GHA

THE GLASGOW HOUSING ASSOCIATION LIMITED

BOARD MEETING

Friday 14 February 2020 at 10.30am
Board Room, 3rd Floor,
Wheatley House, 25 Cochrane Street, Glasgow

AGENDA

1. Apologies for Absence
2. Declarations of Interest
3. Minute of 29 November 2019 and matters arising

Main Business Items

4. Rent and other charges 2020/21
5. 2020/21 Financial Projections
6. Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25
7. Five Year Development Programme
8. GHA Fire Safety update
9. Universal Credit update (presentation)

Other Business Items

10. Delivery Plan 2019-20: Quarter 3
11. Finance Report
12. Board appraisal and succession planning
13. Gender Pay Gap reporting – Year 3 (presentation)
14. AOCB

GHA

Report

To: GHA Board

By: Jehan Weerasinghe, Managing Director of GHA

Approved by: Martin Armstrong, Group Chief Executive

Subject: Rent and other charges 2020/21

Date of Meeting: 14 February 2020

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2020/21 RSL rent and service charge increase; and
- Seeks Board approval for the 2020/21 rent and service charge increases.

2. Authorising context

2.1 Under the Group Authorising Framework, the Group Board is responsible for the Group rent setting framework. As part of this, the Group Board is responsible for agreeing rent increase parameters that each RSL Board has the authority to agree an increase within.

2.2 The Group Board agreed that a minimum increase of 3.4% should be the basis of consultation with each RSL's tenants. It also agreed that options should be discussed with tenants for increases of 3.9% and 4.4%, with tenants asked whether they would be prepared to pay these higher levels in return for additional local investment. The Board agreed these three options for consultation with tenants.

3. Risk appetite and assessment

3.1 Our risk appetite in relation to regulatory practises (Scottish Housing Regulator and Care Inspectorate) such as rent increases is cautious; that is, "preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.2 The Scottish Housing Regulator undertook a thematic enquiry into how Registered Social Landlords ("RSLs") consult with tenants about rent increases. In tandem, the Scottish Federation of Housing Associations ("SFHA") issued guidance on rent setting and affordability. The main risk highlighted by these publications related to RSLs setting rent without due regard to meaningfully engaging tenants and affordability.

3.3 We mitigate this risk through rich engagement with our tenants on our rent proposals through a combination of focus Groups, local engagement and a statutory consultation process.

4. Background

4.1 The rent increase assumptions in our financial projections are subject to annual review. The annual review takes into account the key principles set out in our Group rent setting framework:

1) Financial viability;
2) Affordability;
3) Comparability; and
4) Consultation with tenants and service users.

4.2 The Board considered the first three principles as part of agreeing the baseline consultation levels during discussions at the meetings on 10 October. The consultation with tenants is the final element of our rent setting process prior to formally agreeing rent levels.

5. Discussion

5.1 Our consultation approach has been refined in recent years to provide a greater degree of insight into our tenants' views on our rent setting proposals. Our rent setting process for 2020/21 involved two stages; firstly a series of focus groups and direct tenant engagement; then a full written consultation issued to all tenants with options for consideration, including a "none of the above" option.

5.2 We received 2,186 responses to the full consultation stage from tenants, which was virtually the same as the number the prior year. In total **64% of tenants indicated they supported** one of the three increase options (3.4%, 3.9% or 4.4%).

<u>Focus Groups</u>

5.3 This year, we further refined our approach to the focus groups, with the lead officer, in our case the Managing Director, presenting to tenants as part of giving more context to the proposals. The presentation and accompanying video set out the key elements contained within the proposed consultation brochure to be sent to all tenants, specifically:

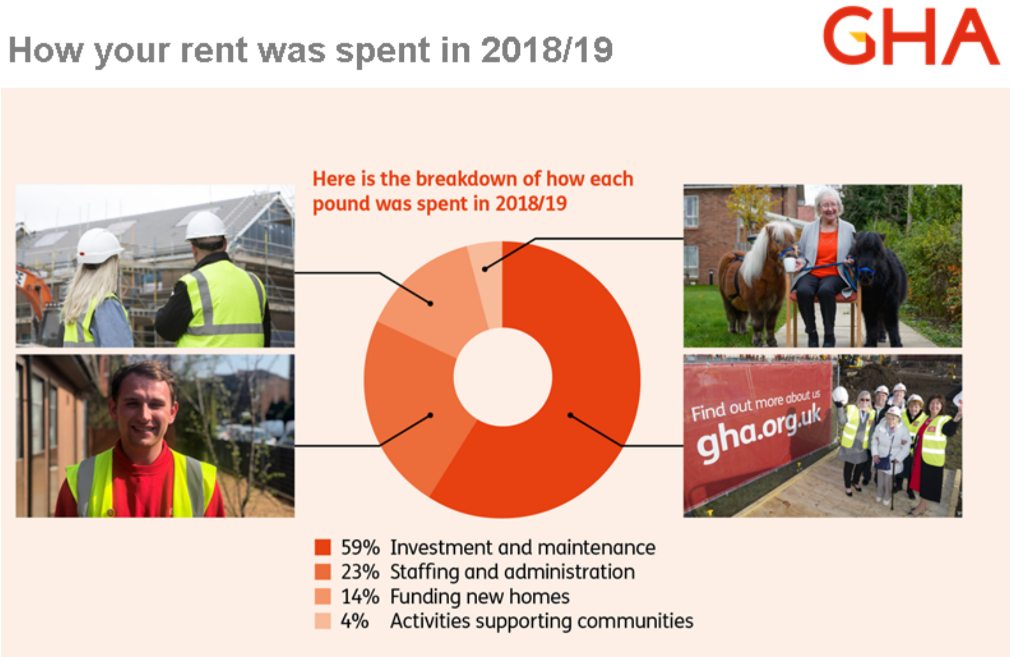
- How we spent tenants' money in the previous year i.e. what rent pays for;
- Key challenges for the year ahead; and
- The rent options.

5.4 Our independent advisors, BMG, facilitated the focus groups which staff members did not attend. We received a large amount of valuable feedback on individual tenant experiences and BMG indicated the change of approach was well received by attendees.

5.5 In total we undertook 19 focus groups, of which 9 were GHA tenants only and 1 GHA waiting list tenants. In total 96 GHA tenants and 12 waiting list applicants attended. Across the wider Group 180 tenants and waiting list applicants attended the focus groups.

5.6 The focus groups allowed us to engage with tenants in more depth on our rent setting proposals, in particular:

- Tenants' perception of what their rent pays for *vs* what it actually pays for;
- Tenants' understanding of the drivers of rent increases;
- Value drivers for tenants in terms of rent levels; and
- General feedback on tenants' views of our landlord services in the context of rent.



