are available to all members of the Board on request. Definitions of report classifications and risk ratings are set out in **Appendix 2**, and the scope of each review is set out in **Appendix 3**.

6. RSM report on performance management and reporting

<u>Report Classification</u>

6.1. As agreed by the Group Audit Committee, this review was undertaken independently by RSM, under the supervision of the Group Director of Finance. The objective of the audit was to determine the extent to which the performance management function is efficient and effective in providing current and future management information.

6.2. The report concludes that staff within Wheatley Housing Group demonstrate a good understanding and passion for reporting performance within the organisation. There are a substantial number of indicators reviewed at all levels from operational/ground level, through to the Board.

Report Grading	Critical	Important	Moderate	Minor
Number of recommendations	-	-	2	-

6.3. The two 'moderate' priority actions raised as a result of this review, provide structure to the comprehensive performance reporting framework already in place and will provide clearer assurance to the Board and stakeholders as to when key themes have been achieved. RSM notes they were informed that the areas for improvement were being considered by Management at the time of the review.

<u>Findings</u>

6.4. The audit highlighted the following areas of good practice:

- The current strategy in operation is the 2015-20 'Investing in our Futures Strategy', dated June 2017. The performance framework is designed to support the delivery of the key themes contained within this strategy;

- Statutory measures are reported on by law under the Scottish Social Housing Charter. RSM confirmed the measures were signed off by a sample of three Group Directors by the required submission date of 31 May 2019. The actual date of submission was not verified as part of RSM's review;

- The majority of performance information is extracted electronically from core systems. There is an element of manual transfer required to place the information into Pentana, the reporting tool. The reports from Pentana have colour coded indicators providing a clear indication of trend. Where information is not extracted electronically, a manual input form is completed for transposing the information into Pentana. The completeness and accuracy of the content of these forms was outwith the scope of this review;

- A schedule is in place to support the monthly reporting process. In conjunction with this, the Performance Framework Manager uses a performance reporting framework to align indicators to outcomes. Within this a matrix sets out the format of reporting and what indicators are required to be reported on, to whom and when;

- Visual measure boards are used throughout the organisation to provide a constant display of performance relating to the service area in which they are placed. This visual aid acts as an immediate indicator in response to the service being provided; and

- Annual surveys are undertaken to gain an understanding of customer satisfaction. The new strategy will accommodate a more granular understanding of what is driving customer value and the measures for 2020-2025 will be structured around what is of value to the customer, the business and also statutory measures.

6.5. Two 'Moderate' graded findings were raised as a result of this review. RSM found that the 'golden thread' (i.e. linkage of indicator through to strategic outcome and onwards to key strategic theme) sometimes lacked clarity throughout the reporting process. This was due to a) the volume of KPIs reported to the Wheatley Group Board and b) the wording of some KPIs being open to interpretation, making it hard to demonstrate whether they have been achieved. The actions Management has planned should allow the reporting process to be better linked from indicator through to the key themes of the organisation.

6.6. In addition, RSM commented that completion of strategic projects is reported on as part of the performance reporting framework. Realisation of benefits from these projects is reported on via the Executive leads. At the time of RSM's review the Assurance team was performing a review of benefit realisation within the organisation. The findings of the benefit realisation review will further support the performance reporting framework.

All recommendations agreed with Management and to be implemented by 31 March 2020.

7. Governance – Annual Assurance Statement

7.1. In February 2019, the Scottish Housing Regulator ("SHR") created a new requirement for all registered social landlords to submit Annual Assurance Statements. This review was undertaken to assess the robustness and validity of the self-assessment approach used by the Governance Team to complete the 2019 Annual Assurance Statement. In accordance with SHR guidance a Group wide statement was submitted after it was considered by the GHA Board.

Findings

7.2. Internal Audit concluded that:

- Control Objective 1: the self-assessment approach taken by the Governance Team was fully aligned to the SHR Regulatory Framework (2019) and Statutory Guidance on the Annual Assurance Statement (2019);

- Control Objectives 2 and 3: the conclusions reached within the Governance Team's self-assessment were supported by the evidence provided;

- Control Objective 4: the draft Annual Assurance Statement, to be presented to the Group Audit Committee for approval on 7 August 2019, reflects the outcomes of the Governance Team's self-assessment; and

- Control Objective 5: In line with existing arrangements, the Director of Governance is responsible for monitoring the level of assurance in place and reporting any notifiable events to the SHR during the year.

7.3.   We identified two "Minor" opportunities for improvement, but these are not material and do not require to be recorded in the Group Assurance Statement.

Report Grading	Critical	Important	Moderate	Minor
Number of recommendations	-	-	-	2

7.4.   The two "Minor" opportunities for improvement relate to opportunities to further develop and strengthen the self-assessment evidence to provide additional support for conclusions, and the development of procedures to demonstrate compliance with equalities and human rights regulatory requirements from April 2021.

All recommendations agreed with Management and to be implemented by 30 April 2021

8.   Risk management

Report Classification

8.1.   GHA and the Group has well established risk management arrangements in place to support the achievement of its strategic priorities. The purpose of this review was to gain assurance that these arrangements continue to align with good practice, and to identify any opportunities for improvement. This included assessing GHA and the Group's existing risk management arrangements against the Chartered Institute of Internal Audit's (IIA) risk maturity model. We have graded this report as Moderate. No critical recommendations have been raised, however we have identified opportunities to improve the effectiveness of the Group Risk Management arrangements.

Report Grading	Critical	Important	Moderate	Minor
Number of recommendations	-	-	2	3

Findings

8.2.   The diagram below shows the 'risk maturity curve.'   To be considered 'risk enabled' an organisation's risk management and internal control activity must be fully embedded into operational activity.   The green area shows how Wheatley Group is placed on the curve.
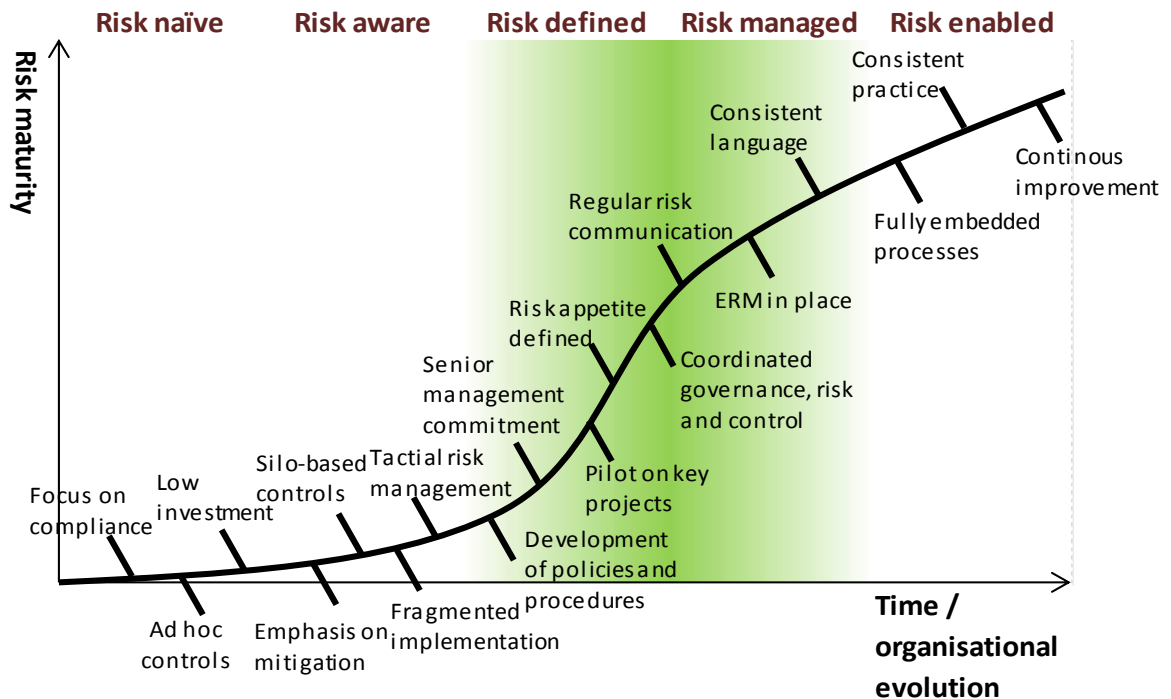
8.3. The risk maturity curve is underpinned by a framework that sets out 16 key risk management processes and reflects current good practice. Our assessment against each of these 16 processes is summarised below:
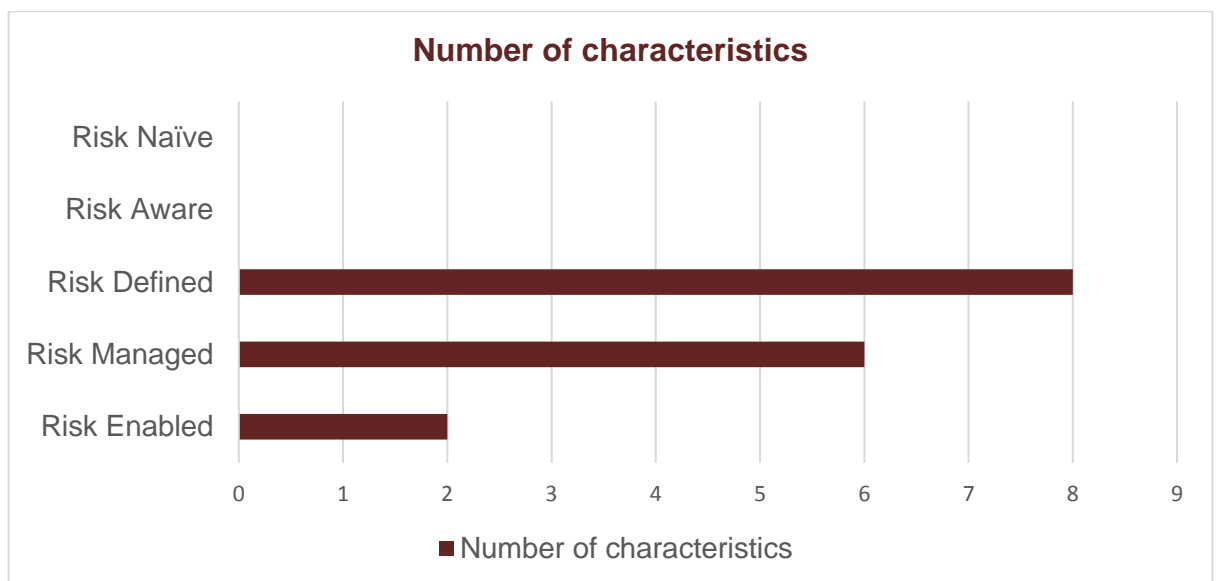
8.4. The audit highlighted the following areas of good practice:

- Quarterly review of the Group's Strategic Risk Register at Executive Team, Group Audit Committee and Group Board;

- Bi-annual review of risk registers at the GHA Board and quarterly review of key operational risks at Directorate Management Team meetings;

- Risk registers are used to identify areas in which further development of controls is required;

- A standard approach is in place and used for scoring risks; and

- The GHA and Group Boards have risk appetite statements that set out their approach to different categories of organisational risk.

