THE GLASGOW HOUSING ASSOCIATION LIMITED

BOARD MEETING

10.30am, Friday 25 March 2022
Wheatley House, 25 Cochrane Street, Glasgow

AGENDA

1. Apologies for Absence

2. Declarations of Interest

3. a) Minute of 11 February 2021 and matters arising
   b) Action List

Main Business Items

4. [redacted]

5. Transforming our repairs environment

6. Home Safe building compliance update

7. Energy costs: supporting our customers

8. New operating model update

9. Scottish Government New Deal for Tenants – consultation response

10. Governance update

Other Business Items

11. a) Finance Report
    b) 2022/23 budget

12. Corporate risk register

13. Gender pay gap (presentation)

14. AOCB

Date of next meeting - strategy workshop, 30 May 2022

GHA

Report

To: GHA Board

By: Stephen Devine, Director of Assets and Sustainability

Approved by: Martin Armstrong, Group Chief Executive

Subject: Transforming our repairs environment

Date of Meeting: 25 March 2022

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1. Purpose

1.1 This report sets out plans for the joint development, with CBG, of the repairs and maintenance service provided to our tenants.

2. Authorising and strategic context

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

2.2 The Group Board agreed the repairs transformation at its February 2022 Board meeting. The transformation has also been agreed by the City Building (Glasgow) (CBG) Board.

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

3. Background

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

4. Discussion

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

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

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

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

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

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

- Ensuring reliable availability of information in real time. At present information relating to on-going repairs is held by Wheatley and CBG systems, and the interfacing between them means that, at times, the customer first centre, and other staff, do not have complete and timely information readily available when addressing customer enquiries. Furthermore, the lack of a single source of information on repairs means that communication with the customer is not always as slick as it should be;

- Having a complete end-to-end view of service for customers. At present the repairs service works well end-to-end for the vast majority of repairs. However, when things do not go to plan, the multiple IT systems, interfaces, processes and people involved, in a repairs system that was designed around a traditional client and contractor relationship between Wheatley and CBG, means there is limited transparency on the status of repairs and next steps. This makes addressing customer enquiries, especially relating to more complex jobs, time consuming and introducing self-service and proactive customer updates more difficult;

- The speed with which issues are addressed. Linked to the above, the complex processes and multiple systems involved and the lack of a single source of real-time information on each repair means that identifying and rectifying the cause of a repairs service failure for the customer can be challenging and take time; and

- Developing tailored approaches to better meet the needs of particular customers. The repairs service is primarily built on meeting the core need of providing a quality emergency and responsive repair service for RSL customers. In the main, this works well and provides a platform for delivering other aspects of the wider repair service such as for owners and compliance related activities. However, there is scope to reexamine the processes and ways of working that support this wider delivery to make sure that these are as effective as the core responsive service.

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

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

4.7 The delivery plan will be built around the following inter-related workstreams:

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

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

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

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

4.10 The proposed transformation was warmly received at the recent CBG Board and there was a strong endorsement of the important role that the views of tenants should play in driving improvement. The importance of the CBG Board knowing what tenants and owners think of the repairs service, through a revised performance framework, was also recognised and welcomed. CBG’s Board’s commitment to the transformation and the importance of customer voice fits well with it now being chaired by our Chair.

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

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

5. Customer engagement

5.1 The vision in Your Home, Your Community, Your Future is of customers having increased control over their services, their communities and their lives including the development of a customer led repairs service. This vision is also core to the direction that Wheatley Homes Glasgow will set as it establishes itself through the value that its creation will bring for tenants.

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

6. Environmental and sustainability implications

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

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

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

9. Legal, regulatory and charitable implications

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

10. Risk appetite and assessment

10.1 The risk appetite relating to our Operating Model (Modernising services, JV, repairs service, NETS and CPP) is “Hungry” i.e. eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).

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

11. Equalities implications

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

12. Key issues and conclusions

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

13. Recommendations

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

List of Appendices

Appendix 1 – Objectives for developing the repairs service

Appendix 1
Draft repairs transformation objectives and impact

Creating the vision and structures to transform the service

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

Revamping our repairs performance management framework including to ensure that the Board is aware on how customers are feeling about the service as part of the information they receive	Customer voice becomes central to repairs performance reporting

System design, development and change

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

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

GHA

Report

To: GHA Board

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

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

Subject: Home Safe Building Compliance Update

Date of Meeting: 25 March 2022

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1. Purpose

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

2. Authorising and strategic context

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

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

3. Background

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

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

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

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

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

Work Stream	Cycle	Status
TMV maintenance and Installation	Annual	Rolling programme ongoing since remobilisation
Smoke and Heat Detector re-life programme	Every 10 years but is dictated *annually* by build date / LD2 install date	Rolling annual programme
Electrical (EICR)	Every 5 years	Rolling annual programme
Lift Insurance Inspections	Six monthly	Rolling programme continued through the pandemic
Proactive Lift Maintenance	Monthly	Ongoing
Mechanical and Electrical Works	Subject to asset requirements: examples are CCTV. Pumps, aerials	Ongoing
Common window inspections	Annual	Ongoing
Dwelling windows and doors MSFs	5 yearly 20% per year	Ongoing

3.6 **Key Objectives for compliance work:**

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

One and done approach

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

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

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

3.9 The one and done approach is tailored to meet all compliance activities within our tenanted properties across all our RSLs, and not all works are applicable (for example MSFs works are for GHA only). Wherever practical for similar related compliance activities within our stock we will endeavour to package works together taking cognisance of asset compliance cycles, property attributes and individual customer requirements.

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

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

4. Discussion

Gas Safety

4.1 The measures to reduce the spread of COVID-19 in the early phases of lockdown had a significant adverse impact on our gas safety performance. Historically, we have had 100% gas safety compliance (i.e. no outstanding CP12s) and our service has been recognised nationally including through City Building Glasgow winning Gas Contractor of the year on two separate occasions. Achieving this compliance requires an annual inspection of every property with gas. We have 28,053 homes on the gas servicing contract.

4.2 Since the 1st September 2020, we have recovered our historical performance position and returned to zero failed CP12s and 100% compliance with Scottish Housing Regulator (“SHR”) Annual Return on the Charter (ARC”) performance indicators. We have maintained zero CP12 (gas safety) fails since reaching that level in September 2020.

4.3 In addition to the formal appointment letters that are issued we have maintained our pro-active outbound calling through our Customer First Centre (“CFC”), to maximise access into our tenant’s homes and allow them the flexibility to change appointments by speaking directly to our call handlers.

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

Water Management

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

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

4.7 The table below provides details of progress against the rolling annual programme. 100% compliance in this area will be achieved.

	Inspections completed so far	Total Inspections/ Assessments Required	Percentage completion
GHA	1,267	1,460	87%

TMV Servicing

4.8 The total number of households within our programme is 4691.

4.9 Our TMV programme is not mandatory, it is a best practice approach, which involves a rolling annual programme, and includes potentially vulnerable customer groups within qualifying households (e.g. those containing under 5s or over 75s and also some care sites). As this programme is predominately based on age demographics the qualifying household list is reviewed and updated annually.

Smoke and Heat Detectors

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

Periodic Electrical Testing (EICR)

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

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

- Age (build year) of the stock;
- availability of electrical safety repairs for customers 24/7/365;
- inspections and electrical repairs/upgrades undertaken at void; and
- on-going one off investment works that identify issues with electrical installations.

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

4.14 We have an ongoing programme of work to access all homes that require an updated electrical inspection certificate. The table below shows the position with obtaining access to carry out the electrical inspection, which takes two hours to complete, the property must have credit in the electricity meter and clear access to power outlets in all rooms.

Stock	EICR Total Outstanding	Percentage complete to date
42,704	7,890	81.52%

Lift Inspections and Maintenance

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

4.16 Proactive servicing of our lifts are carried out monthly via our approved Insurance company (Houghtons).

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

Mechanical and Electrical Works

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

4.19 All emergency callouts were dealt with within timescales.

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

Management and Delivery

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

5. Customer engagement

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

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

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

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

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

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

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

6. Environmental and sustainability implications

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

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

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

9. Legal, regulatory and charitable implications

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

9.2 The amendments to the SHQS in relation to Periodic Electrical inspections required us to increase our electrical inspection programme from a 10 year to a 5-year cycle to work towards the recommended target date of the 31ST March 2022, demonstrating reasonable efforts to obtain access.

10. Risk appetite and assessment

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

10..2 Risks relating to repairs and maintenance are set out in the risk register. In addition, some compliance activities, for example gas servicing, are embedded in the Scottish Housing Regulator's reporting requirements.

11. Equalities implications

11.1 There are no equalities implications associated with this report.

12. Key issues and conclusions

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

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

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

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

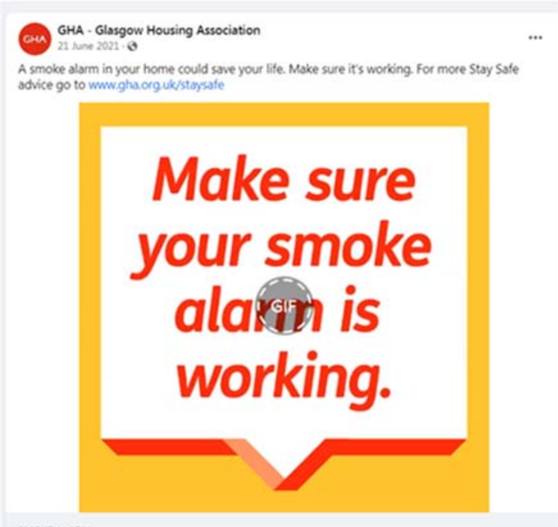
13. Recommendation

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

List of Appendices

Appendix 1 - Stay Safe Branding

Appendix 1 - Stay Safe Branding




GHA

Better homes, better lives

Glasgow Housing Association
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Email us
talk@gha.org.uk

Name
Address
Address
City
Postcode

Dear

Stay Safe: Servicing your Heat Interface Unit (HIU)

We are always looking at ways of improving safety measures in your home.

One of the ways we're doing this is by servicing and inspecting your HIU, which controls the heating and hot water in your home. This work should take about an hour to complete.

When we visit your home, our staff will strictly follow guidelines on maintaining social distancing and will wear PPE. Please follow any requests or directions they may have.

Remember, we're here to help.

Yours sincerely,

GHA team

Action required

Appointment date:
Date of appointment goes here

Appointment time:
Time of appointment goes here

Check the appointment date and time. If you will be at home for your appointment, you don't need to do anything else.

Change? Need to change your appointment? Just let us know. Call:

0141 287 1977
or 0800 595 595

This letter is important please keep it safe.

STAY SAFE

GHA

Report

To: GHA Board

By: Jehan Weerasinghe, Managing Director

Approved by: Martin Armstrong, Group Chief Executive

Subject: Energy costs: supporting our customers

Date of Meeting: 25 March 2022

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1. Purpose

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

2. Authorising and strategic context

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

3. Background

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

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

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

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

4. Discussion

4.1 Fuel Advisors have heretofore been highly effective at getting customers onto more affordable tariffs and providing general advice on how to reduce energy bills. During lockdown this has included 4,773 appointments with GHA customers and saved GHA customers over £580,000 since March 2020. In the event of not being able to secure more affordable tariffs for customers the role of a Fuel Advisor will need to evolve over the coming months.

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

4.3 Utility companies are currently not offering any new tariffs due to the ongoing situation regarding energy prices, meaning our customers are unable to move to a more affordable tariff at this time. However, the Fuel Advice team are continuing to deliver a bespoke energy advice service to our customers and we have seen a recent increase in demand for our service and the number of customers requiring our support. The valuable service continues to deliver great outcomes for our customers, as this quote from our customer, Sandra regarding the home heating support fund shows, '*it has helped me a lot, a huge weight has been lifted off my mind. I wouldn't have known what to do as it was very complex. I'm also getting a smart meter fitted now*.'

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

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

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

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

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

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

4.6 The UK Government has:

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

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

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

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

4.9 Also in December, the Scottish Government launched a £4m Home Heating Support Fund, administered by Advice Direct Scotland. Our Fuel Advice team have been granted access to this fund as Trusted Referral Partners, allowing us to submit applications on behalf of our customers who are in fuel debt, experiencing financial hardship or are self-rationing their energy use. The fund seeks to provide financial relief to energy consumers who are experiencing significant financial hardship and strives to provide this support to households regardless of the fuel or payment method used.

4.10 The grant will pay up to a maximum of £1,000 per household and closes on 31st March 2022. The fund is open to users of prepayment and credit meters, district heating networks and unregulated fuels. Since the fund opened in January 2022, our Fuel Advice team have been submitting applications for our customers, with 25 successful applications to date and a total of £20,180 paid into these customers' utility accounts.

5. Customer engagement

5.1 As discussed in the section above.

6. Environmental and sustainability implications

6.1 Our housing stock performs well from an energy efficiency perspective, and we continue to install energy efficiency measures in line with our strategy.

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

9.1 Not applicable.

10. Risk appetite and assessment

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

11. Equalities implications

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

12. Key issues and conclusions

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

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

13. Recommendation

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

Report

To: **GHA Board**

By: **Jehan Weerasinghe, Managing Director**

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

Subject: **New operating model update**

Date of Meeting: **25 March 2022**

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1. Purpose

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

2. Authorising and strategic context

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

3. Background

3.1 From the beginning of February, the Scottish Government relaxed the requirement for home working wherever possible in favour of permitting hybrid working. On the 22nd February, it published an updated Strategic Framework which sets out in greater detail the approach to be taken across Scotland to manage Covid more sustainably and less restrictively in the remaining phases of the pandemic, and then as the virus is anticipated to become endemic.

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

3.3 A summary update was provided to the Board at its workshop on 15 March 2022 on progress with our new operating model. The Board welcomed the progress to date and recognised the importance of our operating model having a focus on what is of value to our tenants.