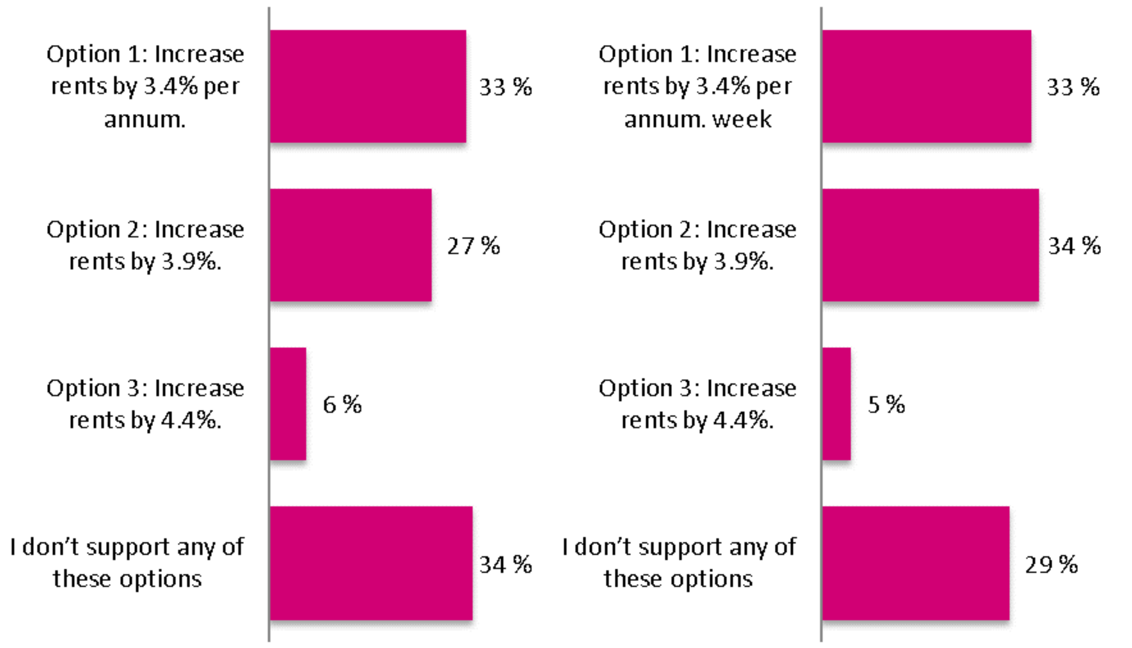
5.7 In exploring these issues with tenants, as opposed to asking a binary 'yes or no' question on rent proposals, we were able to gather a) quantitative feedback by testing if the group discussion and increased knowledge of how rents are set impacts tenants' views of rent, and b) qualitative feedback we can use to understand what drives and impacts tenants' views on rent setting, potentially informing our service delivery and future strategic thinking.

5.8 Together, support for the options 1-3 was 72%, which rose from 66% following the discussions and supporting information on the reasons for the increase. The breakdown by option is shown below.

Figure 1: Views on the rent increase options

Survey 2: Thinking about next year's rent which option do you support?

Survey 3: Following the discussions and conversations that you have heard/had today at this moment in time thinking about next year's rent which option do you support?



5.9 The report provided detail of key drivers of tenant satisfaction. The following were identified by BMG as key satisfaction drivers:

- living in a new(ish) home and particularly a house with a front and backdoor and garden;
- receipt of significant capital investment in recent years (particularly new heating systems, windows, bathrooms, kitchens and foyers);
- receipt of a personalised service;
- tenants (across all RSLs) who have experienced a range of wraparound services are noticeably more satisfied with and appreciative of their RSL, and are keen to impress on other tenants the value of this assistance;
- a proactive housing officer who is effective in supporting and signposting tenants such as help to navigate complex benefit systems they feel nervous or unable to tackle alone;
- tenants who seem to be the most satisfied also live in what they term 'nice' areas, close to facilities and good transport connections, where they know their neighbours and above all, where there are no significant problems with anti-social behavior; and
- In comparison with last year, it would appear that tenants' estimation of the repairs service has improved, with more participants saying that more appointments are now prompt, the staff politer and likely to complete the job in one visit, and the service generally more joined up.

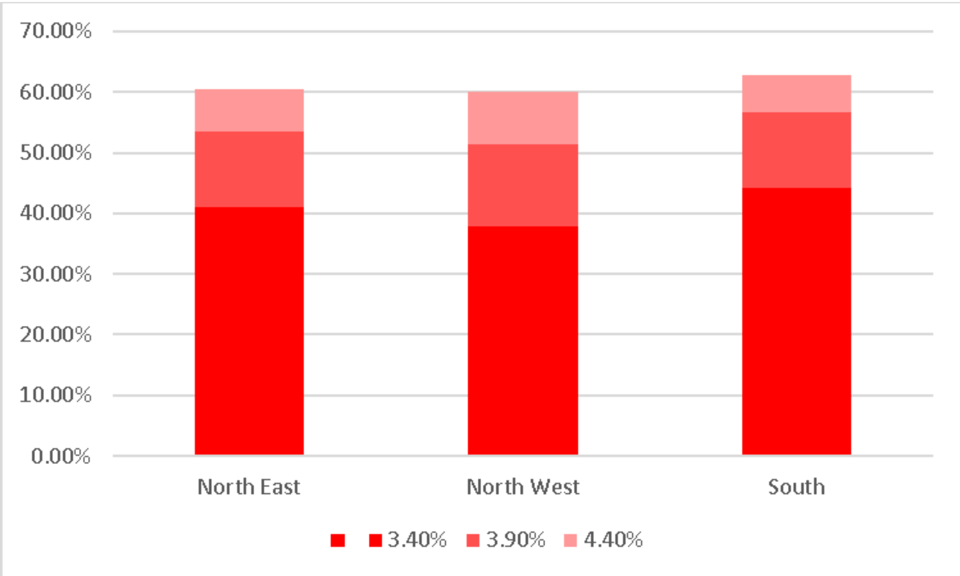
5.10 In terms of drivers of dissatisfaction, there were very localised responses. A key overall driver was where a tenant considers an issue is not being addressed appropriately or as quickly as they would like.

5.11 A common theme overall related to anti-social behaviour. Tenant frustrations in relation to this issue can have a significant effect on satisfaction. Part of this issue relates to the pace at which tenants would seek such issues to be resolved relative to what can be achieved in practice.

<u>All-tenant consultation</u>

5.12 We consulted all tenants, as we have a statutory duty to do, using the consultation booklet agreed by the Board and revised to reflect the feedback from the focus groups. The consultation ran from November 2018 to 12 January 2020. Tenants were able to respond email, prepaid return slips, telephone or online.