8.5.   Two 'Moderate' graded findings were raised as a result of this review:

▪ To ensure consistent and regular application of risk management procedures across the Group, including review of risk registers, we will create 'Risk Champions'. This will be a senior subsidiary officer and their role is to attend Communities of Excellence (CoEs) and promote risk management activity across the Group in a more collaborative and consistent way; and

▪ Update the risk reports to clarify which controls are already in place, how the current risk compares to risk appetite, and any actions required to bring risk within a tolerable level.

8.6.   There are also opportunities to refresh the risk management hierarchy and use updated guidance and training to promote good practice and consistency in approach across the Group.

All recommendations agreed with Management and to be implemented by 30 April 2020.

9.   Housing: Service Innovation and Improvement

Report Classification

9.1.   Service Improvement and Innovation activity (SIIA) is in place across all RSLs with specific resources in GHA. The staff completing these activities play an important role in supporting Managing Directors to have oversight of frontline performance and to manage that performance in line with targets (agreed by the Executive Team and Boards) for each RSL. This has helped deliver GHA's sector leading performance results.

9.2.   The processes and tools the SIIA staff use are key "Line 2" controls within the Group's Four Lines of Defence model. This audit has reviewed those processes and tools across all six RSLs to determine whether they are operating in a way that effectively manages the inherent risk that RSL performance may not be in line with target.

9.3.   From a Group-wide perspective, we have graded this report as Moderate. As detailed below, only two of the Moderate recommendations are applicable to GHA. No critical recommendations have been raised, however we have identified opportunities for improvement within individual RSLs, particularly in relation to planning, monitoring outcomes of improvement, and sharing innovation.

Report Grading	Critical	Important	Moderate	Minor
Number of recommendations	-	-	3	4

Findings

9.4.   The audit highlighted the following areas of good practice:

▪ All SIIA staff monitor KPI performance and produce presentations for senior management on a monthly/4-weekly basis;

- All RSLs advised that their SIIA staff are involved in Communities of Excellence (CoEs). We focussed on the Rent and Income CoE and identified that an action plan and terms of reference were in place and there was involvement in discussions from all SIIA representatives;

- SIIA staff have developed tools to support colleagues across Group – GHA has shared a template for Customer Satisfaction action plans, Cube has shared a spreadsheet for monitoring and escalating Universal Credit (UC) cases. Dunedin Canmore, Cube, WLHP/Barony have worked together to deliver UC workshops across Wheatley Group;

- Visual Measure Board (VMB) meetings with opportunities to share good practice and discuss improvement are in place;

- Staff Conference to share with Frontline staff across Glasgow current trends and targets, and priorities and challenges looking ahead. The sessions encouraged discussion and ideas from attendees; and

- All SIIA staff have supported their teams to develop and submit ideas to the 'Wheatley Accelerator' programme that will provide opportunities to tenants and support the business to meet its objectives around KPI performance and customer satisfaction.

9.5. We identified three "Moderate" Group-wide areas for improvement:

- A recommendation was raised in relation to annual workplans. This is not applicable to GHA as it has a plan that captures all activities;

- The Assurance Checks Framework should be reviewed and refreshed to reflect the current evolving needs of individual RSLs; and

- Monthly SIIA reporting should be updated to better demonstrate that work is focused on priority areas.

9.6. The minor recommendations relate to formalising the remit of the new SIIA meetings and recording of management actions, review the data recorded within test sheets and provide additional performance commentary within the Pentana performance reporting system.

All recommendations agreed with Management and to be implemented by 31 March 2020.

10. MyHousing post-implementation review

10.1. This review was undertaken to assess the implementation of the MyHousing system. The scope of the review was restricted to the implementation period for the project, up to the point at which the system was launched. A full evaluation of the operation of the MyHousing system and the delivery of expected benefits will be conducted at a later date, so was excluded from this review.

10.2. While our findings for this review are based on looking back to controls operating during the course of the project, the actions arising from the review should be applied for future projects. The 2019/20 Internal Audit Plan contains

a review of Strategic Project Management Methodology, currently scheduled for Quarter 3. That review will consider how project management is approached throughout the organisation, for both IT and non-IT projects.

10.3. To avoid duplication of audit actions, we have reported our findings from this review, highlighting opportunities for improvement. We have not included recommendations and management actions at this stage, but will instead use the results of this audit, along with the findings of the Strategic Project Management review, to make joined up recommendations at the conclusion of that review.

10.4. The results of the Strategic Project Management review will be reported to the February Group Audit Committee and will help to inform the delivery of the Group's overall Technology Assurance Framework.

Findings

10.5. The MyHousing system was successfully launched in October 2018. We have reviewed and tested key project documentation and identified the following areas of good practice:

- Key project risks, actions, issues and decisions were captured in a project RAID (Risks, Actions, Issues, Decisions) Log. This included actions agreed during weekly project team meetings;

- A Change request log was in place and evidence that changes were approved by the Project Lead has been retained;

- Business Requirements Document was created to capture the key business needs and requirements of the project, including desired functionality and performance data;

- Regular update reports were prepared for the Project Board, IT Steering Group and Group Director of Resources and Director of IT and Digital Innovation; and

- Work is underway to capture lessons learned during the implementation stage of the project.

10.6. Our work also identified opportunities for improvement in the following areas:

- Project documentation – to maintain a central repository of all relevant project documents (e.g. approved Final Business Case, formal approvals, project initiation documents etc.) in a central location. With the introduction of SharePoint across the Group, this will give a central location for holding project documents. This documentation should include project closure documentation, to confirm all relevant project documentation is held in the central repository and to confirm that the project has been reviewed to capture potential lessons learned;

- Governance – the role and responsibilities of the "Project Board" and the "IT Steering Group" should be revisited to ensure appropriate governance arrangements are in place to reflect current Group structures. This should also include an agreement on how key decisions are made and how any

issues are escalated to the Executive Team and appropriate Boards / Committees; and

▪ Realisation of benefits – where benefits are included in a business case, the Project Lead to provide an update on the achievement of these benefits as part of the project evaluation.

11. Repairs and Maintenance – Stage 1

11.1. A Repairs and Investment Performance Framework is in development. The Property and Development Directorate will supplement existing repairs performance data with a suite of new measures in areas including repairs customer satisfaction, productivity and digital maturity.

11.2. Repairs Performance data is currently reported through Pentana, the Group's Performance Management System. Management intends to develop repairs reporting on Power BI (a business analytics tool) in parallel to the existing performance reporting. The new reports should provide more insight into trends and predicted repairs activity, allowing more 'real-time' monitoring and supporting more responsive and strategic decision making.

11.3. The Asset Team's work to date has focused on gaining assurance that the data being reported through Power BI is consistent with existing Group reporting.

Findings

11.4. We used IDEA (an audit analytics tool) to perform testing on the repairs data held within Power BI for periods 6 and 7. Our testing supports the data validation outcomes reported by the Group Asset Intelligence Manager.

11.5. We identified the following areas of good practice:

▪ Key repairs indicators have been identified and prioritised to be replicated and validated first within Power BI;

▪ The Group Asset Intelligence Manager has documented his approach to validating repairs data in Power BI;

▪ There is no manipulation of raw data. The source data which feeds both Business Objects and Power BI comes directly from iworld;

▪ Once validated, the data scripts for indicators will become stored procedures within Power BI, automating the reporting process; and

▪ Access to the Power BI Repairs data is controlled by the Group Asset Intelligence Manager.

11.6. We also identified the following opportunities for improvement:

▪ The Asset Team should document its planned approach to gain assurance over any remaining existing repairs data, such as the repairs data for RSLs in the East;

▪ All identified differences between the Group's existing performance information and Power BI data, such as exclusions linked to the coding of Business Objects reports, should be recorded in a central log for future reference; and

- Copies of the original source reports used for any future data validation should be retained (as for periods 6 and 7) to ensure these can be re-performed if required.

11.7. We discussed our Stage 1 findings with Management, and agreed that we will review progress in implementing the agreed improvements as part of our Stage 2 work. In addition, our Stage 2 work will assess:

- The Asset Team's approach to developing new data for inclusion in the Repairs Performance Framework using data available through the Customer Service Centre;

- Arrangements in place to determine and manage Power BI permissions to ensure the appropriateness of access to the Repairs Performance Framework; and

- Confirming that ongoing and planned Stakeholder Engagement has taken place.

12. Benefits realisation

12.1. This review considered the extent to which EFQM principles and the RADAR approach have been used when specifying, base-lining, measuring and reporting on delivery of project benefits. Our work included the assessment of a sample of four completed strategic projects delivered during 2018/19:

i) Redesign of Sheltered Services Model (LivingWell deployment);

ii) Lowther Homes Funding for MMR;

iii) Group Fire Prevention and Mitigation Framework; and

iv) Online Digital Learning.

The findings will be used to inform potential improvements to future projects that will support delivery of the 2020-2025 Strategy.