4. Discussion

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

(i) Customer First Centre

4.2 The Customer First Centre launched successfully on 1 December and has since handled over 135,000 calls, of which around 40% related to repairs. The Centre is open 24/7, 365 days a year. Specialist teams of housing professionals are now in place to support the call handlers and the overall resource in the centre has increased by 110 people on the previous call centre.

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

4.4 Early evidence shows that the Customer First Centre is proving to be an efficient way for customers to get day-to-day problems solved and questions answered quickly. Since early March we have been achieving a grade of service of over 90% of calls being answered within 30 seconds (10% higher than our target), 92% were resolved by the call handler with no hand-offs to other staff required and the call abandonment rate is below 3%, compared to 13% last November.

4.5 Initial feedback from housing officers is that they are experiencing a significant reduction in tasks allocated by the CFC (via our customer relationship management system) compared to the previous call centre. The percentage of repairs being raised by housing officers has also dropped, from over 30% last October to 12-15% by the start of February. This supports our commitment to reducing the transactional-type workload for housing officers, thereby freeing them up to spend more time out and about in our communities. We will continue to evaluate the activity profile of housing officers as part of our evaluation of the operating model over the course of the year.

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

(ii) More services in your home

4.7 Over recent months, our housing officers have continued to operate throughout our communities and deliver services to the door of customers' homes. Our staff are meeting customers face to face through home visits, or in locations of the customer's choice in the community, to deal with complex cases, supporting the most vulnerable and dealing with anti-social behaviour and estate management. Since the consultation ended last year, Housing Officers have made over 15,000 homes visits.

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

(iii) Do more online

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

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

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

- Nearly 300,000 social media accounts reached;
- 144 new social media followers take the total to nearly 45,000;
- 18,117 GHA Facebook followers;
- 4,653 GHA Twitter followers;
- 545 GHA Instagram followers;
- 40% increase in visits to Wheatley's careers pages;
- Facebook and Instagram reach doubles year-on-year;
- and a 10% increase to Wheatley Group website traffic compared to December 2020.

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

(iv) Our new hubs – centres of excellence

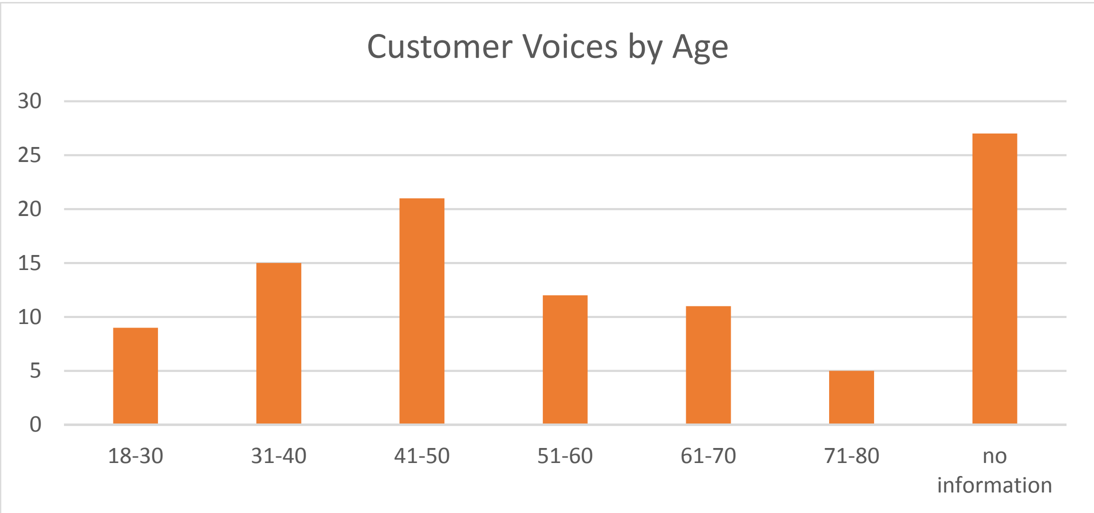
4.13 With the Scottish Government's announcement of the move to hybrid working, staff have been returning in small groups to our Wheatley House hub. Our second Glasgow hub at Dava Street in Govan is due to open before the end of March. Following this, the third – in Knightswood in the north west of the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

New engagement structures

4.14 To support our new way of engaging we have recruited our first 100 Customer Voices across the Group (135 for GHA). These Customer Voices – covering every one of our RSLs - are customers who have been involved in recent engagement work with us such as rent consultation focus groups; web self-service testing; local neighbourhood walkabouts and regeneration activity. As a follow on from these activities we have asked those involved if they would like to sign up with us as a Customer Voice, enabling them to take part in further activities with us to influence service design and local investment.

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

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



4.17 The Board discussed our planned engagement programme for 2022/23 at the Board workshop and this is covered in more detail in a separate report. In terms of Group-wide engagement activities it also refers to, this will feature the following topics:

- Equality and diversity – focus groups with customers looking at the development of our Equality and Diversity approach and the information we collect from customers for this purpose;
- On-line services – further customer journey mapping and user research with customers to ensure our on-line service offering meets customer needs and requirements;

- Customer First Centre – we will be using customer insight to improve and refine this service, and we will also involve Customer Voices in the scrutiny of this information through engagement panels;
- Community led development – we will use a mixture of focus groups and surveys to work with local communities in areas where we have proposed new build sites; and
- Repairs – we will use focus groups and customer journey mapping to gather insight and improve customer experience of our repairs service in each region of the Group.

New working model for staff

4.18 The new operating model also changes the way many of our staff work. Even those whose working patterns and locations may not change – such as our 700 environmental operatives – will be impacted in some way by the changes. For example, new technology such as the environmental app presented to the Board last year and the changing corporate office footprint will have an impact on how they work. It will be important that we understand the differential impacts in parts of the Group so that we can learn how the model is working and make adjustments as necessary.

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

- **A review of our policies and procedures** – while a number of key policies have already been updated, such as health and safety, lone working and working from home; it will be important to assess how these are operating in practice, as well as identifying any further amendments necessary to these or other policies. For example, we may augment areas of staff guidance to reflect the long term use of video conferencing;
- **Understanding the staff experience** – we continue to engage with staff to understand their experiences of the new working model and any elements we may need to adjust. This will also inform an assessment of training needs and building design/functionality, such as whether changes need to be made to the layout or operation of Wheatley House or other new hubs to support staff working arrangements;
- **Learning and development** – this operates differently in a blended working context, with a mix of online and face-to-face approaches. The group will consider the balance between these and which models are proving most effective; and
- **Leadership** – this year we will launch our leadership development programme, but we recognise that this will require ongoing adaptation in light of staff feedback and experiences of how leadership models are evolving in the blended working environment. Staff empowerment and a culture of trust have been key elements of our Think Yes culture, and we will consider how this continues to develop in our new model; for example, through considering questions such as how we might devolve more responsibility and accountability to repairs trades teams.

5. Customer engagement

5.1 This is covered in the body of the report and also in the related Wheatley Homes Glasgow update which is subject to a separate agenda item.

6. Environmental and sustainability implications

6.1 The new operating model supports our objective to transition to a net zero corporate carbon footprint by 2026. The reduced office footprint, more energy efficient buildings and reduced staff travel form part of this.

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

10. Risk appetite and assessment

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

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

11. Equalities implications

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

12. Key issues and conclusions

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

13. Recommendation

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

GHA

Report

To: GHA Board

By: Jehan Weerasinghe, Managing Director

Approved by: Martin Armstrong, Group Chief Executive

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

Date of Meeting: 25 March 2022

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1. Purpose

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

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

2. Authorising and strategic context

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

3. Background

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

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

3.3 The draft strategy is one of the first outputs from the cooperation agreement between the Scottish Government and the Scottish Green Party, and reflective of the concerns of the latter, it has a strong focus on enhancing tenants' rights across all rented sectors, including the social and private rented sector (PRS).

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

3.4 Some areas of the strategy such as supply and access to affordable housing are relatively undeveloped or, in the case of pushing up quality standards, reference other policy initiatives already underway. The Scottish Government is seeking responses to the draft strategy by 15 April 2022.

4. Discussion

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

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

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

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

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

<u>A New Deal for Tenants</u>

Key Proposals	*Considerations for Wheatley Group*
Establishing a **PRS Tenant Participation Panel** to inform the development and implementation of national policy.	We would welcome any opportunities for tenants to be involved in shaping the development and implementation of national private rented sector policy. The Group is committed to ensuring that customers voices are heard, and that they co-create services with us, and therefore we support any developments which also allow tenants to shape the policy environment for those services.
Consider the role of **tenant unions** in tenant participation and influencing decision-making processes and policies.	We welcome feedback from all relevant organisations. However, increasingly we find that this is more robust and more representative when sought in a whole range of ways. These include instant feedback, digital engagement, and detailed input on specific items. Younger people and those from protected characteristic groups tend to be more inclined to become involved through these mechanisms rather than in a more traditional and long-term forum.

Key Proposals	*Considerations for Wheatley Group*
	Landlords of any tenure should be encouraged to develop strong tenant engagement, which can involve individuals from a diverse cross-section of their customer base. If landlords consistently engage customers across all aspects of service development, allowing them to lead in the direction of travel, we will steadily build up the customer voice so that tenants are a powerful influence locally and nationally. This is likely to create more diverse and representative feedback to add to that from formal organisations. There is a role for regulators in assuring this engagement process.
Deliver a national **awareness raising campaign** of tenant's rights and how to exercise them in 2022.	At the point of let we talk to tenants about their rights, and information is available through our websites where we also direct customers to independent advice through Citizen's Advice Scotland and Shelter. We would welcome any campaign to increase tenants understanding of their rights, especially with regards the new Private Rental Tenancy which offers tenants more security than previously, helping to make this a more viable housing choice for many households wary of the PRS sector.
Consider how best **advocacy and advice** can be offered to PRS tenants seeking to access the First-tier Tribunal (FTT).	We understand the value of high quality, independent advice and advocacy for tenants delivered by trusted sources such as Shelter and the Citizen's Advice Bureaux and would support any development of this or similar provision should the Scottish Government make funding available.
Further develop Regional Networks to represent diversity in the sector.	Our Strategy commits us to ensuring that our services and approach are led by our customers, representing all parts of society. We have recently undertaken a range of work as part of the development of the New Scots Action Plan and will take a similar approach as we implement the homelessness policy. We know from experience that it can be difficult to ensure that all protected characteristics are represented. Regional Networks would be welcome as an additional mechanism to hear from customers but should not replace the work of each landlord.

Key Proposals	*Considerations for Wheatley Group*
Enhancing rights within the existing tenancy framework	
Tenancy Deposit Schemes – use **unclaimed deposits** to improve and benefit the private sector.	We remind all tenants to reclaim any unused deposits from the scheme we use. Analysis has shown unclaimed deposits is not a big issue for our PRS tenants. However, we would welcome the recycling of unclaimed deposits after an appropriate time to support PRS tenants access to advice and support.
Consider reforms to the current **grounds for repossession** under the Private Residential Tenancy (PRT).	The PRT has been in place since 2017 and is now the main form of tenancy for Lowther's tenants. There are 18 grounds for eviction which are a mix of mandatory, where the FTT would have to grant an eviction order if all the requirements were met, and discretionary, where the FTT could consider wider factors. All grounds have been discretionary under emergency Covid legislation and are due to remain so until March 2022. Scottish Government has already sought views on making this change permanent in line with the social rented sector. From our experience the current grounds work well. We are comfortable with the requirements on landlords seeking evictions under the grounds, and welcome the introduction of pre-action protocols as discussed below.
Revise pre action protocols in the social rented sector to take account of Universal Credit and the impacts of domestic abuse.	Pre-action requirements work well in Wheatley by codifying the actions we already undertake. Court and eviction action are only undertaken as a very last resort. We provide thorough support to help tenants to pay their rent or resolve their behaviour and as a result very few cases go to court. We have already modified our approach to the initial 5 week wait arrears which result in Universal Credit cases and allow these to be paid back incrementally. Additional proposals to support those experiencing domestic abuse are also welcomed. It is important that victims can stay in their existing home where they feel it is appropriate to do so as it can help to maintain existing support networks.
Introduce **pre-action protocols** when considering issuing notices of eviction for arrears permanently for PRS tenancies.	During the pandemic when the requirement to use pre-action protocols was put in place, Lowther drew on the established model already used by our RSLs. This has worked well in helping to structure engagement with tenants around arrears prior to issuing a Notice, so we welcome the proposal to make these permanent for the PRS sector.

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

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

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

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

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

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

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

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

Affordable Rents

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

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

Key Proposals	*Considerations for Wheatley Group*
Views are sought on the proposed vision for **national rent controls** for the PRS sector aimed at tackling poverty and improving outcomes for low income families. Views are also sought on the principles of national rent controls: - Give local authorities mechanisms to introduce local measures - Be evidence based - Encourage PRS to improve the quality of properties - Learn from processes already in place for social sector tenants - Seek to give tenants a stronger voice. National rent controls for the PRS only.	Rent control for MMR homes is already in place through the grant regime which should be recognised in any approach to national rent controls. Further, any control system must recognise that to provide high-quality landlord services, such as repairs, we face cost inflation, and therefore controls cannot be lower than relevant indices such as CPI or building cost indexes in order that services to tenants are not negatively impacted. The underlying principles would indicate that the Scottish Government may introduce tenant consultation around rent increases in the PRS sector. Reflecting that rent setting in the private sector is market driven to ensure that rents are competitive, Lowther does not apply a single rent increase across our diverse portfolio. The practicalities of tenant consultation on rent increases specific to a single street or block would need to be worked through if this was to be proposed, so as to ensure it provides value and benefit to tenants. We agree that there is no need for a rent control approach in the social sector. It is vital that these are set at an organisational level determined by tenant engagement. The existing safeguards through the Scottish Housing Regulator ensure that this engagement is appropriate.