5.13 In total 2,186 tenants took the time to provide feedback, either by completing the feedback form or by phone/email or online. The feedback was split by our three key areas with the results as follows:

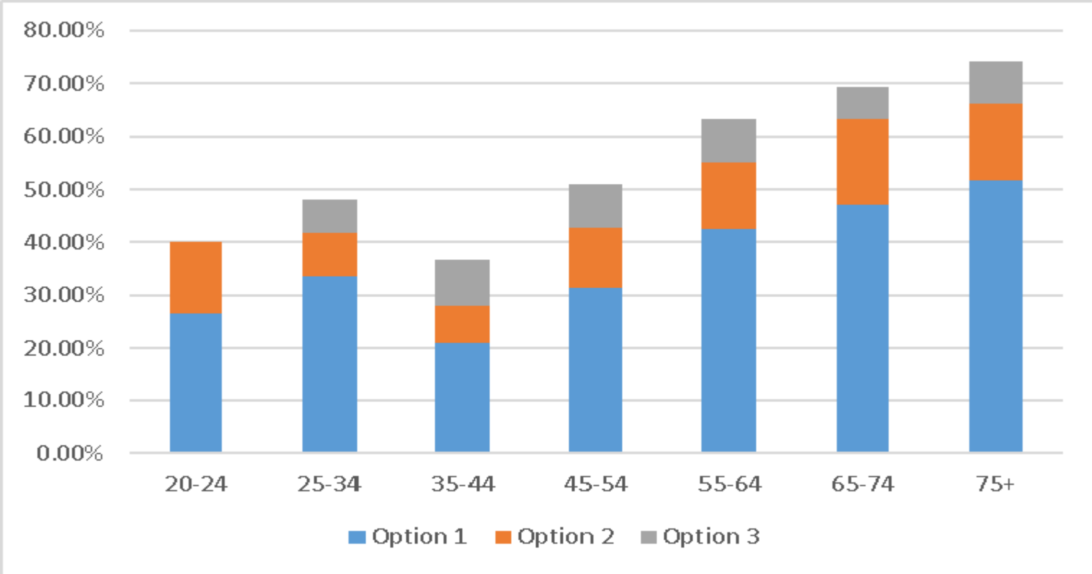


5.14 As can be seen, the majority of tenants in all areas supported one of the increase options. The open feedback box provided similar responses to the themes emerging from the focus groups, added to very specific feedback regarding individual tenancies.

5.15 We undertook further analysis of the responses to identify if there were any variations in responses based on different tenant characteristics. Those who provided ethnicity details were of such a small number that any further analysis would not be proportionate.

<u>Age</u>

5.16 In total, 95% of respondents provided their age range in the response. The data identified that support levels are generally correlated to age, with the level of support ascending with the age groups. The results are set out below:

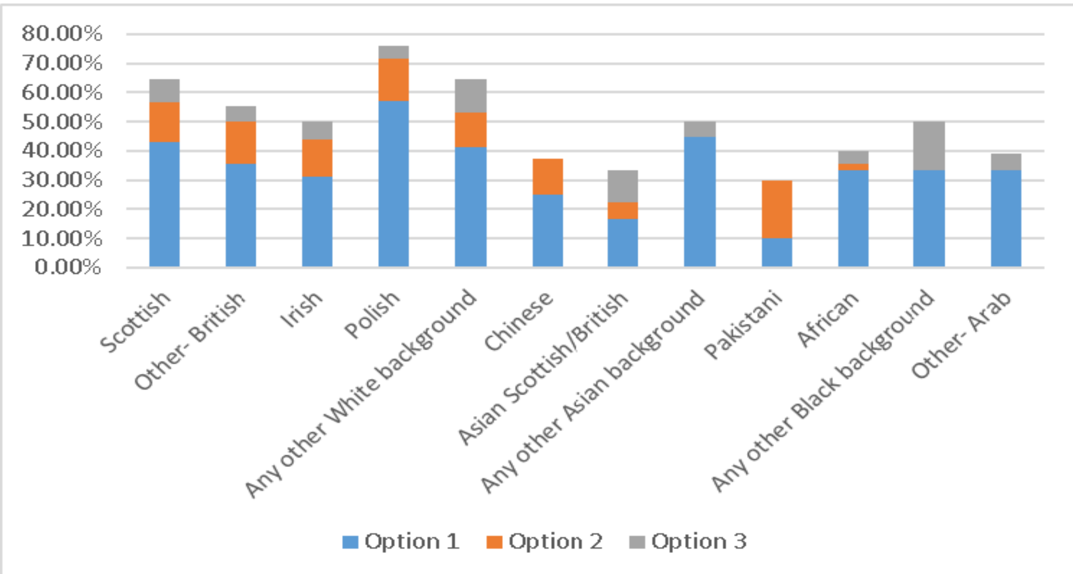


5.17 The results indicate that support is lower amongst younger tenants and increases markedly in the older age categories. It should however be noted that the 55-64, 65- and 75+ categories represent 75% of the overall responses. In total the number of tenants supporting no option in thye 25-34 and 35-44 categories totalled 165.

5.18 In considering the lower support levels we wanalysed the freetext rerpsonses and whilst there was a range of repsonses, the most common theme was that their income was not increaisng at a corresponding rate. These younger age groups are ones where we can seek to target, for example, our MySavings product to help reduce the cost of a home.

<u>Ethnicity</u>

5.19 A total of 2051 respondents provided ethnicity information. We have analysed the difference in response by ethnicity, with the table below setting out the findings for ethnicity groups where there were at least ten respondents:



5.20 The categories were split evenly in terms of those where the majority supported one of the options or none of the options. However, the Scottish category represented some 1,779 respondents and charted 64% in favour of one of the options.

6. Key issues and conclusions

6.1 The feedback from tenants indicates a strong level of support for a rent increase when this is explained in the context of what it will deliver.

6.2 It is proposed that the Board therefore approve an increase of 3.4%.

7. Value for money implications

7.1 Our value for money framework approved by the Board in 2017 clearly identified the need to improve the ways in which we listen to and communicate with customers in relation to value for money; this has taken place through our consultation process.

7.2 The rent setting consultation relates to the three prominent value drivers for value for money, these are; the repairs service, the quality of homes and customer service.

7.3 Delivering value for money starts with us understanding how we can build value for each of our customers. Having consulted with our customers on rent setting through a more robust and choice based approach it is anticipated that this could positively impact key drivers relating to customer satisfaction indicators in the future.

8. Impact on financial projections

8.1 The financial implications will be set out in a separate business plan update.

9. Legal, regulatory and charitable implications

9.1 Consultation with tenants on any increases in rent or service charges is a requirement of the Housing (Scotland) Act 2001. The approach set out in this paper therefore discharges our requirement to consult under the Act.

9.2 The 2016 Scottish Housing Regulator Thematic Review of Rent Setting detailed a number of recommendations, including provision of options to tenants during rent setting consultations. The approach taken this year responds to these recommendations.

10. Partnership implications

10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

11.1 Following approval of the 2020/21 rent and service charge levels, tenants will subsequently receive notification of the final decision in writing 28 days clear of a change in rent being applied.

11.2 In recognition of the increasing importance for tenants to notify the relevant authority of the change, we are undertaking additional communication to remind and encourage tenants to notify the change of circumstances as soon as possible.

12. Equalities impact

12.1 This will be further considered as part of the analysis of feedback by age and ethnicity.

13. Recommendations

13.1 The Board is asked to:

1) Consider the feedback received through the extensive consultation process with tenants on our 2020/21 RSL rent and service charge increase; and
2) Approve a 3.4% rent and service charge increase for 2020/21 and that we formally write to tenants to confirm this.