Findings

12.2. We have reviewed and tested key documentation to support the monitoring and realisation of expected benefits set out in strategic projects and identified the following areas of good practice:

- All four strategic projects reviewed had outcomes that were aligned to the Group's Strategy 'Investing in Our Futures';

- Each project was approved by the appropriate Subsidiary or Group Board as set out in the Group Standing Orders Authorising Framework;

- RADAR principles were used to refine milestones and outcomes as part of the Group Fire Mitigation and Prevention Framework strategic project; and

- The Lowther Homes for MMR project reporting included clearly documented assumptions and calculations to facilitate informed decision-making by Boards in relation to the project's expected benefits/outcomes.

12.3. Our work also identified opportunities to improve the way in which project documentation captures expected benefits, so that measurement of the

realisation of these benefits can be measured following implementation of the project. The key improvement we recommend is the development of guidance that can be used by business owners when working on a project within the annual delivery plan. While the project guidance should cover all aspects of managing a project, the findings from this review highlight that the guidance should include the following areas in relation to expected benefits:

- The links that demonstrate how the change project will support delivery of the Group's strategic objectives;

- How business owners can use RADAR (expected Result, Approach, Deployment, Assessment and Refinement) principles throughout a project's life cycle to refine expected benefits;

- A template that business owners can use to capture 'SMART' expected benefits and a baseline measurement against which delivery can be tracked, along with the timelines for assessing benefits delivery;

- Guidance on the appropriate level and frequency of reporting for different types of change projects, which should be aligned to the Group Authorising Framework; and

- A template for reporting on the delivery of all expected benefits, and any unanticipated benefits so a full picture of the change outcomes is captured.

12.4. While the findings of this audit arise from assessment of four strategic projects delivered during 2018/19, the audit recommendations and management actions would be applied to future projects. The 2019/20 Internal Audit Plan contains a review of Strategic Project Management Methodology, currently scheduled for Quarter 3. To avoid duplication of audit actions, we will report our findings from this audit but will not include recommendations and management actions at this stage. Instead, we will use the results of this audit, along with the findings of the Strategic Project Management review to make joined up recommendations at the conclusion of that review.

13. RSL service evaluation

Scope of review

13.1. As in previous years, this evaluation assessed how RSLs performed against their 2018/19 objective of reaching top quartile for KPIs and Customer Satisfaction, as agreed by each RSL's Board. As part of GHA's review, each office was considered. For the first time we assessed RSLs' digital transformation as customers are encouraged to engage through our websites and GHA Housing Officers use 'Go Mobile' to schedule and record customer visits and outcomes.

13.2. We have reported results using a scorecard approach. The scorecard has four quadrants which have been weighted to produce an overall grade:

KPIs as at 31/03/2019 (30%)	Customer Satisfaction as at 28 /02/2019 (35%)
Improvements of KPI and Customer Satisfaction on 2018 (25%)	Digital Transformation as at 31/07/2019 (10%)

13.3. Each quadrant is assigned a Grade based on its average score defined as:

Average Points	Grade	Definition
2.6 or more	A	**Excellent performance** and significantly better than acceptable levels**.**
2.0 – 2.5	B	**Good performance**, better than acceptable levels.
1.0 – 1.9	C	Performance meets **acceptable** levels.
Less than 1	D	Performance **below acceptable** levels.

13.4. We aimed to provide an overview of performance across all RSLs. In particular, we considered:

- Whether there was any correlation between quadrants, subsidiaries or location;
- Where good practice could be shared across RSLs; and
- Whether the results of analysis provided any areas to be considered for service improvement across RSLs.

Findings

13.5. The table below shows the overall grades for each RSL over the last two years and the direction of travel.

Subsidiary	2018/19	2017/18	Direction of Travel
Barony	B	B	←→
Cube	C	C	←→
Dunedin Canmore	B	B	←→
GHA	B	B	←→
Loretto Housing	C	C	←→
WLHP	A	B	↑

13.6. In 2017/18, we observed a difference in grades between East and West based subsidiaries. We observed this trend again in 2018/19, with the East showing particularly better performance in Customer Satisfaction.

KPIs			
East		*West*	
Barony	B	Cube	C
DC	A	GHA	B
WLHP	B	Loretto	C

Customer Satisfaction			
East		*West*	
Barony	A	Cube	C
DC	C	GHA	C
WLHP	A	Loretto	C

Improvements			
East		*West*	
Barony	B	Cube	B
DC	B	GHA	B
WLHP	B	Loretto	C

Digital Transformation			
East		*West*	
Barony	C	Cube	C
DC	B	GHA	C
WLHP	B	Loretto	D

13.7. We analysed overall performance by RSL, which provided us with key findings:

RSL	Results
GHA	✓ KPIs relating to repairs strongly outperforming top quartile. ✓ Overall satisfaction is outperforming top quartile, but below internal GHA target. ✓ Customers are choosing to transact online following registration, although overall levels are below group average. ▪ Lowest level of take up of Direct Debit across Group (26% of eligible customers). ✓ Satisfaction with 'Value for Money' performing strongly below top quartile.
Barony	✓ 6 out of 7 ARC KPI indicators in scope strongly outperforming top quartile (only 'average days to let' is not). ✓ All ARC satisfaction indicators outperforming top quartile. ✓ Online transactions higher than group average. ✓ More than half (56%) of all eligible customers using Direct Debit as their preferred payment method. ▪ Increase in 'Offers refused' and 'Average days to let' KPIs year on year. Average days to let were impacted by suitable placements for spaces within some of Barony's supported accommodation during the year being provided by local health and social care services.
Cube	✓ Repairs KPI indicators performing strongly in comparison to top quartile. ✓ Meeting internal Cube target for 'satisfaction overall' and 'satisfaction with repairs'. ✓ Highest proportion of online payments across Group (23%) of all payments made by eligible customers.

RSL	Results
	✓ Online registrations higher than group average.
	▪ Customers are not always choosing to go on and use their online account as transaction levels slightly below Group average.
	▪ Rent Arrears are increasing and performing below top quartile.
	▪ Performing below top quartile for 'satisfaction with value for money'.
	▪ Just over a third (36%) of eligible customers selecting Direct Debit as their preferred payment method.
Dunedin Canmore	✓ 6 out of 7 KPI indicators strongly outperforming top quartile – the exception 'percentage of lettable homes vacant' which is performing slightly below top quartile).
	✓ Satisfaction with 'Repairs' and 'Keeping informed' are outperforming top quartile.
	✓ Customers registering online are choosing to go on and transact through this channel.
	✓ Just over half (52%) of eligible customers choosing Direct Debit as their preferred payment method.
	▪ Arrears performing below top quartile, but improving year on year.
	▪ 'Overall satisfaction' result has reduced year on year and is significantly below target.
Loretto Housing	✓ KPIs indicators relating to repairs strongly outperforming top quartile.
	✓ Satisfaction with 'Opportunities to participate' and 'being kept informed' strongly outperform top quartile.
	✓ Online registration and transactions better than group average.
	▪ Rent Arrears levels behind top quartile, and rising year on year.
	▪ Overall Satisfaction levels and satisfaction with 'Neighbourhood' are performing below top quartile.
	▪ Low level of eligible customers selecting to pay by Direct Debit (34%).
WLHP	✓ 6 out of 7 KPI indicators performing above top quartile.
	✓ All satisfaction indicators are strongly outperforming top quartile.
	✓ Online registration and transactions best in Group.
	✓ Highest level of eligible customers paying by Direct Debit (56%)
	▪ 'Offers refused' only KPI indicator performing below top quartile. This was impacted by bids for new build being made by applicants not aware of the geographic location.

13.8.   We also analysed the performance across the four quadrants at office level for GHA and compared these alongside other RSL results. The graph below shows the overall scores and grades for each office/RSL.

RSL Evaluation 2019 - Overall Scores
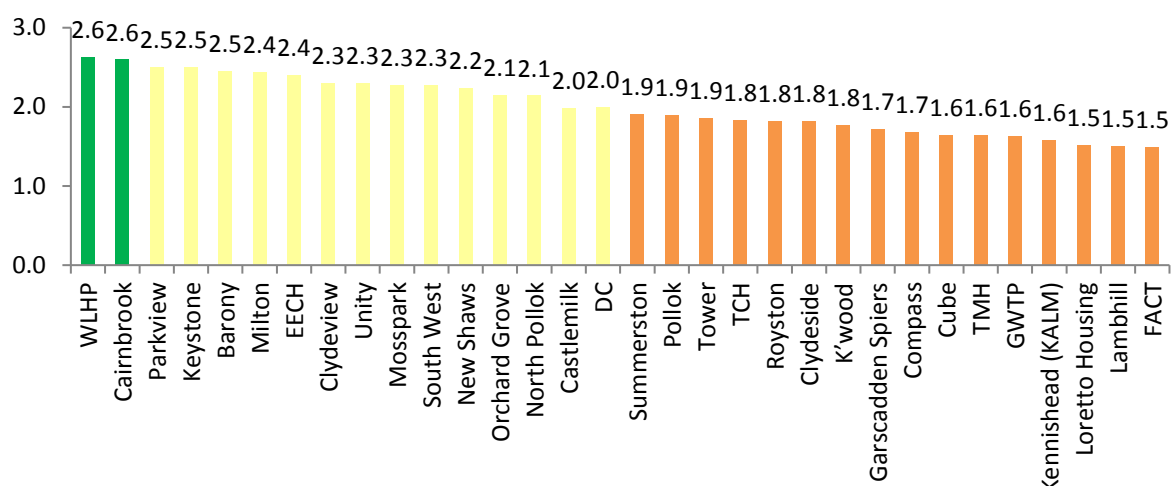
13.9. Managing Directors for each RSL have considered the key findings identified within the full report and developed an action plan for their RSL. As this is an assurance evaluation, and our findings do not relate to the operation of controls, we did not provide a risk grading for our findings. Completion of the actions will be tracked through Management reporting to the Housing Departmental Management Team.

14. Digital maturity assessment

14.1. Due to the strategic importance of technology to the Group, in May 2019 an external provider, Scott-Moncrieff, was appointed to support the development of the Group's Digital strategy and help to develop an IT Assurance map. This support has been delivered through two separate workstreams:

- Digital maturity baseline assessment to independently assess the group's current digital maturity level; and

- Technology assurance mapping to independently identify the key technology control cycles within the Group – due to report in February 2020.