Supply of Rented Homes

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

Key questions	*Considerations for Wheatley Group*
Beyond the routes already available to deliver **MMR** homes how could new **additional investment** in this be supported?	The delivery of an MMR programme across the East and West has been successful in recent years, giving a route to increase numbers of affordable homes being delivered and creating balanced, mixed communities. However, private sector finance appetite to invest in Scottish affordable housing sector via the existing model of senior, secured debt is significant with debt priced relatively cheaply given the strong support from Scottish Government grant funding.

Key questions	*Considerations for Wheatley Group*
	However, introducing different types of funding (mezzanine and/or equity) into the model is somewhat limited given the rate of return required for these investors is higher and future income streams on MMR are limited by rent increases, tied to Local Housing Allowance. Similarly, if PRS is subject to rent controls it will act as a deterrent to private sector finance as returns to investors will be constrained. The new Scottish National Investment Bank (SNIB) has a potential role to play here, meeting a gap in supply to provide either mezzanine or equity funding, or potentially a 'whole-ticket' approach (including senior debt), priced to reflect the low risk of default in the sector and the sustainable outcomes for the people of Scotland (access to affordable housing, increase of supply of new energy-efficient homes, creation and support of 20-minute neighbourhoods, regeneration of brown sites etc.).
What measures can be put in place to encourage **build to rent** (BTR) in Scotland?	Purpose built BTR has seen some growth in Scotland in recent years. Unlike south of the border, house market factors (including lower average house price purchase pricing), mean that the economic viability of PBBTR is very challenging and can often only work in housing markets areas that are very strong in Scotland. Competition for land in such markets is consequentially very high making the investment case for PBBTR on a financial rate of return basis, very challenging when set again open market sale competitors. The majority of BTR investors work UK-wide and consider investments using a rate of return model, with assumptions of rent increases over a 25/30-year timeframe. Scotland may be put at a competitive disadvantage in the event that rent controls are introduced here, but not in the rest of the UK. Also there is a current pipeline of 9,000 new homes in the BTR sector. Should this expand, there may be a risk to MMR demand in some market areas. Given this, demand reports will need to be carefully considered.

Key questions	*Considerations for Wheatley Group*
Is the approach to allocations achieving the right balance between supporting existing social tenants and those seeking a home within the sector	The ambition to end homelessness means that a significant proportion of social stock must be used to achieve that aim. The current shortfall in supply means that this comes at the cost of less ability to help others in need. There are particular challenges in meeting the needs of those who require larger or accessible homes. Changing the approach to allocations is unlikely to achieve a significant difference until the balance of supply is changed

Quality-Raising Standards

Key Proposals	*Considerations for Wheatley Group*
A review of existing **registration regimes in the PRS sector** to identify lessons and ways to strengthen them to drive up standards. Also a suggestion there could be new fines for landlords and letting agents who fail to comply with requirements in relation to property adverts, and expanding the scope of penalties that local authorities can issue to landlords.	Our commercial entity, Lowther, is both a registered landlord and letting agent. Both sets of registrations require to be renewed every 3 years but whilst the key fit person tests are consistent, the systems are different with local authorities administering the former and the Scottish Government the latter. Lowther will be introducing an annual self-assurance statement for review by its Board, following the model currently required of social landlords, that will set out requirements including those in the Letting Agent Code of Practice, and compliance with those as well as continuous improvement actions.
Intention to consult on **a new housing standard**, to be published in 2023 and legislated for in 2024/25 with phased implementation from 2025 to 2030. This will incorporate the energy efficiency standards set out in the Heat in Buildings Strategy.	There are already extensive cost implications from the EESSH2 requirement in the social sector, estimated to cost tenants across the sector £2 billion through their rents. Any new standard needs to be accompanied by sufficient funding and to consider the impact on affordability for tenants if rents have to increase to fund the necessary investment. The current grant fund for Net Zero Social Housing is a welcome start but we would strongly welcome removal or reduction of the need for 50% match funding which acts as a barrier to bidding. The ongoing investment in our RSL stock, the age of Lowther's PRS properties and planned investment in our portfolio should position us well to meet any new housing standard.

Key Proposals	*Considerations for Wheatley Group*
	However, there could be financial implications for the Group from the housing standard depending on the precise requirements, particularly around minimum space and digital connectivity and particularly if these are implemented for existing stock. For example, if studio flats are not regarded as meeting the space standard funding would be required to adapt or demolish these. This would also reduce supply. The requirement around energy efficiency in Heat in Building Strategy is welcome, as is the commitment to put legislation in place given our commitment to the energy efficiency of our properties
Introduce regulations in 2025 requiring all **PRS to reach EPC C** as a minimum where technically feasible and cost-effective at change of tenancy, and for all properties by 2028.	Lowther's investment approach is already focused around achieving EPC C for the small number of properties not currently achieving it and we project this target should be achievable by the proposed deadline.
Legislate to require the installation of **zero or new zero emission heating** in existing buildings, and all buildings to meet this standard by 2045.	The Group is committed to playing our part in achieving net-zero and recognise the importance of zero emission heating in achieving this. Detailed consideration will be need on the cost implication of changing existing systems and the best way for Government to support required change. Wider consideration such as the rate of adoption of new technologies, such as hydrogen based fuel, will also have an impact on implementation.
Fundamental review of the **adaptations system**	A full review of adaptations is required. The current system is deeply unfair to GHA tenants who have to self-fund adaptations now that limited allowances made in the transfer business plan settlements from 20 years ago have been exhausted, whilst other social rent tenants do not. There should be an equal national system that is fair to all tenants and provides the higher funding levels that the SFHA has consistently argued for. The system at present is fragmented and difficult for customers. It can often delay discharge from hospital and/or exacerbate health issues.

Key Proposals	*Considerations for Wheatley Group*
	The direct funding of adaptations to RSLs continues to work well allowing a streamlined approach for our tenants to receive what they need. However, across the country adaptations are considered through a different route from aids and equipment even though the same people will often require both. The pressure on our health and care services, together with the ageing population mean it is vital to get this process right going forward. Adaptations (either for individuals or on a more widely planned basis) will be the main mechanism to make our existing stock more accessible. The resource allocation to adaptations needs to be significantly altered given the ageing profile of our population, the existing demand for adapted homes and the need to be able to move people out of hospital more rapidly. If we are to meet these needs much of the work needs to be done in existing stock. All our landlords have a strong approach to working with tenants and other stakeholders to facilitate adaptations and welcome any review however that review needs to look at funding as a key enabler of a more effective adaptations system.
Cross-sector regulation through setting out clear outcomes and standards that landlords in both the private and social sectors would be assessed against, for example implementing a Charter for the PRS sector. Views are sought on a vision of a tenure-neutral outcomes for tenants in both sectors, and underlying principles that focus on: - **Setting up a PRS regulator** building on experience of SHR - **PRS regulation based on defined standards** for quality, affordability and fairness - Being evidence based but taking account of stakeholders views and value for money - Be reflection of the draft strategy's ambitions	The Group has a well-established approach to meeting and exceeding regulatory requirements as set out in the Charter for our RSLs. However, any increase in regulation on the PRS sector will mean higher management costs and this will need to be factored into Lowther's business plan and our appraisal of future MMR growth opportunities.

Implications

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

- A new housing standard is likely to have significant cost implications as we have already seen with EESSH2, and with inadequate Government funding it will put pressure on rents across the social and private rental sectors impacting services and affordability for households on low incomes counter to the aims of the draft strategy.
- A ban on winter evictions looks to be likely, and depending on the definition of 'winter' that is adopted, the additional rent arrears accrued could be significant. Our mitigation will be to re-profile our arrears and legal actions to reduce this impact.
- The cumulative impact of the proposals in the PRS sector – increased regulation, new requirements to provide data, national rent controls, a new housing standard, changes to how evictions are handled by the courts – will increase management costs for Lowther's PRS portfolio whilst limiting ability to recover that through rents.
  We will need to take this into account in the rate of return we use when we appraise future MMR growth opportunities. We will also need to review our existing FMR portfolio which is older stock on which the majority of Lowther's investment programme is focused, some of which has not performed well in recent years.
- Increased pre action protocols in the private sector should help to prevent homelessness. However, this will only be the case if a targeted approach is adopted to help households find alternative accommodation – largely remaining in the private rented sector. If this is not well planned there is potential for an increase in the number of households coming through the homelessness route and being referred to our RSLs for accommodation.

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

5. Customer engagement

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

- Emphasizing that existing RSL rent consultation processes work well and that there cannot be a one size fits all approach;

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

6. Environmental and sustainability implications

6.1 There are no new implications identified at this time.

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

10. Risk appetite and assessment

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

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

11. Equalities implications

11.1 There are no implications for identified at this time.

12. Key issues and conclusions

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

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

13. Recommendation

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

GHA

Report

To: **GHA Board**

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

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

Subject: **Governance update**

Date of Meeting: **25 March 2022**

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1. Purpose

1.1 To update the Board on, seeking approval where appropriate, on the following governance related matters:

- Proposed amendment to our Rules;
- Strategic governance review implementation update; and
- [redacted]

2. Authorising and strategic context

2.1 The Board considered the proposed implementation plan for the Group strategic governance review at the last meeting. As part of this the Board were asked to consider the Board composition of the new single vehicle for Glasgow, Wheatley Homes Glasgow.

2.2 A change to our name and Board composition requires a formal Special General Meeting to approve the changes and Parent approval. The Group Remuneration, Appointments, Appraisal and Governance ("RAAG") Committee have delegated authority to approve constitutional changes on behalf of Wheatley Housing Group Limited as the Parent.

2.3 Any Transfer of Engagements ("ToE") from one Registered Society to another requires the approval of the members of the receiving Registered Society. Additionally, any transfer from one RSL to another is subject to the Scottish Housing Regulator's Statutory Guidance 'Tenant consultation and approval'.

3. Background

3.1 As part of the strategic governance review it was recognised that the creation of a new single vehicle for Glasgow, *Wheatley Homes Glasgow,* was a significant change. It was recognised that unlike other Boards we were not considering the recommendations within the context of the existing Board, rather what the Board of the newly formed single vehicle for Wheatley Homes Glasgow needed to be.

3.2 The Board considered this at its workshop on 15 March 2022, taking into account:

- The context in which the Board governs i.e. The Board of the single vehicle for city and the country's largest housing and regeneration RSL
- What skills and experience the Board and office bearers of Wheatley Homes Glasgow need to reflect its context and roles and responsibilities
- Our wider engagement strategy and how it will enhance the customer voice in Board discussions
- How the Board composition reflects this

3.3 Based on this, the Board agreed a revised composition to be reflected in our Rules.

3.4 On the strategic governance review more widely, it was noted that a number of recommendations are in progress and that the Board would continue to be updated on implementation.

4. Discussion

Rule change

4.1. The Board agreed at the workshop that we should amend our Rules to effect the following changes:

- Changing our name to Wheatley Homes Glasgow Limited
- Amend the restrictions on office bearer roles

4.2. The Board also discussed at length how the Board composition should evolve and agreed this should be considered further in advance of the Rule change. This process is underway and it is proposed that the Chair and Group Chief Executive are delegated authority to finalise proposals, and any associated Rule changes, in this area.

4.3. A tracked changed copy of the Rules will then be finalised, supported by our external legal advisors. We will also take the opportunity to add in the flexibility to call Special General Meeting at shorter notice with the agreement of members. This provision also exists in the Wheatley Housing Group Limited Articles of Association, where the members are also limited to Board members. As such a shorter calling period, which is agreed by the Board in calling any such meeting and only relevant to the Board, does not adversely impact members.

4.4. The Board are asked to agree to convene a Special General Meeting ("SGM"), to be held virtually on Friday 29 April at 10.30am to formally adopt the revised Rules which will be issued in advance. In advance of calling the SGM we will require to seek RAAG approval for the changes which we intend to do by way of an additional meeting over the next couple of weeks.

4.5. This change would also fully implement the strategic governance review recommendation in relation to the composition of this Board.

<u>Strategic governance review implementation</u>

Board Terms of Reference/reporting and escalation

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

4.7. We recognise there is value in the process of developing new ToR as an opportunity for each Board to refresh their understanding of their specific roles and responsibilities. In our context, it formally documents the Board's role in the Wheatley Homes Glasgow context.

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

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

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

Board diversity

4.11. The Group Board considered at its workshop on 9 March how we understand diversity in a Board context based on recommendations from the Group RAAG Committee. At present, our recruitment and succession planning takes into account diversity of skills and experience and gender.

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

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

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

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

It was also agreed that we may in future broaden the diversity indicators as part of a phase 2.

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

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

Board template

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

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

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

Risk

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

4.21 to 4.31 [redacted]

5. Customer engagement

5.1 As part of the change to Wheatley Homes Glasgow we have already formally consulted tenants. Details on how we plan to communicate and engage customers on the change are covered in a separate update on this agenda.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The financial implications in relation to SCHS are set out in the body of the report. The analysis confirmed that the ToE and future investment activity would be self funding and add to our overall asset base.

9. Legal, regulatory and charitable implications

9.1 Our external legal advisors will be engaged in the preparation of the changes to our Rules. As part of the process of effecting the rule changes we will require to lodge them with the Financial Conduct Authority and notify the Scottish Housing Regulator ("SHR").

9.2 As part of our routine engagement with the SHR we have made them aware of the planned rule changes and timescales for effecting the changes.