GHA

Report

To:- **GHA Board**

By:- **Steven Henderson, Group Director of Finance**

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

Subject:- **2020/21 Financial Projections**

Date of Meeting:- **14 February 2020**

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1. Purpose

1.1 The purpose of this report is:

- To set out the updated projections for investment in assets and services over the five-year period to 2025, in support of our strategic ambitions; and
- to ask for the Board's approval of these updated financial projections, of which the first year will form the draft budget for 2020/21.

2. Authorising context

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

3. Risk appetite and assessment

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

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

4. Background

4.1 The financial projections presented reflect our new 2020-25 strategy, *Inspiring Ambition, Unleashing Potential,* and addresses how the 5 key themes of the strategy will be achieved.

4.2 GHA's financial performance continues to improve with the 2019/20 Q3 forecast GHA predicting that the business will deliver better than budgeted results again. We continue to make significant investment in our services and assets. For example:

- In the current financial year we are forecast to invest £47m in our existing housing stock.
- A total of 419 new social and mid-market rent units will be completed at a number of sites this year. Across the period of the '*Investing in our Futures'* strategy from 2015-20, GHA will have delivered 1,447 new units for social rent, plus a further 352 mid-market rent units, a total of 1,799 properties.
- Management and overhead costs have reduced over the five years since 2015, reducing from £3,019 per unit in 2015/16, to £2,540 per unit forecast for 2019/20. These efficiencies create capacity within GHA to fund the debt required to meet our new build ambitions and invest in services for our customers.

5. Discussion

5.1 The new strategy for 2020-2025, *Inspiring Ambition, Unleashing Potential*, forms the basis of these financial projections. The financial highlights under each theme of our new strategy are set out below.

<u>Delivering Exceptional Customer Experience</u>

5.2 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. These projections include funding to support:

Our 1:200 housing officer patch sizes and environmental teams, including:

- Building on the five-star accreditation recently awarded to six GHA sites through our partnership with 'Keep Scotland Beautiful'. Funding of over £21m each year for environmental services to assist GHA achieving five-star accreditation throughout all the areas within which we operate. This allocation represents £98.7m to fund the work performed by our environmental teams, and £6.8m on capital environmental works over the next 5 years.
- A programme of improvements to the common areas within our blocks, which has also been informed by our work in conjunction with 'Keep Scotland Beautiful'.
- Maintaining our concierge presence in our multi-storey blocks. This ensures that our customers always have a point of contact on site, improving the safety and security of our tenants.

- GHA's contribution to the Community Improvement Partnership; £1.5m per annum will support police teams to enhance our focus on anti-social behaviour, and fire specialists to ensure our customers are safe in their homes.

- Our new MyRepairs service, with a specialist hub in our call centre delivering the right diagnosis first time, offering next day appointments and text alerts to customers, improving the flexibility of our offering and enhancing business efficiencies through improved access rates.

Making the most of our homes and assets

5.3 The projections include £192.1m of gross funding for the new build programme in years 1-5 delivering 608 new social rent units and 696 new mid-market rent properties during this period. Grant income of £76.3m is also assumed in the projections which will contribute towards the funding costs of the properties noted above. It will therefore be important to understand the Scottish Government's plans for the housing budget post-2021 when the current 50,000 target finishes.

5.4 In our existing homes, total investment of £231m has been included. This work will largely be completed by our joint venture partner, City Building (Glasgow) LLP. Of this, £18m is allocated to our compliance programme keeping our tenants safe in their homes. A further £29m is planned to be spent on kitchens, bathrooms, rewires and windows and £18m on heating. A detailed five year investment programme will be presented to the May Board meeting.

5.5 During the first 5 years of the plan £177.6m of funding has been earmarked for repairs, ensuring this key budget line is protected in real terms to support the upkeep and maintenance of our stock.

5.6 The financial projections include £10.7m of funding in years 1-5 for customer identified investment priorities. Our vision is that customers will have a greater say in what investment creates most value for them. This will promote community engagement and will mean investment work streams will be better directed towards what customers want.

Changing lives and communities

5.7 The financial projections demonstrate our commitment to changing the lives of our tenants and the wider communities in which we operate. This will be achieved through:

- Funding of £10.0m to the Wheatley Foundation ("The Foundation") over the first 5 years of the financial projections, part of which is the foregoing of the return on the intra-group loan to Lowther. The Foundation use this to deliver services to our customers including welfare benefits advice, employability advice and training schemes for unemployed tenants, modern apprenticeships, our furniture up-cycling Homes Comforts scheme as well as our Eat Well service which delivers food parcels for 6 weeks to tenants most in need.
- The group-wide Tenancy Support Service ("TSS") is managed by our colleagues at Loretto Care. GHA's financial projections include annual funding of £1.1m and in return we receive flexible, tailored support for our vulnerable tenants.

- Better Lives funding of £750k has been included in 2020/21 with a further £300k per annum thereafter – this supports local, community projects approved by our three Area Committees.
- The Helping Hand Fund was introduced in GHA 5 years ago to assist our tenants in financial difficulty. The £460k provision next year can provide a "helping hand" towards utility bills, the purchase of food or can be used to help clear rent arrears. This funding continues to be relevant with the introduction of universal credit impacting our tenants and has been extended for 2020/21.
- Funding for modern apprenticeships through the Wheatley Foundation. These apprenticeships are offered to young people in the communities in which we operate.
- The Foundation also offer bursaries to tenants and customers of the Wheatley Group. This provides financial support to our customers who want to go into further education but would struggle to afford it on their own.

Developing our shared capacity

5.8 Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development and our leadership and graduate programmes. The projections include:

- Funding for investment in IT infrastructure of £11.5m to develop our digital transformation programme over the period of the strategy.
- Provision for £8m investment in staff learning and development over the five year, to be delivered through our in-house Academies, which will enable changes to the roles of our staff and the operating model to ensure the strategy is delivered.

Enabling our ambitions

5.9 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest. The financial statements presented below demonstrate our improving financial position over the next five years.

5.10 The detailed financial projections and assumptions are provided in the appendix to this report. Figure 1 shows the forecast deficit/surplus over the five year period to 2024/25.

Figure 1: Statement of comprehensive income

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Net rental income	182,440	189,260	196,305	204,253	211,315
Other Income	7,834	8,938	9,812	10,443	11,334
Grant Income	34,259	12,189	11,316	15,084	17,577
Total Income	**224,533**	**210,387**	**217,433**	**229,780**	**240,225**
Management and service costs	(60,611)	(61,813)	(60,541)	(61,869)	(62,904)
Repairs and maintenance costs	(33,281)	(34,231)	(35,391)	(36,883)	(37,763)
Demolition and ER/VR costs	(1,888)	(2,387)	-	-	-
Wider Role and Strategic Initiatives	(4,207)	(3,213)	(3,281)	(3,347)	(3,415)
Bad Debts	(3,607)	(3,736)	(3,868)	(4,017)	(4,149)
Depreciation	(61,632)	(64,742)	(66,630)	(68,446)	(71,205)
Operating Expenditure	**(165,225)**	**(170,122)**	**(169,711)**	**(174,562)**	**(179,436)**
Revaluation of investment properties	(18,749)	(7,252)	4,453	(2,587)	6,298
Operating Surplus	**40,559**	**33,013**	**52,175**	**52,630**	**67,087**
Operating Margin	**18%**	**16%**	**24%**	**23%**	**28%**
Net Finance Costs	(49,553)	(52,453)	(53,798)	(54,469)	(55,196)
Statutory (deficit)/surplus	**(8,994)**	**(19,440)**	**(1,623)**	**(1,838)**	**11,891**
Revaluation of housing properties	48,968	43,641	44,418	42,093	40,761
Total comprehensive income	**39,973**	**24,201**	**42,796**	**40,255**	**52,652**

5.11 Over the five year period presented, GHA's statutory deficit/surplus fluctuates due to property valuation movements and grant recognition on completed units.