Workstream 1: digital maturity assessment

14.2. To complete the digital maturity assessment, Scott-Moncrieff facilitated a series of workshops across the Group to capture views. In addition, they interviewed Group Directors and Lead Officers, reviewed survey results and considered leading practice examples from external organisations.

14.3 The assessment considered the following seven domains:

Digital investments and activities planned in such a way as to support the objectives of business areas.

People are appropriately skilled and supported to deliver digital change. Staff are aware of and supportive of change.

Technology selected is safe, fit for purpose and appropriate to support the present and future plans of the organisation.

The delivery of investments in digital technology are effectively managed and executed.

Ideas for changes and improvements to services are captured and developed in an effective manner.

New services are relevant to service users.

The opportunities and responsibilities which arise from access to higher volumes and better quality data have been fully considered.

14.4. Following Scott-Moncrieff's presentation of their maturity assessment by area, management and Scott-Moncrieff worked together to assess maturity for the Group as a whole, as shown below:

Rating	Digital Maturity Definition
5 : Digital Leader	There is a very high degree of digitalisation within the Group, which is reflected by mature IT and business strategies, as well as a high degree of digital maturity across different value network activities. We embrace both the technology and the business opportunities to become a digital leader in the wider Global marketplace.
4 : Digital Progressive	The Group is aware of the competitive impact and the benefits of digitalisation. Although there seems to be an enterprise wide adoption of digitalisation, there are still couple of areas to further improve maturity in the Group. We embrace both the technology and the business opportunities to become a digital leader in the sectors we operate.
3 : Digital Intermediate	The Group has embraced the concept of digitalisation in many areas, and we have also gained some experience. There still seems to be a lack of digital leadership, however, and the Group cannot be characterised as an early adopter of digital practices.
2 : Digital Beginner	The Group shows some early signs of digitalisation. However, it is not centrally orchestrated and executed in most areas. The overall maturity of our digital strategy is still immature and we require further efforts to keep up with the digital transformation in the marketplace.

Rating	Digital Maturity Definition
1 : Digital Embryonic	The Group shows little sign, or few scattered signs, of digitalisation. The enterprise wide focus and adoption of digitalisation is non-existent or very low. We may run the risk of putting competitive position at stake.

14.5 The overall self-assessed Group score, based on the Gartner Digital Business Maturity Model" set out above, rates the Group's current maturity as "Level 2 – Digital Beginner". This score has been agreed by Scott-Moncrieff as reflective of their area by area assessment. It should be highlighted that there is some variation in this scoring at a detailed level, with some areas that are further advanced, such as GoMobile, MyHousing and MySavings.

14.6 The target digital maturity for 2025 has been assessed as "Level 4 – Digitally Progressive". Management considers that "Level 4" is a meaningful target based on key factors such as our customer base, "leaving no one behind", technology solutions currently available within our sectors, and financial constraints to be a "Global Digital Leader". Once "Level 4" has been achieved by 2025, Management will consider the extent to which it would be appropriate to develop to "Level 5". This score is in-line with the recommendations and suggested target made within the Scott-Moncrieff report and has been agreed as appropriate by Scott-Moncrieff.

14.7 The gap between current and target scores was then used to develop priorities and actions for our digital strategy to ensure actions will deliver the intended digital outcomes for our customers.

14.8 Scott-Moncrieff has provided a management report that summarises the results of the work performed, with recommendations as to immediate actions to be taken to initiate the process of reaching our target digital maturity level. These actions are designed as first steps, to act as a starting point for a digital transformation strategy. All of these recommendations have been accepted by management and included in the draft Digital Strategy for 2020 – 2025. The key actions for each area are summarised below:

Domain, 2025 Objective and Actions	
Strategy - A digital strategy that delivers a clear articulation of how the use of data and systems will transform the business itself, which makes clear which business leaders were responsible for the transformation, and articulates how digital capabilities from across Wheatley Group will be mobilised to support the change.	
Digital Leader - An individual direct line responsibility to a Board level executive should take responsibility for leading the digital transformation of the Group.	**Engagement -** A plan should be developed to identify the Group's key to the success of the digital strategy and to develop the mechanisms through which they can learn about intended changes and participate in developing and implementing the strategy effectively.
People - To fully realise the benefits of digital the organisation needs to move to a culture where everyone is appropriately skilled and supported to deliver digital change. Staff need to be aware of and supportive of changes in their day to day jobs and feel they are playing an active role in the transformation process. Staff are often	

Domain, 2025 Objective and Actions

the best placed to identify where data could be used better or where a change in process can yield positive benefit and should be empowered to be at the heart of continuous improvement activities.

Support, encourage and empower staff	**Narrow the digital gap**
The Group should identify specialised resources to support and communicate with staff on digital matters. The team should facilitate change by creating the environment where staff can make their own areas run better, are supported in obtaining the skills and access to data that they need, and should work to coordinate activity and propagate leading practices across the Group.	The Group should make efforts to upskill staff in areas of the business which are at risk of falling behind. Digital champions, who have experienced change and seen benefits can be effective in this regard.

Platform - Digital transformation is about building and enabling platforms rather than individual point services. In practice this means ensuring that new capabilities are delivered using coherent and compatible technologies, that allow for regular and painless updates to functionality, can scale to accommodate an expanded user base, and facilitate integration between applications and data.

Assess current platforming approach -	**Roadmap -** The Group should develop a
The Group should carry out a review to identify systems which are not sustainably platformed, and consider how these could be best integrated and where potential sources of inefficiency could be resolved.	technology road map to help it articulate the technologies required to deliver digital transformation, and to support the review of the current estate and planning of procurement and development activities.

Delivery - Adopting true digital delivery techniques would enable Wheatley to utilise iterative, user led, rapid development approaches in order to roll out and pilot new digital services flexibly. Digital delivery should focus less on discrete, time-limited projects and more on the lifecycle of the solutions that are deployed. The view that delivery is the end of the project is at odds with cloud-hosted working and software-as-a-service business models.

Adopt flexible governance for "digital" delivery - An area for improvement	**Adopt digital delivery approaches** - Assess the extent and location of the data
relates to the requirement to demonstrate the achievement of all the planned benefits of a project. This can be addressed by adopting a lifecycle view of solutions that looks beyond the end of the project and focusses on continuous improvement.	delivery skills sets.

Innovation - Innovation is seen as critical to Wheatley as it leads RSLs in many aspects of digital transformation and so lacks peer organisations to adopt ideas from. Innovation is about more than just generating new ideas. A clear route from idea to implementation is available and staff with ideas have access to the right tools and skills to make them reality. The organisation has robust processes for identifying and sharing lessons learned from previous implementations across the organisation.

Domain, 2025 Objective and Actions	
Capture and communicate lessons learned - Establish a central resource so lessons learned can be incorporated into future efforts. Learning should not stop at the end of the project. Insights from business as usual and customer data should be equally valued.	**Bringing new ideas to market / resource allocations -** Provide staff with ideas with support in developing these further, and appropriate structure and governance to safely pilot them and determine how they could be operationalised effectively.
Customer - Effective User Experience (UX) can only be achieved when the needs, wants and skills of customers are well understood. This could be accomplished by user led design, customer experience and journey workshops and providing user labs through the Academy. Wheatley Group should pay particular attention to vulnerable users and those who lack digital skills as these users are much less likely to use digital. Data should be central to this process and insights from customer data should be used to drive service design.	
Make it easier for staff to be able to utilise customer data - Easy wins can be realised by encouraging and enabling staff to use this data to inform operational decision making. This can be supported by providing support from data analytics specialists and training to users in simple data analysis software such as Tableau.	**Incorporate users into service design -** As users increasingly interact with the Group using digital channels, service design must reflect user behaviour. Process re-design should focus on understanding how users interact with Wheatley via the various channels and working with them to improve their experience.
Data - Becoming a data-driven organisation means striking the balance between empowering business owners to make use of the data at their disposal and governance that protects user data at all costs. Mining data sets to create knowledge, and then providing access to that knowledge across the business is key. 'Data champions' with experience of sourcing, analysing and presenting data should be made available to help business owners understand their data. User groups can improve collaboration and help ideas permeate across the organisation.	
Data Strategy and lifecycle management - The Group should develop clear guidance on data usage and data sets that outlines what data can be used for which purposes and outlines a common 'playbook' for data analysis to ensure/enable consistency across the Group.	**Support staff to make better use of data -** Responsibility for data management should remain with business owners, however the Group should help teams make better use of the tools and data available to them. A data analytics capability should be stood up to support and transfer knowledge to staff.

14.9   The digital maturity scores provide a baseline position, against which future development will be measured. We will review progress as part of the Group's new Performance Framework for 2020 onwards. As part of this, we will also ask our customers to score how digitally mature they think the Group has become.

14.10   The full management report is available on request and the detailed actions to be completed by management will be scrutinised by Board members as part of the process to approve the Digital Strategy.

15.   Data Analytics update - Quarters 1 and 2

IDEA roll-out

15.1.   Following approval by the Group Audit Committee of the planned approach to the enhanced use of data analytics within the Assurance team's methodology, IDEA software has now been implemented. We have used the software to analyse purchase card payments and payroll data in the year to date.

Results of purchase card payments testing

15.2.   We obtained all Wheatley Solutions journal data and all Bankline data for 2018/19 from Finance and used this to run a series of tests on purchase and credit card payments and Faster payments. In total, the software enabled us to analyse 55,402 journal entries, which included 1,389 purchase or credit card payments. In addition, there were 200 faster payments within the Bankline data.

15.3.   We analysed the data provided by looking at all journal data for zero balances; faster payments data to identify any potential repeat payments to the same supplier; purchasing and credit card payments for potential expenses or payments that should be processed through IPOS; and high and low value items within the purchasing cards data. We identified a number of potential exceptions for each test, which were passed to Finance management to for further investigation. Based on investigations to date, there are no material exceptions.

Results of payroll testing

15.4.   We obtained reports of all payments made through both the non-GHA payrolls for the months of June, July and August 2019 and the GHA payroll for the corresponding 4-weekly payroll periods, from the Payroll Manager. This included 7631 individual payments. This data was anonymised as we did not require any personal details to complete our analysis.