9.3 We have received the necessary formal consent from the Office of the Scottish Charity Regulator ("OSCR") for the name change as part of the changes to our rules. As there is no change to the objects, we do not require any further OSCR consents. We will however

10. Risk appetite and assessment

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

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

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

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

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

11. Equalities implications

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

12. Key issues and conclusions

12.1 The updated name, Board composition and Board Terms of Reference are the final elements in our governance transition to Wheatley Homes Glasgow. This is supported by the formalisation of how we consider Board diversity as part of our refreshes Board composition.

12.2 This will be followed up strategically at our May strategy workshop as we formalise the changes to our strategy to reflect our vision for housing in Glasgow.

13. Recommendations

13.1 The Board is asked to:

1) Agree that we update the Rules to formally change our name to Wheatley Homes Glasgow Limited and amend the restrictions on office bearer roles;
2) Delegate authority to the Chair and Group CEO to finalise the proposed Board composition and associated revised Rules, including the changes in the recommendation above, for consideration at a Special General Meeting;
3) Subject to prior Group Remuneration, Appointments, Appraisal and Governance Committee approval, call a Special General Meeting, to be held virtually, for 10.30am on Friday 29 April 2022 to pass a resolution to adopt the revised Rules;
4) Provide feedback on and agree to recommend the Group Board the proposed Board Terms of Reference;
5) Note the Board diversity indicators to be factored into our 3 year succession plan;
6) Note the revised Board reporting template;
7) Agree that we incorporate the risk review into our wider strategy workshop in May; and
8) [redacted]

List of Appendices

Appendix 1 – Wheatley Homes Glasgow proposed Terms of Reference
Appendix 2 – Board reporting template

Wheatley Homes Glasgow Limited Terms of Reference

General

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

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

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

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

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

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

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

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

Delegated authorities

Strategy, governance and performance

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

8. Annual approval of performance measures and Wheatley Homes Glasgow specific strategic projects, including measures to achieve the delivery of the 5 year strategy.

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

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

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

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

13. Approve the appointment of tenant Board members.

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

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

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

<u>Finance</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

Assurance, policy and risk

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

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

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

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

Other responsibilities

Governance and performance

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

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

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

Assurance, policy and risk

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

36. Monitor the implementation of agreed risk mitigation actions.

Role of the Chair

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

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

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

Reporting and escalation

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

Report

To:	**GHA Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Finance report**
Date of Meeting:	**25 March 2022**

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1. Purpose

1.1 The purpose of this paper is to provide an update on the financial performance for the period to 28 February 2022.

2. Authorising and strategic 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. Background

Financial performance to 28 February 2022

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

	Year to Date (Period 11)		
£000	**Actual**	**Budget**	**Variance**
Turnover	214,759	219,432	(4,674)
Operating expenditure	165,210	165,963	753
Operating surplus	**49,549**	**53,470**	**(3,921)**
Operating margin	*23.1%*	*24.4%*	
Gain/(Loss) on sale of assets	(7)	-	(7)
Net interest payable	(42,824)	(46,002)	3,178
Surplus	**6,718**	**7,468**	**(750)**
Net Capital Expenditure	**84,821**	**93,655**	**8,834**

4. Discussion

We have reported a statutory surplus of £6,718k for the period to 28 February 2022, which is £750k unfavourable to budget.

The main drivers of the variance are lower grant recognised on new build completions and lower levels of expenditure reported in direct staff costs, group services running costs, bed debts and demolition. The underlying financial performance of GHA remains within the parameters of its business plan.

Key points to note:

- Net rental income of £180,947k is £327k lower than budget at 28 February 2022, mainly driven by higher than budgeted levels of void losses during the period. Void losses are £535k higher than budget and represent a 1% void loss rate compared to budget of 0.7%.

- Grant income of £14,741k has been recognised for 185 completed units across GHA sites. Grant income recognised is £5,312k lower than budget with units at Watson now expected in 2022/23 and a portion of the properties at Sighthill also due to be completed later in 2022/23.

- Operating expenditure is £753k favourable to budget, with a number of cost lines reporting lower than budgeted spend at February most notably bad debt group services running costs and demolition costs. The repairs service is fully remobilised and picking up a high level of demand, running £1,324k higher than budget. Direct running costs reports an unfavourable variance of £1,054k and within this £807k of the variance is associated with the cost of furnished lets packages, this service was not included in the budget and is generating income to match against the unbudgeted costs. Costs are also higher for insurance and vehicle and fuel costs in the NETS team.

- Total staff costs are £328k higher than budget following the launch of our new Customer First Centre with additional staffing resources helping to promote our new ways of working.

- Gross interest payable of £42,824k is £3,178k favourable to budget driven by lower interest rates on borrowings following the fixed rate loan restructuring in March 2021.

- Net capital expenditure is £84,821k for the year to date, £8,834k lower than budget. Grant claims of £11,851k are £14,595k lower than budget. The profile of grant claims is linked to new build expenditure, which is running £19,070k lower than budget to date. New build spend reflects delays in planning approvals and slow progress on sites due to supply issues. Greater spend had been anticipated across a number of sites for GHA including Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson.

- The core capital investment programme variance to budget is £3,341k. The variance includes the reprofiling of the programme in response to challenges in sourcing certain material supplies. Of the variance, £2m relates to works falling under the VAT shelter.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

8.1 The statutory surplus for the period to 28 February 2022 is £750k unfavourable to budget. Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. The underlying results for the period to 28 February 2022 were £7,910k favourable to budget ensuring that these efficiency targets are met.

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

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

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

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

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

13. Recommendations

13.1 The Board is requested to note the financial performance for the period to February 2022.

LIST OF APPENDICES:

1: GHA Financial Report to 28 February 2022

Period to 28 February 2022 Finance Report

Better homes, better lives

Period 11 – 2021/22 Finance Board Report

SUMMARY FINANCIAL PERFORMANCE

1a) Operating statement P11 – February 2022

	Year To February 2022 Actual £ks	Year To February 2022 Budget £ks	Year To February 2022 Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	£182,772	£182,563	£209	£198,828
Void Losses	(£1,824)	(£1,289)	(£535)	(£1,410)
Net Rental Income	**£180,947**	**£181,274**	**(£327)**	**£197,419**
Other Income	£19,070	£18,105	£965	£18,750
Grant Income	£14,741	£20,054	(£5,312)	£28,859
Total Income	**£214,759**	**£219,432**	**(£4,674)**	**£245,028**
EXPENDITURE				
Employee Costs - Direct	£31,347	£31,836	£489	£34,684
Employee Costs - Group Services	£11,593	£10,776	(£817)	£11,713
ER / VR	£1,505	£1,505	(£0)	£2,741
Direct Running Costs	£12,279	£11,225	(£1,054)	£12,227
Running Costs - Group Services	£6,733	£7,744	£1,011	£8,451
Revenue Repairs and Maintenance	£36,238	£34,914	(£1,324)	£36,637
Bad debts	£1,951	£3,703	£1,752	£4,042
Depreciation	£63,161	£63,161	£0	£68,939
Demolition	£403	£1,099	£696	£1,205
TOTAL EXPENDITURE	**£165,210**	**£165,963**	**£753**	**£180,639**
NET OPERATING SURPLUS / (DEFICIT)	**£49,549**	**£53,470**	**(£3,921)**	**£64,389**
Net operating margin	23.1%	24.4%	-1.3%	
Property Disposals	(£7)	£0	(£7)	£0
Interest payable & similar charges	(£42,824)	(£46,002)	£3,178	(£50,123)
STATUTORY SURPLUS / (DEFICIT)	**£6,718**	**£7,468**	**(£750)**	**£14,266**

INVESTMENT	Year To February 2022 Actual £ks	Year To February 2022 Budget £ks	Year To February 2022 Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**£11,851**	**£26,446**	**(£14,595)**	**£28,458**
Investment Programme Expenditure	£52,352	£55,693	£3,341	£61,806
New Build Expenditure	£33,328	£52,398	£19,070	£55,725
Other Capital Expenditure	£10,992	£12,010	£1,018	£12,438
TOTAL CAPITAL EXPENDITURE	**£96,672**	**£120,101**	**£23,429**	**£129,968**
NET CAPITAL EXPENDITURE	**£84,821**	**£93,655**	**£8,834**	**£101,510**

Key highlights year to date:

The GHA budget includes the stock transferred from Cube from 28 April 2021.

- Net operating surplus £49,549k is £3,921k unfavourable to budget. Statutory surplus for the period to 28 February is £6,718k, £750k unfavourable to budget. The main driver of the variance continues to be a reduction in grant income recognised, offset in part by expenditure and interest savings.
- Net rental income of £180,947k is £327k lower than budget at the end of P11. Void losses are £535k higher than budget and represent a 1.0% void loss rate compared to the budgeted rate of 0.7%.
- Grant income recognised to date relates to 185 units completed for Social Rent (84 units) and for MMR sites (101 units). The budget assumed the completion of 46 MMR properties at Watson in Q2 and 132 MMR units at Sighthill, both of which are subject to delays. Watson is delayed until Q1 2022/23 due to the ongoing construction and supply issues. At Sighthill, only 30 units are now forecast to completed in Q4 (10 completed in January) with the reminder due for completion in 2022/23.
- Total employee costs (direct and group services) are £328k unfavourable budget, noting that the group services recharge increased with additional staff resources supporting the launch of the new Customer First Centre.
- Total running costs (direct and group services) are £43k unfavourable to budget. Higher direct running costs are driven by higher costs in the furnished lets services of £807k which are matched with additional income. Insurance, vehicles and fuel costs are higher in the NETS service also. Group services recharge is £1,011k lower, resulting from the continuation of home working
- Revenue repairs and maintenance is £1,324k unfavourable to budget. Excluding irrecoverable VAT, total spend is £1,089k unfavourable to budget, which results from customer demand for responsive repairs.
- Demolition costs report a favourable variance to budget of £696k mainly as a result of the timing of the consultation and approval process for the Wyndford demolition.
- Gross interest payable of £42,824k represents interest due on the loans due to Wheatley Funding Ltd. YTD costs are £3,178k lower than budget, following the re-arrangement of WFL1's loans in March 2021.
- Net capital expenditure of £84,821k is £8,834k lower than budget. The variance is driven by the lower level of spend in the new build programme and the accelerated grant claim in 2020/21 for Sighthill.
- Investment programme spend is £3,341k lower than budget, driven by lower spend in core programme and savings from the delivery of first time works under the VAT shelter. Core programme spend has accelerated in Q4, reducing the favourable variance reported in P9.
- New build spend is £19,070k lower than budget due to reduced spend at P11 across a number of sites including Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson. Progress on Sighthill, Calton and Hurford has been slower to date under the restrictions and a delay at Sighthill in handover of the site to the developer by GCC had also delayed progress.
- Other capital expenditure of £10,992k is £1,018k lower than budget. Other capital spend includes Wheatley House works.

1b) Underlying surplus – P11 February 2022

- The Operating Statement (Income and Expenditure Account) on page 3 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties.
- At February, an underlying surplus of £2,793k has been generated using this measure which is £7,910k favourable to budget. The variance is driven by lower levels of core investment expenditure and interest costs. Note that the budget was profiled with higher core investment expenditure in Q4.

GHA Underlying Surplus - February 2022

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net operating surplus	49,549	53,470	(3,921)	64,389
add back:				
Depreciation	63,161	63,161	0	68,939
less:				
Grant income	(14,741)	(20,054)	5,312	(28,859)
Net interest payable	(42,824)	(46,002)	3,178	(50,123)
Total expenditure on Core Programme	(52,352)	(55,693)	3,341	(61,806)
Underlying surplus	**2,793**	**(5,118)**	**7,910**	**(7,460)**

2a) Repairs & Core Programme

Repairs & maintenance

Repairs	YTD P11 Actual £ks	Budget £ks	Variance £ks	FY budget £ks
Responsive Repairs	11,221	10,296	(926)	12,062
Cyclical (local)	1,383	1,239	(145)	1,445
Overhead	3,333	3,332	(1)	3,635
JV Share of profits	0	0	0	(2,832)
Compliance Revenue	14,353	14,336	(18)	16,090
Total Repairs	**30,291**	**29,202**	**(1,089)**	**30,400**
Irrecoverable VAT	*5,947*	*5,712*	*(235)*	*6,236*
Grand total	**36,238**	**34,914**	**(1,324)**	**36,637**

Repairs & maintenance

- Repairs and maintenance costs are £1,324k unfavourable to the budget at the end of February 2022. Excluding irrecoverable VAT, the actual variance is £1,089k unfavourable to budget.
- Responsive repairs are £926k higher than budget, impacted by the increased level of work volume undertaken to address customer demand.
- Local cyclical spend is £145k over budget at P11 mainly due to fire safety cyclical projects.
- Overall compliance expenditure is broadly in line with budget. FIT testing is £403k over budget as a result of the SHQS recommendation to change from a 10 year to a 5 testing year cycle. This means an increase in inspections beyond the budgeted amount. Water management and TMVs are not anticipated to spend the full year budget before the year end, however, any reduction is offset by the higher M&E costs.

Core programme

Investment Programme Expenditure	YTD P11 Actual £ks	Budget £ks	Variance £ks	FY budget £ks
Core programme	26,358	29,144	2,786	32,608
Capitalised Voids	6,536	6,165	(371)	6,778
Adaptations	2,385	1,162	(1,223)	1,367
Capitalised staff	3,018	2,665	(354)	2,911
City Building ovh allocated	4,710	4,710	0	5,138
Capitalised Repairs	2,634	2,805	171	3,128
Capitalised VAT and fees	6,711	9,043	2,332	9,876
Total	**52,352**	**55,693**	**3,341**	**61,806**

Core investment

- Investment covers all areas of our properties and external environment. The service is now fully mobilised, although the availability of supplies and materials has been more challenging. A portion of the underspend is also attributable to jobs falling under the VAT shelter .
- Core programme expenditure for the period to 28 February is £52,352k against a budget of £55,693k, a favourable variance of £3,341k. Expenditure includes central heating repairs, lifts and compliance capital works for installation of smoke detectors and emergency lighting,
- Void costs of £6,536k have been incurred in year to date, against a budget of £6,165k, £371k higher than budget. Void costs, which include repairs and maintenance to extend the life of the properties, are capitalised in line with Group policy.
- Adaptations costs of £2,385k have been incurred by end of P11, against a budget of £1,162k, £1,223k higher than budget. This has been manly driven by very high levels of customer demand since the service started to remobilise and the completion of any new referrals. Higher demand is expected to continue in the coming months.