5.12 Our annual rent and service charge consultation exercise has now been concluded and is reported to the Board separately. The financial projections incorporate the proposed 3.4% increase in rent and service charge levels and are aligned to our Strategy; the key elements of which are set out below:

- The financial projections assume a reduction to our operating cost base, with efficiency savings of 5.6% in the cost per unit over the five year period; ensuring we continue to deliver value for money for our customers.
- The joint venture with City Building will continue to result in a share of its profit each year, better working practices and closer collaboration. This will help support the delivery of our capital programme.
- The financial plans support our strategic commitment to strengthen our asset base through development, with funding in place for 608 new social housing and 696 new mid-market rental properties to be built over the five year period to 2024/25.

5.13 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. Our Statement of Financial Position, set out below, shows a strong net asset position which improves over the first 5 years of the projections. The delivery of 608 new social housing and 696 new mid-market rent properties will help to strengthen GHA's net asset base. Figure 2 shows the projected change in the balance sheet over the five year period to 2024/25.

Figure 2: Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Housing assets	1,378,898	1,423,015	1,466,411	1,514,921	1,557,876
Other Fixed Assets	81,272	80,688	80,121	81,063	82,234
Investment Properties	27,938	39,272	58,114	75,194	94,785
Lowther Investment	8,387	8,387	8,387	8,387	8,387
Total Fixed Assets	**1,496,495**	**1,551,362**	**1,613,034**	**1,679,565**	**1,743,282**
Current Assets	87,099	86,626	85,504	85,258	86,074
Current Liabilities	(30,696)	(30,478)	(30,478)	(30,478)	(30,478)
Net Current Assets	**56,404**	**56,148**	**55,026**	**54,781**	**55,596**
Long term liabilities	(971,461)	(1,001,871)	(1,019,625)	(1,045,656)	(1,057,536)
Net Assets	**581,438**	**605,639**	**648,435**	**688,690**	**741,342**
Revaluation Reserve	332,957	376,598	421,016	463,110	503,871
Pension Asset	14,711	14,711	14,711	14,711	14,711
Retained Earnings	233,770	214,330	212,708	210,869	222,760
Total Reserves	**581,438**	**605,639**	**648,435**	**688,690**	**741,342**

5.14 The value of housing assets increases by £179m over the five years. The new build programme is funded by debt (and grant subsidy) which increases by £86m over the same period. Over this period net assets increase by £160m. Peak debt is in year 2024/25 (year 5) and thereafter the debt reduces as repayments commence. GHA is forecast to repay all debt by year 28 and by year 30 will have a cash balance of £147.7m.

5.15 Figure 3 shows the cash position over five years – the net movement in cash reflects GHA's borrowing requirements from WFL1 in line with new build expenditure. Our borrowing levels are, however, sustainable and fully funded within our financial projections.

Figure 3: Cashflows generated

Cash Flow	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Net Cash from Operating Activities	86,680	92,818	103,036	108,580	114,417
Core & Other Capital Expenditure	(50,974)	(48,437)	(46,330)	(49,911)	(51,857)
New Build Expenditure (net of grant)	(27,404)	(22,034)	(20,562)	(20,941)	(24,832)
Net Cash after Investing Activities	**8,302**	**22,347**	**36,144**	**37,728**	**37,728**
Net Finance Costs	(49,553)	(52,453)	(53,798)	(54,469)	(55,196)
Net Movement in Cash	**(41,251)**	**(30,106)**	**(17,654)**	**(16,741)**	**(17,468)**

5.16 As there is a time lag between expenditure and the generation of additional rental income, our finance costs increase before we realise the benefit of additional rents from new build properties. Upon completion of the new build programme debt repayments will commence, reducing the associated finance costs, thereby improving the cash position.

5.17 Cash flows need to be sufficient to service intra-group debt i.e. pay interest and repay loan capital over the life of our business plan. EBITDA MRI (earnings before interest, tax, depreciation and amortisation with major investment spend taken into account) over net interest payable is the ratio used by the group to assess this and ideally should be >1. The chart in figure 4 shows that the ratio is <1 in the first 2 years as GHA's debt level and associated interest costs increase to fund the new build and capital investment before benefiting from the increase in rental and lease income following the development period. As the additional income is received from 2022/23 onwards the ratio improves to >1, meaning the business is generating sufficient surplus to fund its activities, maintain the housing stock and cover interest payments.

Figure 4: EBITDA MRI interest cover ratio

Cash Flow Strength	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
EBITDA	86,680	92,818	103,036	108,580	114,417
Less Capital Investment (Existing Properties)	(47,817)	(45,256)	(43,080)	(46,591)	(48,464)
EBITDA MRI	38,863	47,562	59,956	61,989	65,953
Net Finance Costs	(49,553)	(52,453)	(53,798)	(54,469)	(55,196)
EBITDA MRI less Finance Costs	**(10,690)**	**(4,891)**	**6,158**	**7,520**	**10,756**
Interest Cover	**0.78x**	**0.91x**	**1.11x**	**1.14x**	**1.19x**

5.18 We must ensure that GHA and the other partner organisations within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. As demonstrated in the table above and within the appendix, GHA is able to meet these parameters from year 3 of the projections. This ensures WFL1, as the RSL treasury vehicle, is able to meet its external funding conditions.

6. Key issues and conclusions

6.1 These financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 19 February. The figures in the first year of the projections, 2020/21, will then form the basis of the annual budget which will be presented to the GHA Board for approval in March. Performance against the budget will then be monitored through the management accounts provided to the Board throughout the year.

7. Value for money implications

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

8. Legal, regulatory and charitable implications

8.1 There are no specific legal implications arising from the revised financial projections. Implementation of specific actions identified in these projections may have legal implications and specific legal input will be sought as part of any business case approval process for these actions.

9. Equalities impact

9.1 Not applicable.

10. Recommendations

10.1 The Board is requested to:

1) Approve the updated financial projections for investment in assets and services over the five year period to 2025; and
2) Agree that the projected 2020/21 figures form the basis of next year's annual budget which will be presented to the Board for final approval in March.

List of Appendices

Appendix 1 - GHA 2020/21 Financial Projections

Better homes, better lives
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GHA Financial Projections
2020/21

Wheatley Group

1 Headlines

GHA is on track to complete 320 social rent units and 119 MMR units in 2019/20. Further investment of £47.8m in our existing homes is also expected to be achieved.