15.5.   We analysed the payroll data by looking for monthly payments with a Gross and Net balance of £0 (a potential indicator of a ghost employee); employee numbers that not received a payment in each of the 3 months for which we had data (a potential indicator of error); and bank accounts which are receiving payments for two employees (a potential indicator of a ghost employee or fraudulent change in bank details). Based on work to date, there are no material exceptions.

15.6.   We will continue to develop our use IDEA in two ways during 2019/20. It will be used as a tool for the internal audit team during specific reviews contained within the Annual Internal Audit Plan. We also plan to develop use of the software as an additional source of "second line of defence" management control. We will work with management across the Group to develop exception reports that can be run monthly, with any potential exceptions being passed to management for further investigation.

16. Follow up of agreed management actions

16.1. Internal Audit completes follow up activity to verify that management have implemented actions as agreed in our internal audit reports. Our verification activity includes:

- reviewing the action updates provided by Management;
- obtaining evidence that actions have been completed as described; and
- assessing the effectiveness of actions taken to address the findings of our audits.

16.2. The following table and chart show the status of all audit actions at 30 September 2019.

As at 30 September 2019	Actions
Actions brought forward from Quarter 1	12 *(Overdue actions = 0)*
New actions added during Quarter 2	13
Total actions followed up during Quarter 2	25
Actions closed during Quarter 2	7
Actions carried forward to Quarter 3	18 *(Overdue actions = 0)*

Action status by Grading
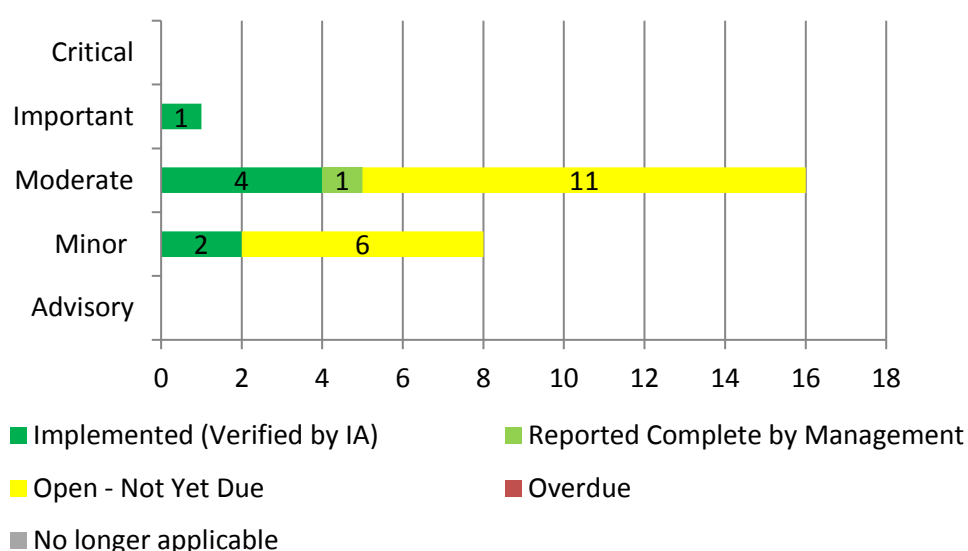
16.3. As at 30 September 2019, there were 17 open actions, none of which had passed their due date. There was one action reported as closed by management, which related to the development of a new Customer Service Centre performance framework. We will review the implementation status of this new framework going forward and report progress in due course.

16.4. We will continue to report on the status of the 18 actions carried forward to Q3 2019/20 at the monthly Performance Departmental Management Team meetings.

17. Value for money implications

17.1. Through more focused, responsive planning activity, the Assurance team's work can be directed to those reviews which are more complex, resulting in greater added value to the Group to support the value for money objectives.

18. Impact on financial projections

18.1. There are no financial implications as delivery involves a redirection of resources within the Assurance Team.

19. Legal, regulatory and charitable implications

19.1. The new SHR Regulatory Standards require RSLs to have an internal audit function. Undertaking Assurance activity satisfies the Scottish Housing Regulators' Regulatory Standards of Governance and Financial Management which requires governing bodies to identify and mitigate risks to the organisation's purpose.

20. Partnership implications

20.1. There are no direct partnership implications identified within this report. In 2019/20 we will continue to work in partnership with Glasgow City Council's Internal Audit team and City Building Glasgow to provide the Group Audit Committee with comfort on the strength of City Building's control environment.

21. Implementation and deployment

21.1. Implementation and deployment of the Plan will be led solely by the Group Assurance Team. Implementation of actions arising from Assurance activity will be the responsibility of the action owners identified within individual audit reports.

22. Equalities impact

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

23. Recommendation

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

List of Appendices

Appendix 1 - Progress against IA Plan 2019/20
Appendix 2 - Report Classification and Risk Rating Definitions
Appendix 3 – Scope of reported reviews.

Appendix 1 – Progress against IA Annual Plan

The table below sets out the approved Internal Audit Plan for 2019/20. The Entities Covered column shows which of the Group entities will be reviewed as part of each audit. The key is shown below:

Audit	Entities covered	Original AC Reporting	Planned AC Reporting	Status
Governance		Aug 2019	Aug 2019	Complete
MyHousing post implementation review		Aug 2019	Aug 2019	Complete
Performance Management and report analysis		Nov 2019	Aug 2019	Complete
Care service evaluation		Nov 2019	Aug 2019	Complete
Fullarton self-assessment validation		-	Nov 2019	Complete
Digital Maturity Assessment		Feb 2020	Nov 2019	Complete
Benefits Realisation		Feb 2020	Nov 2019	Complete
Risk Management		May 2020	Nov 2019	Complete
Housing: Service Improvement and Innovation		May 2020	Nov 2019	Complete
Care: Service Innovation and Improvement		May 2020	Nov 2019	Complete
Repairs and Maintenance (Stage 1)		Nov 2019	Nov 2019	Complete
RSL service evaluation		Feb 2020	Nov 2019	Complete
Assurance Map, including technology assurance mapping		Feb 2020	Feb 2020	In Progress
Joint Venture partnership working arrangements		Aug 2019	Feb 2020	In Progress
Project management methodology		Nov 2019	Feb 2020	In Progress
Stakeholder Engagement – internal		Nov 2019	Feb 2020	In Progress
CFS – Budget management		May 2020	Feb 2020	In Progress
Repairs and Maintenance (Stage 2)		-	Feb 2020	Planned

Audit	Entities covered	Original AC Reporting	Planned AC Reporting	Status
Wheatley Solutions Inspections		May 2020	May 2020	Q4 reviews for approval by Group Audit Committee in November 2019.
RSL Technical Compliance – Fire Safety arrangements		Aug 2019	May 2020	
Talent Management		Aug 2019	May 2020	
Business Plan assumptions / Delivery Plans		Feb 2020	May 2020	
Stakeholder Engagement – external		Feb 2020	May 2020	
Universal Credit management		-	May 2020	
Potential D&GHP Due Diligence		-	May 2020	
Repairs and Maintenance (Stage 3)		-	May 2020	
Ongoing activity				
Risk Management		All	All	Ongoing
Follow Up		All	All	Ongoing

Entities Covered Key:

	Group (inc W Solutions)		GHA		Cube		DC
	Loretto Care		Barony		Commercial		W. Foundation
	Loretto Housing		WLHP		CBG		

Appendix 2: Report Classification and Risk Rating Definitions

The following definitions are intended to be used a guide to describe areas which derive the risk rating to be applied to an audit finding and overall report rating. The Director of Assurances professional judgement will be the ultimate basis for the report rating.

Report Classification:
Each report is assigned a classification based on the sum of the ratings of individual findings within the report. The classifications are shown in the table below:

Report Classification	Points
Critical	40 + points
Important	26 – 39 points
Moderate	8 – 25 points
Minor	7 points or less

Findings ratings:
Each finding within the report is assigned a priority rating, based on the level of risk associated with the identified control weakness:

Rating	Definition	Points
Critical	A report where a fundamental business critical control weakness has been identified. Failure to resolve any such findings immediately could result in loss of a business critical system that would have significant adverse impact to the organisation.	40
Important	Control weakness that has a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to the efficient and effective use of resources; the safeguarding of assets; the preparation of reliable financial and operational information and compliance with laws and regulations.	10
Moderate	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, while high impact for the system, function or process under review it does not have a significant impact on the achievement of the overall organisation's objectives.	3
Minor	Control weakness that does not impact upon the achievement of key system, function or process objectives. However, implementation of the recommendation would improve overall control and is in line with good practice.	1

Appendix 3 – Scope of reported reviews

This appendix sets out the scope of each of the reviews reported in the body of this report.

Section 6 – RSM review on Performance Management and Reporting

This audit reviewed the adequacy and effectiveness of the Group's controls in relation to the control objectives shown in the table below:

Control Objectives
• There is a formal performance management framework in place that considers operational performance, corporate performance and the management of change;
• That the collection and analysis of performance information is efficiently undertaken;
• There is an appropriate mix of qualitative and quantitative performance indicators planned for all subsidiaries, departments, functional areas and projects;
• The planned qualitative and quantitative performance indicators are linked to the delivery of the organisation's strategic objectives; and
• There are clearly defined plans in place to assess the data requirements that will inform the qualitative and quantitative performance indicators.

Section 7 – Governance: Annual Assurance Statement

In assessing the robustness and validity of the Governance team's self-assessment approach, we have considered whether:

Control Objectives
• The self-assessment approach used has included all of the regulatory requirements set out in Chapter 3 of the Regulatory Framework;
• Appropriate, reliable evidence is held to support all conclusions reached within the self-assessment document;
• Conclusions reached are evidence based and can withstand independent scrutiny;
• The draft Annual Assurance Statement accurately reflects the results of the self-assessment completed by the Governance Team; and
• Arrangements are in place to confirm that any material changes to the level of assurance provided in the Annual Assurance Statement during the year are identified and reported to the SHR in accordance with the SHR's notifiable events guidance.