2b New Build & Other Investment Expenditure

Development	*Status	Developer	YTD - P11 Actual	YTD - P11 Budget	YTD - P11 Variance	Full Year FY Budget
ABBOTSHALL AVE	Not approved	TBC	2	-	(2)	-
AUCHINLEA	Complete	ENGIE	515	880	365	880
BELLROCK/CRANHILL	Complete	ENGIE	140	73	(67)	73
CARNWADRIC	On Site	CCG	2,914	4,010	1,095	4,210
DAMSHOT	On Site	CCG	4,123	4,488	366	4,769
FEASIBILITY	-	-	85	175	91	180
KENNISHEADNB	Complete	ENGIE	654	308	(346)	308
SHANDWICK ST	Feasibility	CCG	59	2,849	2,790	3,267
RETENTION	-	-	496	504	8	504
Total Social rent			**8,987**	**13,287**	**4,300**	**14,191**
ASHGILL ROAD	Not approved	CCG	112	-	(112)	-
BAILLIESTON	Complete	MACTAGGART	753	250	(503)	250
CALTON B	TBC	TBC	137	-	(137)	-
CALTON C	TBC	TBC	43	-	(43)	-
CALTONVILLAGE	On site	MACTAGGART	4,977	10,541	5,564	11,477
DOVEHILL	Complete	CCG	2,269	2,808	539	2,808
HURLFORD AVENUE	On Site	CCG	6,715	8,837	2,122	9,186
SIGHTHILL	On Site	KEEPMOAT	2,792	9,615	6,823	10,439
SHAWBRIDGE ST	Not approved	MACTAGGART	77	-	(77)	-
SHAWBRIDGE ARC	Feasibility	CCG	78	-	(78)	-
SPOUTMOUTH	Not approved	CCG	82	-	(82)	-
WATSON	On Site	CCG	2,830	3,691	861	3,691
Total Mid Market rent			**21,154**	**35,742**	**14,588**	**37,851**
Land Acqusition		-	284	922	638	1,012
Development fund		-	-	413	413	450
GHA		-	**30,425**	**50,363**	**19,938**	**53,504**
Capitalised staff		-	**2,902**	**2,035**	**(867)**	**2,220**
Total NB Investment			**33,328**	**52,398**	**19,070**	**55,725**

GHA

Key commentary:

Investment spend on new properties of £33,328k has been incurred by end of February. This is £19,070k lower than budget. All sites under construction have now restarted, with Covid-19 related measures still in place.

Social Rent:

Carnwadric (SR/22) -: Project approved, site commenced in January 2021 and handovers planned March 2022. All grant is drawn down and overall project is on budget.

Damshot (SR/26): Project approved and started in March 2021, with spend to date of £4.1m which is £0.4m lower than budget. Handovers planned in April 2022.

Shandwick St (SR/47): The water vole receptor site works almost complete, some additional fencing works required. Land acquisition requires further approval from City Property. Both elements are grant funded but now in FY 22/23. Site start planned March 2023.

Mid Market Rent:

Calton Village (MMR/123): Approved and on site on 29 March 2021, enabling works almost complete. Value Engineering and additional grant being requested for increased costs. Piling works underway and spend therefore increasing, grant planning target increased by £900k for this financial year.

Dovehill (MMR/32): Site commenced in August 2020. Extension of Time approved and project completed in February 2022 with all 32 units. Project is £0.5m under budget. COMPLETE

Hurlford Avenue (MMR/70): Construction started in November 2020 and completions are due by the end of April. All grant now claimed. As of end of February 22 units completed.

Sighthill (MMR/198): 10 units handed over in January 2022. Contract being closely monitored. Phase B will now start later than programmed. As at end of February – total L+AD claim = £225k (£40k attributed to Lowther)

Watson (MMR/46): Extension of time now granted due to weather, obstructions and Covid-19. Handovers now anticipated in August 2022.

Ashgill (MMR/58): Acquisition and demolition enabling works approved and due in 21/22, fully grant funded within the financial year. Potentially could transfer to Lowther

Shawbridge Arcade (MMR/71): Acquisition and demolition enabling works approved in January 2021, both fully grant funded. GCC unable to confirm vacant possession date, demolition to commence thereafter.

Shawbridge Street (MMR/35): A tender application is anticipated in March 2022 with a site start in summer 2022 however tender return extended to 17 March 2022.

4. Balance Sheet

GHA Balance Sheet	Current Month As at 28 February 2022 £000's	Previous yr end As at 31 March 2021 £000's
Fixed Assets		
Social Housing Properties	1,366,755	1,395,530
Properties under construction	102,610	47,203
Other tangible fixed assets	53,602	46,823
Investment properties	46,167	46,167
Investments - other	8,386	8,387
Fixed Assets	**1,577,520**	**1,544,110**
Debtors Due More Than One Year		
Development Agreement	0	12,201
Inter Company Loan	29,075	29,075
Pension Asset	5,842	5,842
Current Assets		
Trade debtors	658	0
Rent & Service charge arrears	16,887	14,950
less: Provision for rent arrears	(6,434)	(5,559)
Prepayments and accrued income	5,728	5,588
Intercompany debtors	1,464	10,167
Other debtors	295	2,244
	18,599	**27,390**
Bank & Cash	3,282	6,651
Current Assets	**21,881**	**34,041**
Current Liabilities		
Trade Liabilities	(4,949)	(3,523)
Accruals	(28,877)	(26,861)
Deferred income	(31,857)	(28,854)
Rents & service charges in advance	(9,239)	(7,778)
Intercompany creditors	(19,120)	(24,210)
Other creditors	(6,304)	(8,454)
	(100,345)	**(99,680)**
Net Current Assets	**(78,464)**	**(65,640)**
Long Term Liabilities		
Contingent efficiencies grant	(40,704)	(40,704)
Bank finance	(872,344)	(858,938)
Bond finance	0	0
Development Agreement	0	(12,201)
Provisions	(1,853)	(1,853)
Deferred income	(6,200)	(6,200)
Other creditors	(463)	0
Long Term Liabilities	**(921,564)**	**(919,896)**
Net Assets	**612,409**	**605,692**
Capital & Reserves		
Retained Income b/fwd	211,218	211,218
Income & Expenditure	6,718	0
Revaluation Reserves	394,474	394,474
Funding Employed	**612,409**	**605,692**

GHA

Key Commentary:

- The balance sheet reported reflects the 31 March 2021 year end audited statutory accounts position including year end statutory adjustments for the valuation of housing properties, pension valuations and the fair value of the Scottish Government loan.
- The fixed asset movements from the year end reflects investment in the core programme, the new build programme, and any other fixed asset additions, less depreciation to date.
- **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.
- The change to the pension asset relates to the annual update to the valuation.
- Current Assets (excluding cash) are £8.8m lower than the year end position, mainly driven by the reduction in intercompany debtors.
- **Short-Term Creditors** – Amounts due within one year of £100.3m is £0.6m higher than the year end position, with higher levels of deferred income of £3.0m and prepaid rents of £1.5m offset by lower intercompany £5.1m and other creditors £2.1m. Deferred income primarily relates to housing association grant received for the construction of new build properties which is released on property completion.
- **Loans** net of amortised fees of £872.3m relate to funding drawn down from WFL1. This is £13.4m in current year.

GHA

GHA

Report

To:	**GHA Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**2022/23 Budget**
Date of Meeting:	**25 March 2022**

1. Purpose

1.1 The purpose of this paper is to seek the Board's approval for the 2022/23 budget.

2. Authorising and strategic context

2.1 Under the terms of our Intra-Group Agreement with 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.

2.2 The strategic context is of a challenging external environment, with inflation rising rapidly on fuel, utilities and construction materials. The business plan approved by the Board in February set out a range of measures to address these cost pressures while complying with our financial policies.

3. Background

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

4. Discussion

4.1 The detailed budget pack presented at Appendix 1 tracks comparative figures from the 2021/22 forecast to the 2022/23 budget to give the context of the year-on-year changes.

4.2 The 2022/23 budget shows an operating surplus of £18.1m, and a statutory deficit of £28.2m, both £2.4m lower than financial projections approved in February 2022. This reduction is in recognition of the continuing challenging economic environment since GHA's financial projections were prepared. We are expecting further increases in insurance costs as we finalise the renewal terms in a difficult market. Inflationary pressure has continued to grow in utilities and fuel costs pushing prices even higher exacerbated by hostilities in the Ukraine and the direct effect Russian sanctions are having on gas and oil costs.

4.3 To mitigate an element of the financial impact of these changes, we propose to rephase £1m of the capital programme which is a timing issue only. Running cost savings of £0.2m have also been identified in Group services running costs in the areas of consultancy, subsistence and printing.

4.4 On repairs costs, we have agreed a 3% increase in repairs schedules of rates with Glasgow City Council and City Building (Glasgow), which provides strong value for money in the context of the current economic and inflationary climate.

4.5 The net operating surplus budgeted of £18.1m compares to a forecast of £60.7m for 2021/22, lower by £42.6m. This variation is caused by a number of key movements which are either:

- non cash in nature such as the amount of grant income recognised which relates to the profile of new build completions and the increase in the depreciation adjustment; or
- not associated with core trading items such as the receipt of £10m of funding in 2021/22 following settlement of a legal dispute, reported as income and increasing operating surplus, which was invested in our high rise properties and the expenditure reported through the capital programme.

4.6 Underlying core performance remains close to our business plan projections as demonstrated through the measure of underlying surplus, more detail of which is provided on slide 3 in the appendix, which shows that after removing the accounting adjustments for the recognition of grant income, depreciation and including capital expenditure on existing properties there is an underlying deficit in 2022/23 of £4.4m.

4.7 Other key points to note:

- Net rental income –The budget reflects the approved rent increase of 1.9% with a lower 1% increase applied in line with the rent promise to tenants transferring from Cube. A prudent budgeted void loss rate of 1.5% has been set in line with financial projections;

- Grant income is budgeted at £7.3m for 2022/23, is in line with financial projections and is in recognition of the completion of a total of 102 new homes for mid-market rent;

- Operating costs in total are £2.4m higher than the financial projections with the inclusion of the additional amounts for insurance in direct running costs and the higher provision for utilities and fuel;

- The budget for net interest payable of £46.3m is in line with the financial projections. Any interest receivable from Lowther Homes Ltd in respect of the convertible debt instrument will be paid directly to the Wheatley Foundation on GHA’s behalf as our contribution to their activities; and

- The budget for net capital expenditure of £69.4m includes £44.3m of investment spend on our existing stock as well as £25.7m of funding for our new build programme.

5. Customer Engagement

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

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

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

9. Legal, regulatory and charitable implications

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

10. Risk Appetite and assessment

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

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

11. Equalities implications

11.1 There are no equalities implications arising from this report.

12. Key issues and conclusions

12.1 This paper presents the proposed 2022/23 budget.

13. Recommendations

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

LIST OF APPENDICES:

Appendix 1: GHA Budget 2022/23

GHA

2022/23 Budget

Operating statement

	2021/22 Q3 Forecast	2022/23 Financial Projections	2022/23 Budget	Variance Budget to FP
	£m	£m	£m	£m
INCOME				
Rental Income	198.8	203.5	203.5	0.0
Void Losses	(1.8)	(3.1)	(3.1)	0.0
Net Rental Income	**197.0**	**200.4**	**200.4**	**0.0**
Other Income	19.4	10.6	10.6	0.0
Grant Income	25.6	7.3	7.3	0.0
TOTAL INCOME	**242.0**	**218.3**	**218.3**	**0.0**
EXPENDITURE				
Employee Costs - Direct	35.9	35.2	35.2	0.0
Employee Costs - Group Services	10.7	15.4	15.4	0.0
ER/VR	2.7	4.4	4.4	0.0
Running Costs - Direct	12.0	13.5	14.2	(0.7)
Running Costs - Group Services	8.8	9.9	9.7	0.2
Revenue Repairs & Maintenance	37.8	38.4	40.3	(1.9)
Bad Debts	4.0	4.1	4.1	0.0
Depreciation	69.0	75.4	75.4	0.0
Demolition costs	0.3	1.5	1.5	0.0
TOTAL EXPENDITURE	**181.3**	**197.8**	**200.2**	**(2.4)**
NET OPERATING SURPLUS/(DEFICIT)	**60.7**	**20.5**	**18.1**	**(2.4)**
Operatoing Margin	*25.1%*	*9.4%*	*8.3%*	
Net Interest payable	(46.7)	(46.3)	(46.3)	0.0
SURPLUS/(DEFICIT)	**14.0**	**(25.8)**	**(28.2)**	**(2.4)**
INVESTMENT				
Total Capital Investment Income	**11.9**	**10.7**	**10.7**	**0.0**
Investment Programme Expenditure	57.4	45.3	44.3	1.0
New Build Expenditure	39.0	25.7	25.7	0.0
Other Capital Expenditure	12.5	10.1	10.1	0.0
TOTAL CAPITAL EXPENDITURE	**108.9**	**81.1**	**80.1**	**1.0**
NET CAPITAL EXPENDITURE	**97.0**	**70.4**	**69.4**	**1.0**

Comments:

- The 2022/23 budget shows a net operating surplus of £18.1m and statutory deficit of £28.2m, which are both £2.4m lower than the financial projections. These movement from the financial projections are in recognition of the continuing challenging economic environment since the financial projections were prepared.
- Additional provisions have been included for higher insurance and utility & fuel costs. Inflationary pressures have also provided a challenge in the preparation of the City Building business plan and the level of discount available from CBG in 2022/23 is expected to be £1.25m lower than assumed in the financial projections with this shown through an increase in repairs costs. In partial mitigation, a portion of the 19/20 CBG discount which has yet to be settled will be reallocated and used to deliver core programme works and reduce the cost of the investment programme.
- Budgeted **net rental income** of £200.4m is in line with the financial projections. The budgeted void rate is prudently assumed at 1.5% for all properties in line with financial projections.
- **Grant Income** recognised on completion of new build units is budgeted at £7.3m with completion of 102 MMR units anticipated in 2022/23.
- **Direct and Group services employee** costs are in line with the financial projections and reflect the cost of living increase. ER/VR costs of £4.4m will help us deliver the cost efficiency targets in the financial projections through staff savings.
- **Direct running** costs are budgeted at £14.2m, which is £0.7m higher than the financial projections, reflecting higher insurance and fuel costs. The budget includes initiative spend, the donation to the Wheatley Foundation, nets running costs, vehicle, fuel, insurance, office and property running costs. Group services running costs are £0.2m lower with savings identified to help towards mitigation of utility and fuel cost increases
- **Repairs and maintenance** costs of £40.3m are assumed in the budget, which is £1.9m higher than the financial projections; this includes an increase for utilities costs.
- **Bad debt** costs are in line with financial projections and have been set prudently.
- **Depreciation** costs which reflect a non cash accounting adjustment are £6.3m higher than the expected 2021/22 charge, with the increase driven by the high level of investment in our properties.
- **Investment programme** expenditure has been budgeted at £44.3m, which is £1m lower than the financial projections. This is timing in nature only and reflects a reprofiling between financial years.
- **New build** expenditure of £25.7m has been included in the budget for 2022/23, which is in line with the financial projections.
- **Capital Investment Income** (cash) of £10.7m is expected to be received in the year for the new build programme.

Underlying surplus

- The Operating Statement (Income and Expenditure Account) on page 2 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties.
- An underlying deficit of £4.4m is budgeted which is £1.4m higher than the financial projections, with the changes between the budget and financial projections detailed in the operating statement on page 2.. The variance is driven by lower levels of core investment expenditure and interest costs. Note that the budget was profiled with higher core investment expenditure in Q4.

GHA Underlying surplus/ deficit

	21/22 Fcast £m	22/23 Projections £m	22/23 Budget £m
Net operating surplus	60.7	20.5	18.1
add back:			
Depreciation	69.0	75.4	75.4
less:			
Grant income	(25.6)	(7.3)	(7.3)
Net interest payable	(46.7)	(46.3)	(46.3)
Total expenditure on Core Programme	(57.4)	(45.3)	(44.3)
Underlying deficit	0.0	**(3.0)**	**(4.4)**

Rental income

Rental Income	Q3 21/22 Forecast £m	GHA 2022/23 Budget £m
Rent Receivable	198.8	203.5
Void Losses	(1.8)	(3.1)
Net Rental Income	**197.0**	**200.4**
Average stock (nos)	42,753	42,759
Average annual rent per property (£)	**4,650**	**4,759**

Comments:

- The 2022/23 net rental income budget has been set at £200.4m.
- The rental income budget of £203.5m is £4.7m higher than the 2021/22 forecast. The budget is based on anticipated opening stock levels at 1 April 2022 and adjusted for the completion of new build properties (no social rent properties in 2022/23), strategic acquisitions (provision for 6 in the budget) and deduction of any properties being cleared for demolition (see last comment). The approved rent increase of 1.9% (capped at 1% for ex Cube tenants) is also reflected in the budget.
- The average annual rent per property is £4,759, with the increase from 2021/22 reflecting the annual rent increase.
- Void losses are budgeted at 1.5% for all stock which matches the prudent assumption made when preparing the financial projections.

Other income

Other Income	Q3 21/22 Forecast £m	GHA 2022/23 Budget £m
Commercial Property e.g. offices, radio masts	2.0	1.7
District Heating	0.1	0.5
Furnished Lets	0.7	0.3
MMR Lease Income	3.0	4.1
Other Income	12.7	3.2
Service Charge Income e.g. Heat with Rent, Garages	1.0	0.8
Other Income	**19.4**	**10.6**
New Build Grant	25.6	7.3
Total Other Income	**45.0**	**17.9**

Comments:

- Other Income is budgeted at £10.6m for 2022/23. This is £8.8m lower than the 2021/22 forecast which included a one off receipt following settlement of a legal dispute which was used to deliver additional works in our high rise properties.

- MMR lease income is budgeted to increase by £1.1m in 2022/23, driven by new build MMR properties completed during 2021/22 and 2022/23. GHA lease the properties to Lowther for onward letting to tenants.

- Other revenue streams include:
  - Commercial property income of £1.7m. This relates to income generated from our commercial units (i.e. offices and shops) as well as radio mast income which is expected to reduce in 2022/23
  - Service Charge Income relates to income from the suite of other services offered to tenants; including heat with rent and lock up rental.
  - A small budget for furnished lets income has been included. The service continues to offer new packages, whilst being under review. A budget for related costs has been included within the Direct Running Costs budget.
  - District Heating of £0.5m has been budgeted for 2022/23, with tenant charges expected to be re-applied from the summer, following the Covid-19 cessation.

- New build grant income of £7.3m is expected to be released in 2022/23 in relation to Sighthill (56 units) and Watson Street (46 units), both MMR developments.

Employee and running costs

Employee Costs	Q3 21/22 Forecast £m	2022/23 Budget £m
Employee Costs - Direct	35.9	35.2
Employee Costs - Group services	10.7	15.4
Employee Costs (net of capitalisation)	**46.6**	**50.6**
ER/VR Costs	2.7	4.4
Total employee Costs	**49.3**	**55.0**

Running and Property Costs	Q3 21/22 Forecast £m	2022/23 Budget £m
Employee related	1.1	1.1
Running costs	2.6	4.9
Property costs	5.0	6.0
Initiatives	3.3	2.2
Total Running Costs - Direct	**12.0**	**14.2**
Running Costs - Group services	8.8	9.7
Total Running Costs	**20.8**	**23.9**

Initiatives	Q3 21/22 Forecast £m	2022/23 Budget £m
Helping Hand Fund	1.0	-
Helping Hand Fund - Living well	0.4	0.2
Better Lives	0.1	-
Funds to Foundation	0.3	0.3
Tenancy Sustainment	1.2	1.3
Think Yes	0.3	0.4
Total Cost of Initiatives	**3.3**	**2.2**

Comments:

- The total 2022/23 budget for **employee costs** (net of capitalisation) has been set at £50.6m. This is in line with the financial projections and includes the cost of living increase of 3.5%. The rise in Group services costs relates to the Customer First Centre, as was assumed in our financial projections approved by the Board in February.
- Provision for ER/VR costs of £4.4m has been included in 2022/23. This funding will help us achieve our cost efficiency targets laid out in the financial projections.
- Total **running costs** (Direct and Group services) are budgeted at £23.9m for 2022/23, which is £0.7m higher than the provision in the financial projections to allow for higher fuel and higher insurance costs as we finalise the annual renewal. The majority of the budget relates to general running costs and property costs.
- Approximately half of the running costs budget relates to the Nets service and includes vehicle rental/fuel and equipment., with the budget including the additional provision for fuel costs. Other key running costs include a contribution to Lowther for operation of the Common Repairs Team and management of GHA owners capital billing.
- Insurance comprises a significant proportion of property costs, and reflects the additional provision. Other key property costs include hub running costs, district heating and the costs of providing the furnished lets packages.
- **Initiatives costs** include funding for the Tenancy Sustainment Service delivered by Wheatley Care (£1.3m), the Helping Hand budget for the Livingwell service managed by Wheatley Care (£0.2m) which is allocated, a donation to the Wheatley Foundation (£0.3m) and provision for Think Yes of £0.4m.
- The Helping Hand Fund (excluding Livingwell) and Better Lives funding have transferred to the Wheatley Foundation in 2022/23. There will be no change to the way in the which the Helping Hand Fund can be accessed by frontline staff.

[redacted]

Capital expenditure

Capital Expenditure	Q3 21/22 Forecast £m	2022/23 Budget £m
Core Investment Programme	34.8	20.5
Disabled Adaptations	1.4	1.5
Capitalised Voids and Repairs	11.9	12.1
Capitalised Employee Costs	2.9	3.8
Capitalised overhead and fees	6.4	6.4
Total investment spend on existing properties	**57.4**	**44.3**
New Build Development Programme	35.8	20.7
Other capital costs including property acquisitions	3.2	5.0
New build expenditure	**39.0**	**25.7**
IT Contribution	5.0	5.8
Office Accommodation	7.3	3.8
Other	0.2	0.5
Other Fixed Assets	**12.5**	**10.1**
Total Capital Expenditure	**108.9**	**80.1**

Comments:

- The 2022/23 budget for investment in our existing stock is £44.3m:
  - The **Core Investment Programme** budget is £20.5m; note that 2021/22 included an additional £10m one-off element following settlement of legal dispute
  - Funding for disabled adaptations has been set at £1.5m
  - The budget for capitalised voids, including the NETs void squad, and repairs has been set at £12.1m
  - The total budget includes capitalised employee costs of £3.8m, which relates to staff who are directly linked to the investment programme or maintaining the value of our housing stock and capitalisation of a proportion of the CBG fixed overhead charge.

- Investment in new build properties has been budgeted at £25.7m.
  - **New build development** costs include the costs of building both social and mid market rent housing properties. The budget of £20.7m relates to investment fees and contract costs for developments already on site or expected to be on site in 2022/23.
  - Capitalised demolition costs of £0.5m relate to the Wyndford. There is also a revenue demolition budget of £1.5m, which mainly relates to Wyndford.

- **Other capital expenditure** encompasses other fixed asset investment by GHA, namely IT capital projects, work carried out to refurbish our offices and any capitalised works at our commercial properties. The 2022/23 budget is £10.1m, £2.4m lower than the 2020/21 forecast, reflecting our progression with office accommodation refurbishment.

GHA

Report

To: GHA Board

By: Jehan Weerasinghe, Managing Director

Approved by: Martin Armstrong, Group Chief Executive

Subject: Corporate Risk Register

Date of Meeting: 25 March 2022

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1. Purpose

1.1. To provide a revised Corporate Risk Register at **Appendix 1** for agreement and approval by the Board.

2. Authorising and strategic 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 quarterly basis. These capture risks that may impact on the delivery of the Board's strategic aims.

3. Background

3.1. During 2021/22, the Internal Audit team has continued work to implement the findings arising from a 2019/20 review of the Group's risk management practices, which has been delayed by Covid-19. Four of the six agreed actions have been completed, with completion of the remaining two following on from the planned risk appetite workshops with subsidiary Boards in Spring 2022.

3.2. In addition, the Group received a report in October 2021, that summarised the results of Campbell Tickell's independent review of the Group's governance arrangements. The report identified 11 recommended actions for further development of the Group's risk management arrangements. Proposals for implementation of these actions were reported to the Group Audit Committee in February and will thereafter be approved by the Group Board. Once implemented, risk reporting to this Board will be refreshed.

3.3. One of the Campbell Tickell actions related to the frequency of risk reporting at subsidiary Boards and consequently the Group has agreed to move to quarterly reporting of risk to Subsidiary Boards. In future, this Board will receive quarterly updates on risk.

4. Discussion

4.1. 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 in included in **Appendix 1**.

4.2. All of the risks within the risk register have been reviewed and updated where required. The following table summarises the proposed changes to the Corporate Risk Register arising from that review.

Risk reference	Risk Title	Proposed change
GHA19	Securing new funding and adverse market changes	Minor amendment to description of controls.

4.3. The Board is asked to consider and approve the proposed changes.

5. Customer engagement

5.1. There are no customer engagement implications arising directly from this report.

6. Environmental and sustainability implications

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

7. Digital transformation alignment

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

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

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

10. Equalities implications

10.1. There are no equalities implications arising from this report.

11. Risk appetite and assessment

11.1. Each identified risk has been scored in line with the Group's risk management policy and considered using the Group's risk appetite matrix.

12. Key issues and conclusions

12.1 The risk register seeks to reflect our current corporate risks. As the Board have previously been advised, we are refining our approach to how we manage risk as part of the implementation of the strategic governance review.

12.2 We are scheduled to consider the proposed new approach at our Board workshop in May, in particular our risk appetite and how this links to our strategic priorities. The current register is therefore expected to be updated in more detail to reflect the Board's feedback at this workshop.

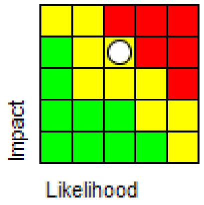
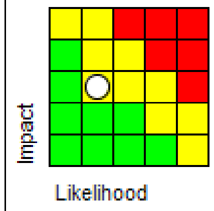
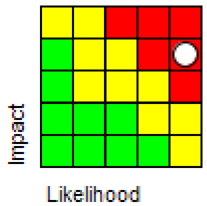
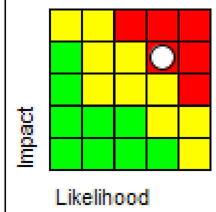
13. Recommendation

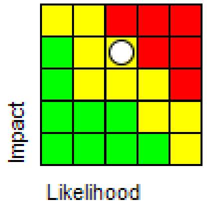
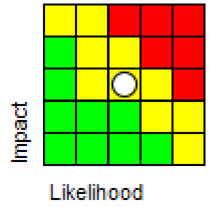
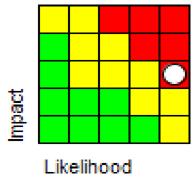
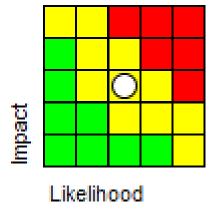
13.1 The Board is asked to review and approve the revised corporate risk register.