The updated financial projections for 2020/21 and beyond include:

- Provision to build 1,304 new properties in the first 5 years of the plan; 608 social rent units and 696 mid-market rent properties.
- A further 20 property acquisitions (e.g. buy-backs from owners who bought under the Right to Buy scheme and wish to sell their home back to us).
- £231m of investment in our existing housing stock in the first 5 years of the projections, including £10.7m set aside for customer priorities.
- Continued operating cost efficiencies, in line with previous plans and performance to date.
- £10.0m of donations to the Wheatley Foundation as well as £2.1m Better Lives and Area Committee funding across the first 5 years of the plan.
- An improving operating surplus in the first 5 years of the projections.
- By year 3 of the financial projections, GHA is expected to generate sufficient cash from its underlying business operations to meet the borrowing costs of the business and the cost of its investment works.

GHA's peak net debt of £989.9m is forecast to be reached in 2024/25 (year 5) with repayment following thereafter. Debt is projected to be paid in full in 2047/48 (year 28) with an anticipated closing cash balance of £271.4m in year 30.

2 Key assumptions

The key assumptions in the GHA 2020/21 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

2.1 Stock numbers

Social housing

Opening stock numbers for the 2020/21 financial projections have been derived using the audited stock numbers at 31 March 2019 as per the statutory accounts, adjusted for forecast additions and disposals in 2019/20. Additions relate to new build properties completed in the year and other one off, strategic acquisitions. Disposals refer to any demolitions in the year. The 2020/21 projections assume an opening balance of 39,790 properties at 1 April 2020:

- Of the opening stock numbers, 117 are marked for demolition. These relate to the units at Gallowgate which are expected to be handed over to the contractor in 2020/21, following completion of the adjacent new build development in Q4 of 2019/20.
- In 2019/20 320 properties are expected to complete at our developments at Hinshelwood, Gallowgate, Auchinlea, Linkwood, Glenacre and Bellrock with a further 608 units completing between 2020/21 and 2045/25.
- Funding for 20 individual asset purchases is included in 2020/21. These primarily relate to former Right to Buy properties bought back and facilitate majority ownership of a block.

As a result of the changes noted above, social rent units are forecast to increase to 40,301 units over the first 5 years of the projections.

Other Affordable Housing

Our mid-market rent properties offer a low cost alternative to people in employment who receive a low to moderate salary. These units are built and owned by GHA but are leased to and managed through the Wheatley Housing Group's commercial subsidiary, Lowther Homes Limited.

At 1 April 2020 GHA are expected to own 503 mid–market rent ("MMR") properties following completions in the current year at Bellwatson, Ibroxholm Ph2 and Gallowgate. Over the first 5 years of the projections a further 696 units are expected to be completed, taking our MMR portfolio to 1,199 properties by 31 March 2025.

A summary of the change in stock numbers for both social rent property and mid-market rent properties is shown below:

Stock Numbers	Forecast				
	2020/21	2021/22	2022/23	2023/24	2024/25
	Year 1	Year 2	Year 3	Year 4	Year 5
Opening Units	40,293	40,674	40,872	41,033	41,263
Additions - Acquisitions	20	-	-	-	-
Additions - Social Rent	260	48	95	75	130
Additions - MMR	218	150	66	155	107
Demolition	(117)	-	-	-	-
Closing Units	**40,674**	**40,872**	**41,033**	**41,263**	**41,500**

Anticipated handover of units at the Kennishead new build development in 2020/21 marks the final completions with respect to our commitment as part of the re-provisioning programme.

2.2 Rents and Service Charge Income

Opening rents are based on our average weekly rent for our current rent roll of £84.84, adjusted for a proposed 3.4% rent increase in April 2020, subject to board approval. The rent growth assumption in subsequent years is 3.5% as noted below:

Rent increases	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
Percentage rent increase assumed	3.40%	3.50%	3.50%	3.50%	3.50%

Per previous commitments, rents relating to demolition stock are assumed to be frozen for their remaining life.

2.3 Other Income

A further £7.8m is expected to be generated by GHA in 2020/21 from other income streams, rising to £11.3m by year 5 of the projections (2024/25). Other income encompasses service charges for heat with rent, district heating and garage lock ups as well as commercial income from radio masts, the rental of offices and shops underneath our housing properties, as well as lease income from Lowther Homes for our MMR properties. The £3.5m increase in other income over the first 5 years of the plan is driven, in the main, by the completion of additional MMR units which are in turn let to Lowther Homes and are expected to contribute £5.9m by 2024/25, an increase of £3.1m over the 5 year period.

Other Income	Forecast				
	2020/21	2021/22	2022/23	2023/24	2024/25
	Year 1	Year 2	Year 3	Year 4	Year 5
External					
Heat with rent	382	502	630	801	895
Furnished Lets	157	16	0	0	0
Hillpark District heating	220	227	233	240	248
Garage income (net of voids)	383	397	411	425	440
Owners Capital Works	275	283	292	301	310
Wayleave Income (Virgin)	150	150	150	0	0
Commercial - Radio Masts	300	300	150	150	75
Commercial - Properties	1,648	1,698	1,748	1,801	1,855
Initiatives - Solar PVs	394	401	409	416	424
Internal					
MMR lease income	2,782	3,832	4,643	5,141	5,896
Commercial - Wheatley House & Lipton	1,419	1,416	1,438	1,470	1,502
TOTAL	**8,109**	**9,221**	**10,104**	**10,743**	**11,643**
Owners Capital Costs offset against income	(275)	(283)	(292)	(301)	(310)
NET INCOME	**7,834**	**8,938**	**9,812**	**10,443**	**11,334**

2.4 Cost inflation assumptions

The general cost inflation rates assumed within the financial projections are shown in the table below:

	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
Cost inflation assumption (excluding employee costs)	3.00%	3.00%	3.00%	3.00%

December 2019 RPI was reported at 2.2%, with CPI at 1.3%. The Bank of England target is 2.0% CPI so the financial projection assumption of 3.0% includes a level of prudence.

2.5 Operating performance

The current void loss performance for GHA is 0.65% of rental income. The financial projections have been prepared prudently with rent lost through voids assumed to be 1.0% throughout the plan.

Bad debts are assumed throughout the forecasts to be 2.0% of rental income. Again, this is higher than the current levels reported by GHA but has been set cautiously because of the increasing impact of welfare reform on our tenants. Our Business Plan assumptions on movements in arrears as a result of universal credit have been updated to reflect our experience and expectations going forward including:-

- Increase in number of tenants moving to universal credit (a total of 17,200 tenants which is all tenants of working age);
- 80% of tenants who move on to universal credit will have an increase in arrears, with this increase equivalent to 5 weeks rent (£425-£485); and
- Of this increased arrears balance it is assumed only 40% will be recovered with this recovery taking up to two years.