Section 8 – Risk Management

This audit reviewed the adequacy and effectiveness of the Group's controls in relation to the control objectives shown in the table below:

Control Objectives
• There is a defined and consistently applied approach for the accurate and timely identification and evaluation of strategic and operational risks;
• Risk Registers are embedded throughout the organisation and Pentana is consistently used to record, track and report risks;
• There is a clearly understood hierarchy in place for the escalation of risks through operational, corporate and strategic level risk registers that is applied consistently;
• The risk management roles and responsibilities of different groups/ individuals across the Group are clearly understood and delivered consistently;
• The Group Board and Subsidiary Boards have set risk appetites for their area of responsibility and Management are using this to inform decision-making; and
• Risk reporting includes commentary from Management about any additional actions required to bring identified risks within risk appetite, where required.

Section 9 – Housing: Service Innovation and Improvement

This audit reviewed the adequacy and effectiveness of the Group's controls in relation to the control objectives shown in the table below:

Control Objectives
• Each SIIF has an annual programme of work that is agreed in advance, including contingency time for ad hoc analysis where appropriate.
• Delivery of the work programme is monitored and reported to senior management;
• Procedures are in place to promote a consistent approach to relevant improvement work (such as assurance checks) across SIIFs;
• Opportunities for improvement or innovation arising from delivery of the work programme are coordinated with other improvement initiatives across the Group (e.g. COE work plans);
• Completion of actions arising from improvement reviews is monitored by senior management.

Section 10: My Housing Post-Implementation Review

We have assessed the controls in place in relation to the MyHousing project in relation to the following control objectives:

Control Objectives
• MyHousing project implementation deliverables were clearly outlined and delivered within agreed timescales, scope and budget.
• Project implementation documentation is finalised and approved, and all costs are accounted for, up to the system launch date.
• Expected benefits of MyHousing implementation have been agreed in the business case and a process has been established to quantify and report on realisation of these benefits.
• A process is in place to capture any lessons learned during the project implementation stage and report these to senior management along with appropriate actions to prevent reoccurrence of the identified issues within future projects.

Section 11 – Repairs and Maintenance: Stage 1

We assessed the controls in place over the completeness and accuracy of reporting within Power BI in readiness for the roll-out of the new Group Repairs and Investment Performance Framework. We agreed to deliver this audit in stages, providing an opportunity for us to provide assurance and validation of the work to deliver the Framework as it progresses. The audit activity completed to date has focused on assessing whether data being reported in Power BI mirrors the data already reported through Business Objects performance reports.

Our final audit report will provide assurance over the controls in place in relation to all of the following control objectives:

Control Objectives
• There are clear definitions in place for each new and existing repairs performance indicator to ensure that there is no ambiguity over the content or context of data reported.
• Any manual adjustments required to the source data have been identified and captured within an agreed procedure for generating the Power BI reports.
• Repairs performance data reported in Power BI is consistent with data reported in existing reporting tools.
• Power BI reports have been stress tested to ensure the data reported is complete and consistently calculated each reporting period.
• The Group Repairs and Investment Performance Framework has been subject to appropriate consultation and review to ensure it meets all Group repairs reporting requirements.

Section 12 – Benefits Realisation

We assessed the adequacy and effectiveness of the controls in place to support the realisation of expected benefits from the Group's Change Programme, for the following key control objectives:

Control Objectives
• Service review/project documentation set out expected, quantifiable benefits that were linked to delivery of the Group's Strategic aims.
• During the service reviews/project initiation phase, expected benefits were reviewed and refined using RADAR techniques, as the service review is developed;
• At the conclusion of initiation phase, expected benefits/outcomes included financial and non-financial benefits were defined using the "SMART" criteria, and baseline measurements were established.
• Service review documentation recorded the timescales and governance framework for reporting the delivery of benefits prior to the conclusion of the service/projects.
• Completion of actions arising from improvement reviews is monitored by senior management.

GHA

Report

To: GHA Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Corporate Risk Register

Date of Meeting: 29 November 2019

_____

1. Purpose

1.1 To seek approval for updates to the Corporate Risk Register.

2. Authorising context

2.1 In accordance with the Group Authorise/Monitor/Manage Matrix, the Group Board is responsible for managing and monitoring the Wheatley Group Risk Management Framework. The Board is responsible for managing and monitoring its Corporate Risk Register and Risk Appetite in accordance with the Group Risk Management Framework.

2.2 Risk registers are in place across the Group and are reported to each subsidiary board on a bi-annual basis.

3. Risk appetite and assessment

3.1 Our agreed risk appetite in relation to Board Governance is "cautious", meaning that tolerance for risk taking is limited to events where there is little chance of any significant repercussion should there be a failure.

4. Background

4.1 Under its Terms of Reference, the Group Audit Committee is responsible for monitoring and reviewing the risk-management framework within the Group. Following the six monthly cycle, the Group Audit Committee reviewed the Strategic Risk Register at its meeting on 7 August 2019. These risks have been considered when updating the Corporate Risk Register.

5. Discussion

5.1 Key strategic risk areas have been identified through a high-level review of our evolving strategies, operational risks and the current operating environment. A full copy of the proposed Corporate Risk Register is included at **Appendix 1**. This includes details of existing mitigating controls and residual risk scores.

5.2 The following table provides a summary of the corporate risks including (i) changed risks, and (ii) unchanged risks.

	Risk Reference	Risk Summary
Removed Risk	GHA06	Compliance with funders requirements *Risk removed as covered through risk GHA19.*
	GHA07	Bond: securing new funding and adverse market changes *Risk removed as covered through risk GHA19.*
	GHA08	Group Credit Rating *Risk removed as covered through risk GHA20.*
Changed Risks	GHA01	Implementation of My Repairs *Title updated to 'Review of My Repairs'. Additional risks added to reflect implementation of new service model and structure change.*
	GHA02	Welfare Reforms *Added to controls is the new Group Universal Credit Team. Description altered to remove the Local Housing Allowance Cap.*
	GHA03	Information and Communications Technology *Proposed actions now includes new technology strategy for 2020-25. Risk description amended to remove cyber security as covered through risk GHA21.*
	GHA04	Governance Structure *Current risk score reduced from 9 to 6 following review of current board governance.*
	GHA11	Laws and Regulations *Control added to reflect annual assurance statement and capital improvement works.*
	GHA12	Failure to recruit, develop, retain and succession plan *Control added to reflect establishment of IGNITE Graduate Programme.*
	GHA16	Financial cost of complying with any new Fire Safety Regulations *Current Risk score reduced from 12 to 9 to reflect effect of controls on the original risk.*
	GHA19	Funding Availability *New controls added to reflect appointment of relationship manager and risk to cancellation of availability.*
	GHA20	Loan Security *Controls description updated to reflect current values of unencumbered stock and excess security available to mitigate the risk, if required.*
	GHA22	New Build Programme *Original Risk score identified as 6 and Current Risk score identified as 6. Controls added to reflect procurement procedure in place.*

Unchanged Risks	GHA10	Commercial Operations *No change.*
	GHA13	Political and Policy Changes *No Change.*
	GHA14	Business Continuity/Disaster Recovery *No Change.*
	GHA15	Pension Deficit *No Change.*
	GHA17	Stock Profile and Demand *No Change.*
	GHA18	Supply Chain *No Change.*
	GHA21	Cyber Security *No Change.*

6.   Key issues and conclusions

6.1   The updated risk register at Appendix 1 is presented to the Board for approval.

7.   Value for money implications

7.1   There are no direct implications arising from the requested approval of the Corporate Risk Register.

8.   Impact on financial projections

8.1   No direct financial implications result from the management and review of the Corporate Risk Register. Any actions taken by management to mitigate risks, which have financial implications, would be presented to the Board separately.

9.   Legal, regulatory and charitable implications

9.1   The effective management of risk satisfies the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management, which requires governing bodies to identify and mitigate risks to the organisation's purpose.

10.   Partnership implications

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

11.   Implementation and deployment

11.1   The Board has responsibility for the management and monitoring of corporate risks. However, it is incumbent upon all management teams and employees to embrace "good practice" risk-management principles at all times.

12.   Equalities impact

12.1   There is no impact to equalities arising from this report.

13.   Recommendation
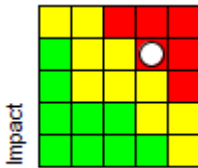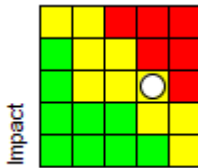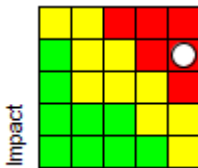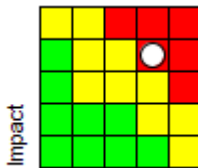
13.1 The Board is asked to agree and approve the revised Corporate Risk
      Register.
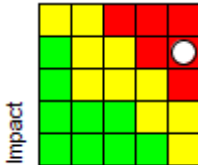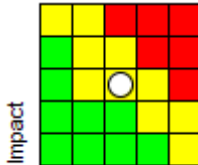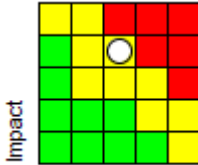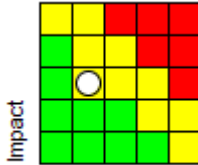
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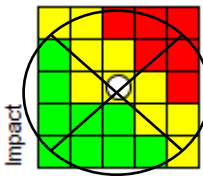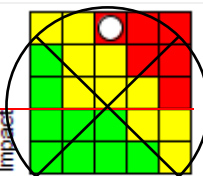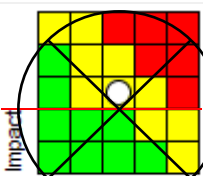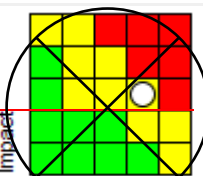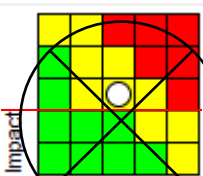
Appendix 1 – GHA Corporate Risk Register – Draft for Approval
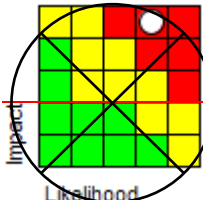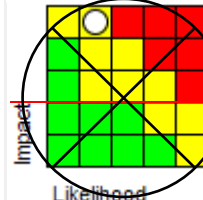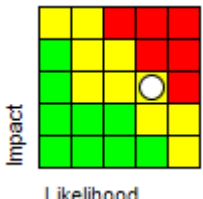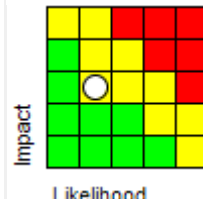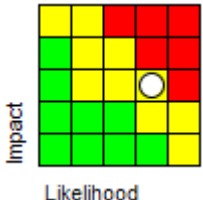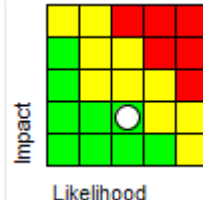
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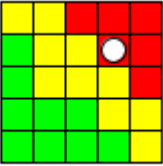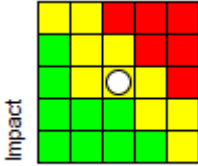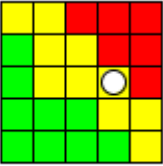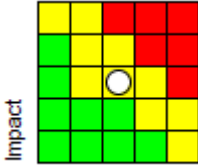**Corporate Risk Refresh November 2019**