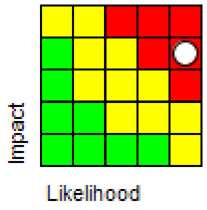
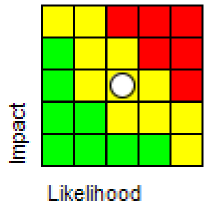
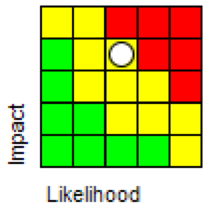
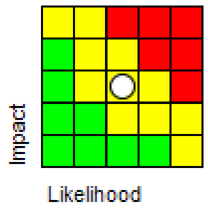
List of Appendices

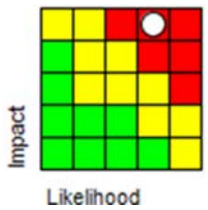
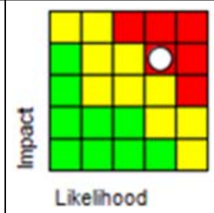
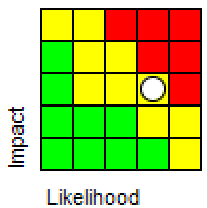
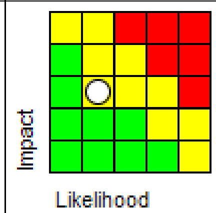
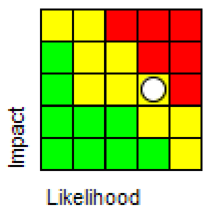
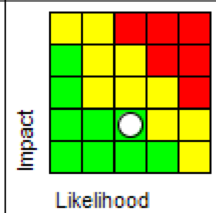
Appendix 1 GHA Corporate Risk Register - Draft for Approval
Appendix 2 Risk Scoring Definitions
Appendix 3 Risk Appetite Definitions

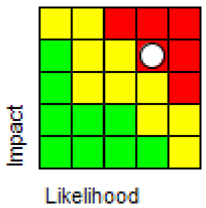
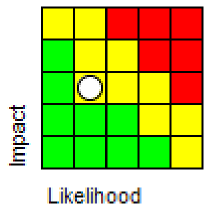
Appendix 1 - Draft GHA Corporate Risk Register

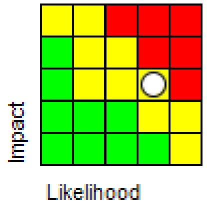
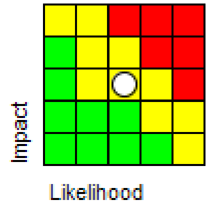
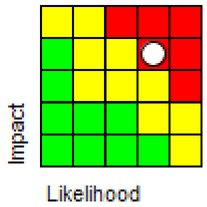
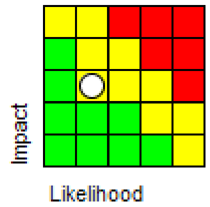
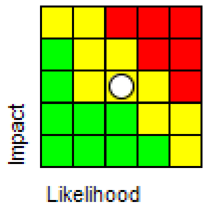
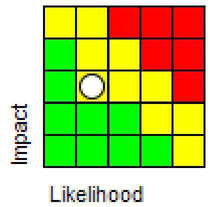
Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
GHA01 Covid-19 vaccination roll-out	There is a risk that a lack of clarity over employers' responsibilities in relation to the Covid-19 vaccine, including employment law and data protection implications of requiring staff to notify their employer and / or the vaccine being made mandatory for certain roles, results in reputational damage and / or potential breach of employment law or data protection regulations.		The Employee Relations team continues to consult with employment law advisers to obtain ongoing legal advice. The Group continues to liaise closely with trade unions and staff to develop its approach. Data privacy notices for Care staff have been updated to allow the Group to keep a record of which staff have received the vaccine, and work to updated privacy notices for all Group staff continues. Care management is monitoring uptake levels as part of a local risk assessment approach.		Averse
GHA02 Rent arrears including Universal Credit	The impact of Covid-19, including legislation to prevent evictions, increased lead-in times and uncertainty around Sheriff eviction decisions, as well as the closure of the Furlough scheme and the continued expansion of Universal Credit, continue to impact on our rental income stream and increase our arrears. This also has negative impacts for customers, with increasing financial hardship.		Staff across the Group, including frontline housing teams, the customer service centre and communications, run ongoing campaigns and programmes of contact with customers affected by financial hardship and with problems in paying their rent, whether caused as a result of Covid-19, the wider issues with Universal Credit or for other reasons. This includes a dedicated Universal Credit team, use of GoMobile for staff to assist customers with online transactions and working with partners to influence the UK and Scottish policy and funding environment. Online service portals are more accessible and housing officers are becoming more available. Our small housing patch sizes provide a key mitigation, allowing staff to work proactively with customers before their debts become unmanageable, drawing in Wheatley 360 support		Hungry

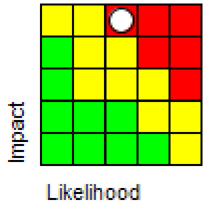
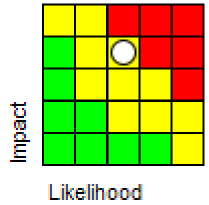
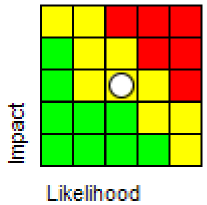
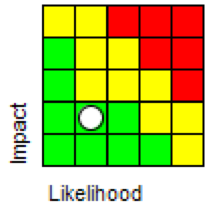
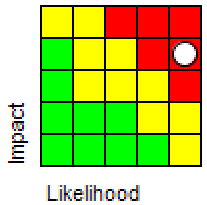
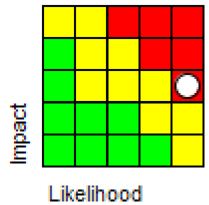
Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
			services such as welfare benefits advice, as required. The Group business plan also contains a buffer within its assumptions for risk in relation to bad debts and rent arrears. In addition, arrears performance is reviewed by Boards at every meeting.		
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.		The Group's authorising environment has been agreed. The Corporate Strategy highlights the importance of the need for continual Board development enabling the Board and Committee members to remain strategically focused. Governance training is provided as appropriate. Formal succession planning for Board members in place. Governance arrangements are regularly reviewed by the Scottish Housing Regulator, external consultants, internal and external audit functions. Subsidiary Board structures may be rationalised from time to time to reduce complexity, e.g. as has been done with Wheatley Care and Lowther/YourPlace.		Cautious
GHA06 Ongoing threat of future waves of Covid-19 and/or another pandemic	The risk of future waves of Covid-19 and/ or another pandemic along with the risk of a further periods of lockdown (either Scotland wide or by geographical area); may result in previously remobilised services being paused.		Through lessons learnt from previous lockdown and remobilisation, services now have contingency plans (both Group wide and at a local level) in place for future waves and/or another pandemic. These include protocols for different grades of service model depending on the level of government restrictions (according with the levels system), Operational Safety Manual amendments which can be reinstated at short notice depending		Cautious

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
			on the situation and 16-week PPE forward supply stocks being maintained at all times. We have a clear set of links with Scottish Government and other stakeholders through our standing place on the sector resilience group which allows us to quickly input to and understand Scottish Government responses and guidance.		
GHA07 New operating model implementation	The implementation of a new operating model as we emerge from the Covid-19 crisis, including changing staff patterns/places of work, reducing the number of offices and placing greater reliance on technology could be poorly implemented and communicated, leading to staff disengagement and lack of support from our trade union partners.		The Customer Consultation on the new operating model continues, and results of the completed consultation were reported to Boards for consideration. Operational planning for implementation is in progress, including the delivery of the Customer First Centre. A New Business Model Steering Group meets fortnightly to facilitate this planning. Executive team receives regular reporting of plans and has oversight of plans, including for the Customer First Centre.		Open
GHA08 Customer satisfaction	Customers do not feel our homes and services meet their needs and/or the standards they expect, leading to declining customer satisfaction.		Customer service excellence is a key element of the 2021-26 GHA and Group strategies. We use a variety of methods to collect customer feedback, both during the year and annually. This information helps us understand customer views and informs our delivery and investment plans every year. This will be augmented by a range of new approaches to improve satisfaction among particular target groups such as young families. The new performance management framework will also include a stronger focus on measuring drivers of customer value in our key services.		Hungry

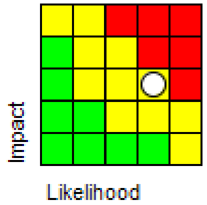
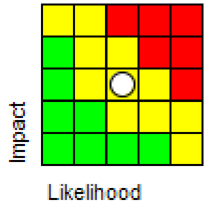
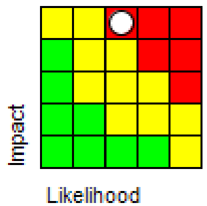
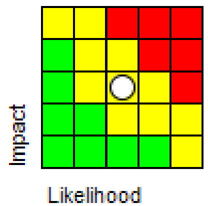
Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
			Small housing officer patch sizes of 1:200 allow housing staff to deliver personalised services under the ThinkYes approach.		
GHA09 Post-2021 Housing Policy and Grant availability	There is a risk that that without sufficient Scottish Government financial support we may be unable to deliver some of the Scottish Government and EEESH2 targets in relation to energy efficiency.		Wheatley Group staff are meeting with Scottish Government representatives regularly to proactively present the case for housing investment to Ministers and senior officials directly and through our representative bodies SFHA and CIH. This includes participating in the Scottish Government review of grant availability. A Green Investment Plan proposal has been developed and will form the basis of direct discussions with the Scottish Government. Financial scenario planning in place to understand potential impact on our investment programme under a variety of grant scenarios.		Cautious
GHA10 Commercial Operations	Failure to achieve financial growth returns in our commercial operations results in reduced surpluses available to support the Group's charitable activity, in particular through the Wheatley Foundation.		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.		Open
GHA11 Laws and Regulations	Non-compliance with statutory law and regulations, including but not limited to: (i) Scottish Housing Regulator and Care Inspectorate regulations, (ii) Financial Conduct Authority (FCA) regulations, (iii) compliance with Health and Safety Building Regulations,		A Group wide Scottish Housing Charter Assurance process is supported by the Tenant Scrutiny Panel reviewing outcome. FCA regulations are considered when new products and services are developed. Qualified personnel undertaking capital improvement works as well as suitable sign off and compliance checks of new installations (e.g.		Averse

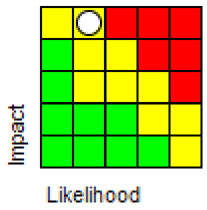
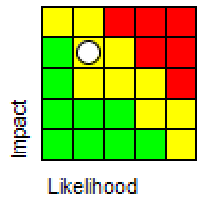
Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
	(iv) Freedom of Information (Scotland) Act, (v) General Data Protection Regulations, and (vi) OSCR, the Scottish Charities Regulator resulting in adverse feedback and loss in confidence from regulators, funders, customers and potential partners, as well as potential fines and penalties.		external wall coverings), to ensure these meet relevant building standards. New product offerings follow a clear route to governance, with approval required from the Executive Team before formal approval is requested from the Group 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. Changes to existing legislation are identified and implemented by identified responsible officers across the Group.		
GHA12 Failure to recruit, develop, retain, and succession plan	Failure to recruit, develop, retain and succession plan for high quality / qualified staff, resulting in reduced levels of service provision, staff not competent to perform their job to expected standard and achieve strategic objectives.		My Contribution in place for all staff and integrated with my Academy. Training Logs for all staff and 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 new talent across Group RSLs and Wheatley Solutions. Employee satisfaction surveys.		Open

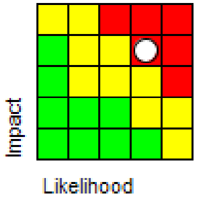
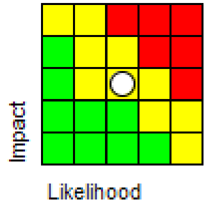
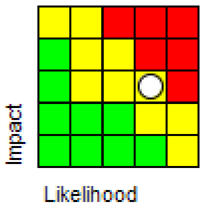
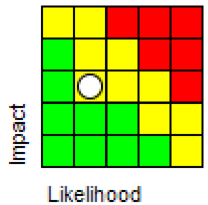
Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
GHA13 Political and Policy Changes	The risk that political and policy changes (within Scotland and the UK) affect the ability of Wheatley Housing Group to deliver strategic objectives resulting in significant adverse reputational impact.		The current policy and national political environment bring a degree of uncertainty. The Group has an established stakeholder management framework in place and relevant Managers will be focussed on responding to changes in policy and administration as they arise. The Group's policy of not building homes for sale also mitigates potential property market risk.		Cautious
GHA14 Business Continuity / Disaster Recovery	The Wheatley Housing Group does not have adequate or tested Business Continuity / Disaster Recovery plans in place for key business activities (for example: repairs service, care provision/staff cover, customer payment systems/technology) including those with significant contractors, resulting in significant disruption to service and avoidable reputational damage.		Business continuity plans are in place across all business areas. A business continuity implementation Group is responsible for collating, reviewing and designing the Group's Disaster Recovery and Business Continuity Plans. The Business Continuity Framework is being further developed in line with the Group's new business operating model and in light of experience through the COVID-19 pandemic.		Minimal
GHA15 Pension Contributions	Increases in the required pension contributions for all Group pension funds, leads to potential cost pressures for the Group.		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. We are also consolidating SHAPS and LGPS schemes where possible to reduce the risk of cessation liabilities being triggered.		Averse