2.6 Management costs

The following management costs (including inflation) are funded within the plan:

Operating Costs (including inflation)	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Direct management costs – GHA staff and running costs	40,877	42,167	40,556	41,381	41,899
Recharges from Wheatley Solutions (including Transactional Hub)	19,733	19,646	19,985	20,488	21,005
Total management costs	**60,611**	**61,814**	**60,541**	**61,869**	**62,904**

The management costs above reflect direct employee and running costs in GHA as well as recharges from Wheatley Solutions for the shared services this entity provides the Group. The projections include efficiency savings expected to be achieved through increased online engagement, streamlining of the office estate and procurement savings for utilities, vehicles and insurance. In real terms, management costs are expected to fall by £3.4m between 2020/21 and 2024/25; a 5.6% reduction.

2.7 Repair Costs

Our customer satisfaction surveys consistently show a direct link between the repairs service tenants receive and their satisfaction levels. Funding for repairs was increased in last year’s business plan to better reflect spend levels and the increasing legislative requirements that the business must comply with (e.g. emergency lighting, window safety catches, TMVs, HIU inspections). This increased funding level has been maintained in the 2020/21 business plan being presented. This equates to average funding of £835 per property in 2020/21 increasing by inflation to £939 per property in 2024/25.

Repair costs (including inflation)	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Total repair costs	**33,281**	**34,231**	**35,391**	**36,883**	**37,763**
Average no. of units	39,872	39,977	40,049	40,134	40,236
Average repair cost per unit £	**835**	**856**	**884**	**919**	**939**

2.8 Demolition costs

The financial projections include £1.1m of costs required for our demolition programme of works. This funding primarily covers the contract costs to demolish our properties at Gallowgate. These properties are expected to be cleared in full following the completion of new build properties at the adjacent site in Q4 of 2019/20. The costs of demolition are incurred in full by GHA and reduce the operating surplus in the year they were incurred.

2.9 Other provisions

The financial projections continue to include a commitment to improve the wider communities in which we operate. Over the first 5 years of the plan, the following funding has been included:

- Helping Hand Funding of £460k in year 1 of the plan. This funding helps those in financial difficulty, particularly those who are in and out of jobs or whose benefits may change as a result of universal credit.
- Better Lives Funding of £750k in 2020/21 and at £300k per annum thereafter. This fund is currently managed and distributed by our Better Lives officers, employed by the Wheatley Foundation, to local communities following local committee approval.
- Annual costs of £1.1m for the Tenancy Sustainment service that Loretto Care delivers on our behalf.
- Funding for the Area Committees of £150k in 2020/21.
- Donations to the Wheatley Foundation totalling £10.0m over the first 5 years of the plan. This is largely funded through the redirection of interest receivable on the convertible debt instrument owed by Lowther Homes to GHA. This equates to £1.75m per annum with an additional top up provision from GHA of approximately £250k per annum. This is used by the Wheatley Foundation to fund their projects which directly impact the lives of GHA tenants. These projects include their bursary programme, training for vulnerable tenants looking to get back into employment, fuel and welfare benefit advice as well as fitness classes and the Home Comforts and Eat Well services.

2.10 Operating Cost per Unit

Our operating costs per unit, excluding depreciation and finance costs, over the five year period and are set out below:

Operating Costs	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
Operating Costs exc depn (£'000)	103,594	105,380	103,081	106,117	108,231
Average no. of units in year	39,872	39,977	40,049	40,134	40,236
Operating Cost per unit (£)	**2,598**	**2,636**	**2,574**	**2,644**	**2,690**

The underlying operating cost per unit, in real terms, is assumed to decrease by 6.8% over the first five years, a saving of £178 per unit. This saving is driven by asset growth and operating cost efficiencies.

2.11 Capital Investment

Investment in current housing stock

Funding for our rolling programme of investment works in our existing housing stock across the first 5 years of the projections is shown below; £231m is assumed to be invested in this timeframe. This funding includes inflation, VAT, fees, and capitalised employee costs associated with the delivery of the investment programme.

Investment in existing properties	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Core Investment Programme (inc environmental)	23,334	22,974	19,924	23,446	23,423
Capitalised Compliance Costs	4,111	1,353	1,653	1,053	2,343
Capitalised Void Costs (inc new void team)	7,241	7,452	7,669	7,892	8,122
Capitalised Repairs	3,039	3,145	3,254	3,366	3,481
Disabled Adaptations	1,365	1,365	1,365	1,365	1,365
Capitalised Employee Costs	2,652	2,710	2,770	2,831	2,893
Capitalised Fixed Overhead	6,074	6,257	6,445	6,638	6,838
Total Capital Investment	**47,817**	**45,256**	**43,080**	**46,591**	**48,464**

Funding of over £113m is included in the business plan over the first 5 years for the core investment programme and the replacement of components. This includes £18.2m for heating, £11.9m for new kitchens, £11.4m for lift replacements and £10.7m of funding to be used for what customers deem to be their priorities with spending decisions to be devolved to local committee level.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties. This clear out service has now been brought in-house and will be carried out by a newly created void team within the Wheatley 360 wrap-around service structure. This is expected to generate savings of c£0.5m per annum which has been reflected in the information above.

Investment in new housing

Funding in relation to our new build programme has been included in the financial projections. Over the first 5 years of the plan, £115.8m is expected to be invested in new properties; this is net of grant income of £76.3m.

Funding of £1.0m for approximately 20 other property acquisitions has also been reflected in the plan, as well as £1.7m of Development Fund; this is used for abnormal costs at sites which may otherwise result in development costs being too prohibitive to progress.

The costs and grant income associated with investment in new properties is shown below:

Investment in new properties	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Development Costs	40,998	31,044	29,490	41,806	32,329
Development Fund	450	450	450	350	0
Capitalised Employee Costs	2,624	2,682	2,741	2,801	2,863
Acquisitions	1,000	0	0	0	0
Grant Income	(17,668)	(12,142)	(12,118)	(24,016)	(10,360)
Total investment in new properties	**27,404**	**22,034**	**20,562**	**20,941**	**24,832**
*Acquisitions and completions in year***	*498*	*198*	*161*	*230*	*237*

**In year development costs will be for units that complete in later years and do not necessarily relate to the units completing in the same year.

2.12 Interest Rate assumptions

The new build programme assumed in the financial projections requires debt finance to be drawn down over time. In line with the wider Group funding strategy, borrowing is advanced from Wheatley Funding No 1 Limited (WFL1) at an assumed blended all in average funding rate of 5.25% for 2020/21 and 5.35% thereafter. The blended funding rate reflects a combination of bank and bond funding, any fixed rate arrangements in place and any monitoring or commitment fees payable by WFL1 to external funders and is consistent across all Group subsidiaries.

The interest rate receivable on cash balances has also been revised as shown to reflect current market expectations.