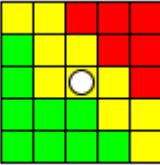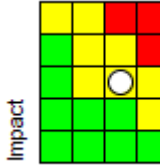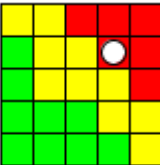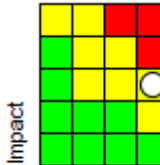| Code & Title	Description	Original risk score (with no controls in place)	Existing Controls / Monitoring & Check	Current Risk score (with mitigating controls in place)	Risk Score	Risk Appetite
GHA01 Implementation of the ~~Joint Venture~~ My Repairs	**Financial and operational performance –** Failure to achieve agreed financial performance targets could lead to increased operational and financial risk to the Group. **Operating environment and cultural change –** Moving from a client / contractor relationship to a single operating vehicle will naturally bring a change in culture. This could lead to increased operational risk in time taken to embed new operating processes and different ways of working. **Clarity on roles, responsibilities and access rights** – A lack of clarity on roles and responsibilities leads to operational inefficiency and poor decision making, impacting on both customers and staff. Relationships with Trade Unions may become more complex and difficult as roles and responsibilities change leading to increased operational risk in terms of service delivery if for example staff opt to undertake strike action. Potentially presenting unwanted media attention and increased reputational risk for the Group. My Repairs may not deliver customer satisfaction.		-Monitoring achievement of the ~~Joint Venture (JV)~~ My Repairs implementation plan -Financial performance monitoring monthly management accounts by Finance, to identify variances and necessary corrective actions -Financial monitoring by Group Board quarterly -Monitoring of operational effectiveness by ~~JV~~ My Repairs Senior Management and ~~JV~~ My Repairs Assurance team -Organograms detailing operating and reporting structures to be developed and made available to all staff -On-going sessions with all ~~JV~~ My Repairs staff as part of culture change activities -Rigorous governance and oversight of operational and financial performance -~~JV~~ My Repairs HR personnel regularly meet with Trade Union representatives to discuss staff satisfaction, morale and concerns which need addressed -Meetings with Trade Unions are minuted and actions addressed in a timely manner. Outcomes are subject to robust monitoring by ~~JV~~ My Repairs HR.		12	Hungry
GHA02 Welfare Reforms	<u>Welfare Reforms</u> such as Universal Credit ~~and the Local Housing Allowance cap~~ reduce our guaranteed income stream from Housing Benefit and potentially the overall percentage of rent collected, which may adversely impact the Group's cash flow, leading to a reduction in lenders' confidence and increased poverty and		The Group continues to oversee and coordinate activities across GHA to mitigate the impact of welfare reform. This includes Welfare Benefit Advisors and the "My Budget" banking services pilot plus working with partners to influence the UK and Scottish policy and funding environment.		16	Hungry

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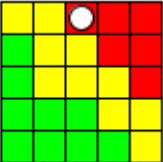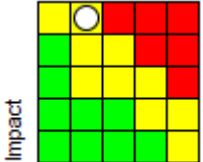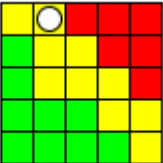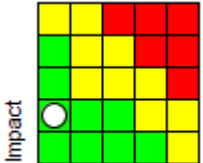| Code & Title	Description	Original risk score (with no controls in place)	Existing Controls / Monitoring & Check	Current Risk score (with mitigating controls in place)	Risk Score	Risk Appetite
	affordability issues for our customers.		The GHA business plan also contains a buffer within its assumptions for risk in relation to bad debts. GHA works with key partners to assess impact to GHA, sharing impact information with partners who are lobbying Government directly. An action plan has also been created to mitigate the impact of Universal Credit and will be monitored closely by Senior Management. A Universal Credit Specialist team has been established to lead innovation and support for customers ~~is being set up – Spring 2019.~~			
GHA03 Information and Communications Technology	Failure to transform services, as detailed in the Group IT and Digital Strategy by the innovative use of Information and Communications Technology to keep pace with the changing demands of internal and external service users. ~~Exposure of the Group to increased cyber security attacks and threats increases the potential to lose sensitive customer information, leading to financial penalties and significant reputational damage for the Group.~~	Impact / Likelihood	The Group IT & Digital Strategy (2017 – 2020) is in place which details key delivery milestones to be achieved by responsible managers. Infrastructure and project management disciplines are now embedded. The ET and Wheatley Board continue to monitor the delivery of the Strategy. Group Assurance to provide assurance over the progress of key projects within the Strategy with reports going to the Audit Committee. Proposed Actions: New technology strategy for 2020-25 is being drafted. ~~IT Cyber security live tests undertaken and results reported to ET, Audit Committee and Group Board.~~	Impact / Likelihood	9	Open
GHA04 Governance structure	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.	Impact / Likelihood	The Group's authorising environment has been agreed and the Corporate Strategy highlights the importance of the need for continual Board development enabling the Board and Committee members to remain strategically focused, and governance training is provided as appropriate. Formal succession planning for all Board members being developed. Governance arrangements regularly reviewed by external consultants, internal and external audit functions.	Impact / Likelihood	6	Open

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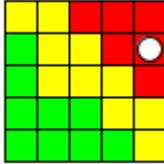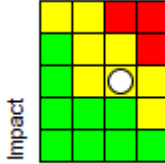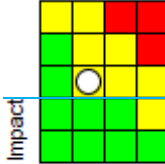| Code & Title	Description	Original risk score (with no controls in place)	Existing Controls / Monitoring & Check	Current Risk score (with mitigating controls in place)	Risk Score	Risk Appetite
~~GHA06 Compliance with funders requirements Risk Appetite – Cautious~~	~~Failure to meet/maintain the requirements of funders and investors could have a range of impacts, from default on loan agreements (i.e. covenants) to general loss of confidence. This could adversely impact on our ability to raise new funding to deliver strategic objectives.~~		~~Regular meetings with funders and investor representatives to update on financial status of the Group;~~ ~~Financial performance monitored monthly and covenant compliance reviewed quarterly by the Group Board, before being submitted externally to funders;~~ ~~Covenant compliance monitoring tool introduced by Finance;~~ ~~Financial performance is monitored on an ongoing basis through monthly reporting cycle and Group/subsidiary Board review of management accounts; and Subsidiary and Group Business Plans are subject to annual updates and review by respective Boards.~~		~~9~~	~~Strategic~~
~~GHA07 Bond: securing new funding and adverse market changes Risk Appetite – Open~~	~~Funding markets – Raising finance on the markets become more difficult due to oversupply/policy changes/Brexit affecting the Group's ability to secure new funding.~~ ~~Heightened risk that facility refinancing is more challenging or expensive than projected.~~ ~~European Investment Bank – A large and flexible source of funding after Brexit. EIB funding interest rates are low (at 2.5%) when compared to other funding options (at 4%). In addition, funding market conditions may be more volatile and challenging dependent on the Brexit process.~~		~~Our strategy is to diversify funding sources and relationships, providing a range of options for future funding in the event of adverse bond market changes;~~ ~~Finance team undertake detailed stress testing and sensitivity analysis of the Groups financial position against covenant requirements on a regular basis (e.g. liquidity, debt profile).~~ ~~We have clearly identified cost reduction measures we would implement in the event of a stress situation, using a three tier of system based on their impact on services;~~ ~~Liquidity Golden Rules and cashflow forecasting are in place to ensure funding is available;~~ ~~Quarterly updates on progress against Business Plans and assumptions are monitored by Subsidiary~~		~~9~~	

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			~~Boards. This includes a review of our the current and future valuation of the Group's asset base; Treasury will seek alternative sources of funding which offer flexibility and attractive rates for the Group; The Groups Internal Rate of Return (for appraising and approving projects) will be revised when finance costs increase.~~			
~~GHA08 Group Credit Rating Risk Appetite – Averse~~	~~The Group's credit rating is downgraded, adversely impacting our ability to raise funds on the capital markets or potentially impacting on the cost of debt to the Group.~~ ~~In addition, external factors such as Brexit lead to a down grade in the Group's credit rating triggering changes in repayments to the European Investment Bank (if rating is revised to BBB+ or below). This could also impact on the achievement of the Group's strategic objectives due to reduced financial measures.~~		~~Maintaining current rating margin of safety - our current rating is A+, so a two-notch downgrade would see this fall to A-, one notch above our loss of rating trigger.~~ ~~Mitigation drafting used in legal clauses - in the event the rating fell to BBB+, the legal clauses are specific that this is not an event of default (thereby avoiding cross-default). Negotiation period – the legal clauses provide for a period to negotiate with EIB on mitigating measures, such as revisions to covenants or posting of increased security/collateral.~~ ~~Standby funders to replace EIB if necessary - strong investor/lender relationships are maintained with a number of other organisations at all times in case of unanticipated funding need.~~		~~10~~	~~Strategic~~
GHA10 Commercial Operations	New Strategy for Commercial Operations is not aligned to delivering outcomes required by GHA		Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives. Levels of performance are monitored by Divisional Management Teams (DMTs), Executive Team (ET) and the relevant Boards as well as Group Board.		6	Cautious
GHA11 Laws and Regulations	Non-compliance with statutory law and regulations, including Scottish Housing Regulator and Care Inspectorate regulations and Financial Conduct Authority (FCA) regulations resulting in adverse feedback, loss in confidence from Regulator, the Scottish Information Commissioner, Freedom of Information Act, compliance with General Data Protection Regulation (2018), funders,		A Group wide Scottish Housing Charter Assurance process is being established supported by the Tenant Scrutiny Panel reviewing outcome. FCA regulations are considered when new products and services are developed. New product offerings follow a clear route to governance, with approval required from the		6	Minimal