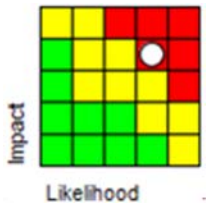
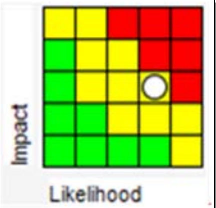
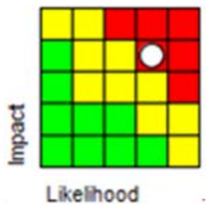
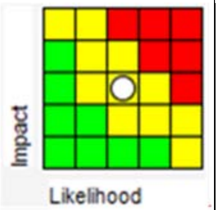
Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
GHA16 Fire Safety	There is a risk that failure to comply with relevant fire safety standards for our buildings results in harm to the health or safety of our customers and/or staff, leading to injuries or fatalities, enforcement action and reputational damage.		Group Fire Safety team focus on identification of fire prevention actions for implementation by MDs. Quarterly reporting of implementation of actions to Group Audit Committee. Out with relevant premises, Fire Prevention and Mitigation Framework, including our approach to high rise block inspections and Livingwell, and Fire Risk Assessments. Extensive compliance and investment regime to achieve compliance with building safety regulations (as required) and best practice guidance.		Averse
GHA17 Stock Profile and Demand	A lack of customer insight, or functionality within housing systems to identify current and future stock requirements, leads to GHA holding and building assets which do not meet our customers' needs. This could result in falling demand for existing and new stock, with increased voids and poor tenancy sustainment.		MSF framework for GHA Multi Storey Flat Project Board Group Supported Living Monitoring new-build and the impact on existing stock. Development have created a formal approach to informing future new build stock types. E.g. large family accommodation which is incorporated into the Housing to 2040 Strategy. Subsidiary strategies and Location Plans consider the impact of new build, and adjust services accordingly.		Cautious
GHA18 Supply Chain Disruption	There is a risk of delays in the sourcing of goods and materials, or of Wheatley Care workforce challenges arising from the impact of macroeconomic events such as the post-Brexit trade deal, Covid manufacturing productivity challenges and global purchasing behaviours such as US/Asia		**General** Procurement procedures include assessment of suppliers' financial health. Proactive monitoring of supply chains by Operational leads with regular contract management meetings.		Cautious

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
	mega-purchasing; resulting in increased costs and / or delays for new build and property investment and repairs works, or negative impacts on the wellbeing and satisfaction of People We Work For.		Regular engagement with Scottish Government on cost or delay impact as potential issues emerge. In the event of supplier insolvency, procurement frameworks / approved supplier listings would be used to identify alternative suppliers. **Repairs Service** Manage stock levels including, where possible, advance purchase 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** Regular engagement with new build contractors where the Group's financial exposure is greatest to test financial standing. Monitor on a site basis the availability and adequacy of contractor's resource on site – consider increased clerk of works site monitoring to ensure quality of workmanship. **Operational Supplies** Utilisation of Group and 3rd party frameworks to minimise price increase risk Engagement with key suppliers on stock levels. **Wheatley Care** Working with SG via membership organisations to understand potential level of risk. Contingency plans to mitigate locally and maintaining a 16-week stock of PPE.		

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
GHA19 Securing new funding and adverse market changes	There is a risk that the Group's ability to raise borrowing at cost-effective rates or raise the funds required to meet our liquidity Golden Rules is limited by wider economic or political conditions such as another banking crisis, rising interest rates, default in the sector, increasing focus on ESG credentials or constitutional changes; resulting in an inability to hold enough cash to meet our commitments or achieve our business objectives.		Our strategy is to diversify funding sources and relationships, providing a range of options for future funding in the event of adverse funding market changes. Our liquidity Golden Rules are designed to ensure that we have sufficient cash available for two years + 25% contingency, and this rule is re-assessed annually by the Group Board. Compliance with these is reported to the Group and WFL Boards quarterly. We also review our approach to hedging in respect of interest rate risk on a quarterly basis. We do not borrow in currencies other than sterling to reduce exchange rate risks, including in the event of a potential future change in currency, nor do we borrow from non-UK domiciled investors (with the exception of the EIB). Annual ESG reporting in place with reports issued alongside the statutory accounts. A Sustainability Financing Framework ~~will be issued~~ was published in Q3 2021/22, ~~which will be accredited~~ following accreditation by S&P.		Open
GHA20 Compliance with funders' requirements	There is a risk of defaulting on loan agreements as a result of failing to meet or maintain compliance with loan agreements. This would result in withdrawal of the funding, potential for cross-default on other facilities, difficulty in obtaining future funding from other funders, and would likely result in higher cost of funding.		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. Funder requirements document identifies key dates and requirements.		Cautious

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
			Financial performance is monitored on an ongoing basis through monthly reporting cycle and Group/subsidiary Board review of management accounts. Subsidiary and Group Business Plans are subject to annual updates and review by respective Boards. In addition, ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risks of unexpected rating changes.		
GHA21 Group Credit Rating	There is a risk that external factors such as a downgrade of the UK's credit rating or a default by another organisation within the social housing sector results in a downgrading of the Group's credit rating to BBB+ or below, resulting in a potential requirement to repay our European Investment Bank loans, a reduction in the availability of future borrowing, and/or an increase in the cost of current debt.		The Group's business plan is designed to maintain a strong stand alone credit rating, for example excluding build for sale. Our financial Golden Rules include maintaining strong levels of liquidity to mitigate refinance risks. Ongoing dialogue is maintained with relevant credit rating agencies in order to mitigate the risk of unexpected rating changes which are controllable. *Mitigation drafting used in legal clauses* - in the event the rating fell to BBB+, the legal clauses are specific that this is not an event of default (thereby avoiding cross-default). *Negotiation period* – the legal clauses provide for a period to negotiate with EIB on mitigating measures, such as revisions to covenants or posting of increased security/collateral. *Standby funders to replace EIB if necessary* - A strong relationship is maintained with EIB to mitigate future risk from external factors causing a credit rating downgrade. Strong investor/lender relationships are maintained with a number of		Cautious

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
			other organisations at all times in case of unanticipated funding need.		
GHA22 Cyber Security	There is a risk that the Group is subject to a cyber attack due to a failure of the Group's cyber security arrangements such as: - staff not aware of policies and procedures - technology is out of date - inadequate management of end of life services resulting in an inability to deliver services, and potential financial loss.		IT cyber security live tests undertaken and results reported to ET and Group Board. Group IT has an information and cyber security approach that covers i) overall Information Security Policy for Group, and ii) staff engagement and mandatory training across 5 key learning themes. Established processes across key risk areas: Information Security Response / Access Controls / Secure Disposal / Group Data Protection Policy /IT Cloud Services Policy / Vendor Security Assessments. Group IT is externally assessed annually on information security and IT general controls via 3rd party auditors. A Bi-Annual cyber security assessment is conducted by NCC across 20 key control areas. An internal Information Security Working Group has been established within technical teams across Group IT. Biannual cyber security update reported to the Group Audit Committee.		Minimal
GHA23 Contract failure- including poor contract handover	If contracts are not properly executed by the Procurement Team. This would prevent the Group from enforcing the contract terms and conditions, which could lead to financial loss and an adverse reputational impact, resulting in failure of service delivery. The business unit could have a poor understanding of the operations of contracts and the		Quarterly contract meeting between supplier/contract manager and procurement to discuss risks and best practice. Procurement team capabilities and skills assessment. Gateway reviews as part of 5 stage process.		Cautious

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
	goods/services procured, if there is a poor contract handover by the Procurement Team. Without a clear contract hand over, the business may not be able to manage the contract effectively impacting value for money across the Group, additional costs or poor standards of service.		Clear method defines and records the process of dealing with KPI/SLA underperformance. The use of terms and conditions to enforce change should this be required. Procurement team handover arrangements in place, which includes advice on contract delivery mechanisms contractual obligations. Post procurement workshop pilot: contract summary to responsible officer to ensure fully briefed. Monthly compliant spend reporting 5 stage process defines our requirements; and clear method defines and records the process of dealing with KPI/SLA underperformance.		
GHA24 Climate Change impact on Group assets and services	There is a risk that the Group's inability to adapt to results of climate change results in damage to the value of our assets and our ability to deliver services.		Business continuity plans (both at Group and local level) provide for operational responses to extreme weather events such as flooding and severe winter snow (e.g. “Beast from the East” type events). Climate Impact Assessment report commissioned from external consultants (Foresight report). Performance Reporting team has commissioned report to overlay climate change impacts on Group's geographic locations.		Cautious
GHA25 Meeting stakeholder expectations on climate change	The Group is not able to deliver climate-change mitigation activities that meet the expectations of key stakeholder requirements and regulatory requirements.		Our strategy includes an objective to reduce emissions from our corporate activities to be carbon neutral by 2026. We have detailed asset information and baseline data, an EESSH 2 plan is under development and we are in discussions with the Scottish Government about funding to accelerate		Cautious

Code & Title	Description	Inherent risk score	Existing Controls / Monitoring & Check	Residual Risk score	Risk Appetite
			investment in our properties through a Wheatley Green Investment Plan. We produce an annual ESG report for investors setting out our progress on the environmental agenda, and will produce a sustainability framework for investors to support the raising of sustainability-linked finance in future. In addition to ESG reporting, increased public messaging around our work in relation to climate change.		

GHA

Risk Scoring Definitions

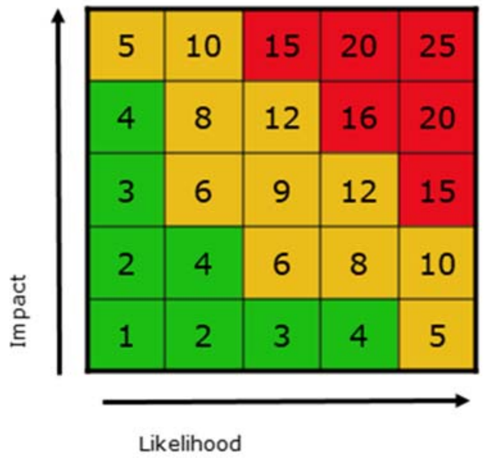
Appendix 2

Impact scoring for strategic risks

Risk Rating Score	Impact Classification	Reputation	Health, Safety and Welfare	Finance
1	Insignificant	Managed/reported to Business Unit Local media (short term duration)	Minor injury cleared with first aid treatment	Up to £100,000
2	Minor	Managed/reported to Departmental Management Team Local media (short/medium term duration)	Reportable dangerous occurrence (near misses)	£100,001 to £500,000
3	Moderate	Managed/reported to Team and Board Members Regional media (short/medium term duration)	Reportable over three day injuries or reportable diseases	£100,001 to £500,000
4	Significant	Regional/National media coverage (medium/long term duration)	Major reportable injury or injuries	£500,001 to £1M
5	Catastrophic	Third Party Intervention Public Interest Group National/international media (long term duration)	Fatality or permanent disability	Over £1M

Likelihood scoring

Risk Rating Score	Likelihood Classification	Risk Description
1	Remote	Likely to occur greater than 10 years
2	Unlikely	Likely to occur within 5 to 10 years
3	Possible	Likely to occur within 3 to 5 years
4	Likely	Likely to occur within 1 to 3 years
5	Very Likely	Likely to occur within 1 year



Classified as Internal

Risk Appetite Definitions

Appendix 3

	1 **Averse**	2 **Minimal**	3 **Cautious**	4 **Open**	5 **Hungry**
	Avoidance of risk and uncertainty is a key Organisational objective.	**Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.**	**Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.**	**Willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).**	**Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).**
Risk Category	**Example behaviours when taking key decisions….**				
Reputation and credibility	• Minimal tolerance for any decisions that could lead to external scrutiny.	• Tolerance for risk taking limited to those events where there is no chance of significant repercussion.	• Tolerance for risk taking limited those events where there is little chance of any significant repercussion should there be a failure.	• Appetite to take decisions with potential to expose us to additional scrutiny but only when appropriate steps have been taken to minimise any exposure.	• Appetite to take decisions that are likely to bring external scrutiny but where potential benefits outweigh the risks.
Operational and Policy delivery	• Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. • Priority for tight management controls and oversight with limited devolved decision making authority. • General avoidance of systems / technology developments.	• Innovations always avoided unless essential. • Decision making authority held by senior management. • Only essential systems /technology developments to protect current operations.	• Tendency to stick to the status quo, innovations generally avoided unless necessary. • Decision making authority generally held by senior management. • Systems / technology developments limited to improvements to protection of current operations.	• Innovation supported, with demonstration of commensurate improvements in management control. • Systems / technology developments considered to enable operational delivery. • Responsibility for non-critical decisions may be devolved.	• Innovation pursued – desire to 'break the mould' and challenge current working practices. • New technologies viewed as a key enabler of operational activity.
Financial / VFM	• Avoidance of financial loss is a key objective. • Only willing to accept the low cost option. • Resources withdrawn from non-essential activities.	• Only prepared to accept the possibility of very limited financial loss if essential. • VFM is primary concern.	• Prepared to accept the possibility of some limited financial loss. • VFM still the primary concern but willing to also consider the benefits. • Resources generally restricted to core operational targets.	• Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. • Value and benefits considered (not just cheapest price). • Resources allocated in order to capitalise on potential opportunities.	• Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). • Resources allocated without firm guarantee of return – 'investment capital' type approach.
Compliance – legal / Regulatory	• Avoid anything which could be challenged, even unsuccessfully. • Play safe.	• Want to be very sure we would win any challenge.	• Limited tolerance for "sticking our neck out". Want to be reasonably sure we would win any challenge.	• Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	• Chances or losing are high and consequences serious. But a win would be seen as a great coup.