8

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	customers and potential partners, as well as potential fines and penalties.		Executive Team before formal approval is requested from the Group/ GHA Board. Legal and financial advice is obtained for all financial offerings to customers. Compliance Plan monitored on an ongoing basis and any issues raised to Executive Team and Audit Committee on an exception basis. The Group has ongoing relationship management with Regulator. Group wide approach to how the Group manages information. Privacy Impact Statements to be implemented across the Group. Qualified personnel undertaking capital improvement works as well as suitable sign off and compliance checks of new installations (eg. external wall coverings), to ensure these meet relevant building standards. Annual assurance statement provides a source of assurance for non-compliance.			
GHA12 Failure to recruit, develop, retain, and succession plan	GHA has an ageing workforce, which could result in knowledge 'Gaps', as well as loss of skilled workers via ER/VR. Failure to recruit, develop, retain high quality / qualified staff, may also result in reduced levels of service provision, staff not competent to perform their job to expected standard and achieve strategic objectives.		~~PDP~~ My Contribution in place for all staff / Training Logs for all staff / Training courses at the Academy and online / Leadership Development programme / Succession Planning and talent management programme / HR policies on recruitment and selection / IGNITE Graduate Programme to bring in young talent. Employee satisfaction surveys.		9	Open
GHA13 Political and Policy Changes	The risk that political and policy changes (within Scotland and the UK) affect the ability of Wheatley Housing Group to deliver strategic objectives resulting in significant adverse reputational impact. For example: Brexit has reduced the amount of EU grant subsidies available to UK		The current policy and national political environment ~~(e.g. Brexit)~~ brings a degree of uncertainty. ~~However, post Referendum, the Scottish political and local Policy position is clearer; and~~ The Group has an established stakeholder management framework in place and relevant Managers will be focussed on responding to		9	Cautious

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	organisations. In addition, European Investment Bank clauses may be activated following Brexit resulting in the need to find alternative funding arrangements. Additional examples – Changes to Housing Legislation including Landlord responsibility for Fire Safety.		changes in policy and administration as they arise. This includes an existing plan to raise additional capital to provide further risk mitigation for the Group.			
GHA14 Business Continuity / Disaster Recovery	GHA does not have adequate or tested Business Continuity / Disaster Recovery plans in place for key business activities, including those with significant contractors, resulting in significant disruption to service and avoidable reputational damage.		A business continuity implementation Group is responsible for collating, reviewing and designing the Group's and GHA Disaster Recovery and Business Continuity Plans. A programme for annual live testing of these plans exists and is monitored by Lead Director.		6	Cautious
GHA15 Pension Deficit	Increases in the pension deficit for all Group pension funds, leads to potential cost pressures for the Group if additional contributions to these funds are required.		The Group's Pensions Policy sets out a range of measures to manage pension costs. We have established a Wheatley Group defined contribution scheme which will be the default arrangement for new joiners and auto-enrolment in future for most subsidiaries, except where prior approval of the RAAG is received.		6	Averse
GHA16 Financial cost of complying with any new Fire Safety Regulations	Changes to building safety / fire safety regulations / Fire Services advice (e.g. changes to evacuation guidelines) results in (i) financial strain in complying with new additional fire safety regulations, (ii) strain on bond and loan covenant ratios and (iii) significant financial costs in terms of potential penalties as well as costs to comply with new regulations. This may also impact customer satisfaction if the Repairs Services is adversely impacted as a resulted of additional funding requirement. Impact of Scottish Government review of fire standards and Private Rented Sector (PRS) standards that we do not currently meet (e.g. 1 smoke alarm in hallway, 1 in kitchen).		-Business Planning to provide for any additional costs -External review of our Fire Safety arrangements -Community Improvement Partnership focused on fire prevention and education -Existence and review of Business Continuity Plans -Group Fire Mitigation Strategy and Framework -Regular fire safety assessments -Two new Fire Safety Officers within Wheatley 360 - -Group Wide Fire Safety Charter planned (within Delivery Plan)	 	6 12	Averse

Code & Title	Description	Original risk score (with no controls in place)	Existing Controls / Monitoring & Check	Current Risk score (with mitigating controls in place)	Risk Score	Risk Appetite
GHA17 Stock Profile and Demand	Impact of new build within areas of existing stock - e.g. falling demand for existing stock and capability to provide existing level of service to these new builds (e.g. NETs capacity). Assets not fit for purpose – particular risk for older people in terms of not having the right accommodation to meet the needs of service users. GHA – current demand for stock and new stock profile does not meet future needs.		-MSF framework for GHA -Group Supported Living -Monitoring new-build Planned – development of a formal approach to informing future new build stock types. Ensure that subsidiary strategies and Location Plans consider the impact of new build, and adjust services accordingly.		9	TBC
GHA18 Supply Chain	**Supply Chain** A potential no-deal Brexit and/ or poor Brexit deal could result in the end of, or service restrictions to trade, which could adversely impact the Group and its contractors supply chain. Specific risks relate to availability / cost of materials and / or availability of trades. This could result in; (i) **Repairs service** – delays in completions; (ii) **Investment programme** - delays / cost increases (ii) **New build** – delay to meet delivery targets / increased costs; (iv) **Operational Supplies** – delays in delivery / cost increases		**General** -Proactive monitoring of supply chains by Operational leads -Regular contract management meetings -Regular engagement with Scottish Government on cost / delay impact potential as issues emerge **Repairs Service** - Manage stock levels of components and materials - Engagement with key suppliers - Specific contingency plans for key services e.g. lifts - Local staff directly employed by CBG or DCPS **Investment Programme** - Manage stock levels of components and materials - Engagement with key suppliers **New Build** - Procurement with fixed tender costs for 2019/20 site starts - New framework in procurement to maintain competitiveness - Engagement with SG on cost increase impact on grant applications - Monthly project monitoring to identify early issues relating to materials availability - Consideration of long term mitigation e.g. change of specification to locally sourced materials and components where practicable - Monitor availability of trades on site – consider increased site monitoring to ensure quality of workmanship **Operational Supplies**		12	Cautious

11

Code & Title	Description	Original risk score (with no controls in place)	Existing Controls / Monitoring & Check	Current Risk score (with mitigating controls in place)	Risk Score	Risk Appetite
			-Utilisation of Group and 3rd party frameworks to minimise price increase risk Engagement with key suppliers on stock levels			
GHA19 Funding Availability	Our new £185m EIB loan has a clause that means it may no longer be available should the EIB's treaty privileges and immunities not be continued post Brexit. These are contained in the draft Withdrawal Agreement so may be at risk in a no-deal scenario.	Impact / Likelihood	*Legal mitigations agreed in contract* – cancellation of the loan is not automatic, EIB has the right to negotiate alternative mitigations if it wishes. We have drawn £85m of the £185m facility. We consider the risk to cancellation of availability to be higher than cancellation of drawn funds. *Maintenance of strong relationship with EIB* – we maintain regular contact and support EIB widely, eg in events in other member states, to cement our status as potentially a special case/relationship and our new relationship manager is known to the WHG Finance team. *Significant alternative funding streams put in place late 2018 to provide a liquidity buffer* – this includes c£150m of new funding to provide c2 years of cash requirement even without EIB. This funding boost was a key determinant in the S&P upgrade from negative to stable outlook.	Impact / Likelihood	10	Averse
GHA20 Loan Security	Loan security In the event of a significant housing market downturn, the value of our assets held as security for our loans could fall. This principally affects properties valued at the Market Value – Subject to Tenancy ("MV-ST") basis. We have £781m 794m of security valued at MV-T, and £1,085m 1,135m at the lower, discounted cash flow basis of Existing Use Value – Social Housing ("EUV-SH").	Impact / Likelihood	We currently have £170m 128m of unencumbered stock on an EUV-SH basis available to charge as additional security (which would take 6-9 months to legally secure), as well as £51m of excess security in the EIB pot which was envisaged to support the new loan, but could be transferred to another lender's security pot. MV-T stock requires a higher asset cover ratio than EUV-SH stock, so depending on any fall in value we may "flip" some stock to an EUV-SH basis. We continue to discuss any valuation impacts with our valuer JLL and have run a number of scenarios which show that we could reallocate existing stock and secure unencumbered stock (albeit with a time lag) to mitigate even the Bank of England's no-deal downside case of a 26% fall in house prices.	Impact / Likelihood	2	Averse

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GHA21 Cyber Security	Exposure of the Group to increased cyber security attacks and threats increases the potential to lose sensitive customer information, leading to financial penalties and significant reputational damage for the Group.	*(risk matrix – Impact vs Likelihood)*	IT Cyber security live tests undertaken and results reported to ET, Audit Committee and Group Board.	*(risk matrix – Impact vs Likelihood)*	9	Averse
GHA22 New Build Programme	Contractor selected for New Build programme goes into administration/liquidation with no Supplier Management framework in place.	*(risk matrix – Impact vs Likelihood)*	Quarterly contract meeting between supplier/contract manager and procurement to discuss risks and best practice.\n\nProcurement team capabilities and skills assessment.\n\nGateway reviews as part of 5 stage process.\n\nThe use of terms and conditions to enforce change should this be required.\n\nProcurement team handover arrangements in place, which includes advice on contract delivery mechanisms contractual obligations.\n\nMonthly compliant spend reporting 5 stage process defines our requirements; and clear method defines and records the process of dealing with KPI/SLA underperformance.	*(risk matrix – Impact vs Likelihood)*	6	TBC