Interest rate assumptions	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
Interest Payable (Group funding)	5.25%	5.35%	5.35%	5.35%	5.35%
Interest Receivable	0.50%	0.75%	1.00%	1.50%	1.50%

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Net rental income	182,440	189,260	196,305	204,253	211,315
Other Income	7,834	8,938	9,812	10,443	11,334
Grant Income	34,259	12,189	11,316	15,084	17,577
Total Income	**224,533**	**210,387**	**217,433**	**229,780**	**240,225**
Management and service costs	(60,611)	(61,813)	(60,541)	(61,869)	(62,904)
Repairs and maintenance costs	(33,281)	(34,231)	(35,391)	(36,883)	(37,763)
Demolition and ER/VR costs	(1,888)	(2,387)	-	-	-
Wider Role and Strategic Initiatives	(4,207)	(3,213)	(3,281)	(3,347)	(3,415)
Bad Debts	(3,607)	(3,736)	(3,868)	(4,017)	(4,149)
Depreciation	(61,632)	(64,742)	(66,630)	(68,446)	(71,205)
Operating Expenditure	**(165,225)**	**(170,122)**	**(169,711)**	**(174,562)**	**(179,436)**
Revaluation of investment properties	(18,749)	(7,252)	4,453	(2,587)	6,298
Operating Surplus	**40,559**	**33,013**	**52,175**	**52,630**	**67,087**
Operating Margin	**18%**	**16%**	**24%**	**23%**	**28%**
Net Finance Costs	(49,553)	(52,453)	(53,798)	(54,469)	(55,196)
Surplus/(Deficit)	**(8,994)**	**(19,440)**	**(1,623)**	**(1,838)**	**11,891**
Revaluation of housing properties	48,968	43,641	44,418	42,093	40,761
Total comprehensive income	**39,973**	**24,201**	**42,796**	**40,255**	**52,652**

The information presented in the table above includes inflation.

Income

Net rental income reflects the rent increase net of any void losses. Growth in our asset base through new build completions has also impacted.

Other income relates to income from our service charge offerings to tenants (e.g. heat with rent, home contents insurance, and rental income for our garage lock ups), as well as commercial property income (i.e. our offices and shops, radio mast charges and lease income from Lowther Homes for our MMR properties). Other income is assumed to increase by £3.5m over the first 5 years of the projections.

Capital grant income is recognised in the income statement in line with the completion of the associated capital spend. Grant income in the table above reflects the recognition of grant income with respect to new build programme, recognised in the income statement at the handover date of properties. As a result, the level of grant income fluctuates significantly across the 5 year period, reflecting both the volume of new build completions in each year as well as the tenure mix (as social rent units attract a higher level of grant funding).

Operating Expenditure

Management costs across the 5 year period assume efficiency savings as detailed in section 2.5 of this paper. Efficiency savings are expected to be achieved in running and employee costs incurred by GHA directly and recharged from Wheatley Solutions.

Non recurring costs have been shown as a separate line (Demolition and Organisation Restructuring) as these are included in the projections for a finite length of time only. They primarily relate to demolition costs and ER/VR costs which are "non-recurring" business change expenditure.

As noted in section 2.8, wider role and strategic initiative spend refers to revenue funding for our wider role activities in the communities that we serve. Funding of £17.5m has been included in the first 5 years of the projections.

Operating Surplus

The revaluation of investment properties line relates to gains and losses forecast on the revaluation of our investment (mid-market rent) properties. Years 1, 2 and 4 are expected to generate revaluation losses on these properties, however despite this, the financial projections estimate that GHA will generate an operating surplus in all 5 years shown.

When new build grant income and the impact of property valuations are stripped out of the operating statement above, the underlying business performance can be seen to be following an improving trend with operating surplus rising from £25.0m (13%) in 2020/21 to £43.2m (19%) in 2024/25.

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Total Income	190,274	198,198	206,117	214,696	222,648
Operating Expenditure	(165,225)	(170,122)	(169,711)	(174,562)	(179,436)
Operating Surplus	**25,049**	**28,076**	**36,406**	**40,134**	**43,212**
Operating Margin	**13%**	**14%**	**18%**	**19%**	**19%**

Total comprehensive income

Any changes in the valuation of our housing stock are reflected in the Statement of Comprehensive Income. Reductions in the valuation coincide with the timing of handovers of new build properties as our gross cost to build exceeds the valuation of new build properties.

3.2 Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Housing assets	1,378,898	1,423,015	1,466,411	1,514,921	1,557,876
Other Fixed Assets	81,272	80,688	80,121	81,063	82,234
Investment Properties	27,938	39,272	58,114	75,194	94,785
Lowther Investment	8,387	8,387	8,387	8,387	8,387
Total Fixed Assets	**1,496,495**	**1,551,362**	**1,613,034**	**1,679,565**	**1,743,282**
Current Assets	87,099	86,626	85,504	85,258	86,074
Current Liabilities	(30,696)	(30,478)	(30,478)	(30,478)	(30,478)
Net Current (Liabilities)/Assets	**56,404**	**56,148**	**55,026**	**54,781**	**55,596**
Long term liabilities	(971,461)	(1,001,871)	(1,019,625)	(1,045,656)	(1,057,536)
Net Assets	**581,438**	**605,639**	**648,435**	**688,690**	**741,342**
Revaluation Reserve	332,957	376,598	421,016	463,110	503,871
Pension Asset	14,711	14,711	14,711	14,711	14,711
Retained Earnings	233,770	214,330	212,708	210,869	222,760
Total Reserves	**581,438**	**605,639**	**648,435**	**688,690**	**741,342**

The information presented in the table above includes inflation.

Housing Assets

The value of Housing assets reflects the expected value of our housing stock over the 5 year period. Our housing assets are held at valuation and are assumed to increase in value each year as a consequence of our investment in our existing stock and in new properties.

Other Fixed Assets
Other Fixed Assets include our fixtures and fittings and IT Equipment. Annual depreciation charges reduce the balance each year.

Investments
Investment properties include our commercial properties (i.e. shops and offices) and our mid-market rent properties. These are valued annually with any movement in valuation taken through operating profit.

GHA issued £30m of convertible debt to Lowther Homes Limited in 2014/15. The convertible element of this is recognised as an investment in GHA's accounts. The remaining balance is an intercompany balance included within current assets.

Net Current Assets
The value of current assets is broadly consistent over the 5 years of the projections. Arrears are expected to increase from current year levels in 2020/21 following the continued roll out of universal credit. This position is then expected to improve as these debts are recovered.

Long Term Liabilities
Long term liabilities relate to the loan due to Wheatley Funding Limited 1 (WFL1) and the contingent efficiencies grant. The long term liabilities balance increases over the period shown. This is because debt is at its peak in year 5 (2024/25) and then reduces thereafter as there is sufficient cash to repay debt. Repayment is expected to occur in year 28 (2047/48)) of the projections when all debt is repaid in full.

Reserves
Retained earnings are forecast to reduce in years 1-4 as a result of losses generated after paying our costs of borrowing. The revaluation reserve increases each year as a result of valuation adjustments for our housing stock. These valuation adjustments increase the value from gross cost to expected value using the EUV-SH methodology.

3.3 Statement of Cash Flow

Cash Flow	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Net Cash from Operating Activities	86,680	92,818	103,036	108,580	114,417
Core & Other Capital Expenditure	(50,974)	(48,437)	(46,330)	(49,911)	(51,857)
New Build Expenditure (net of grant)	(27,404)	(22,034)	(20,562)	(20,941)	(24,832)
Net Cash after Investing Activities	**8,302**	**22,347**	**36,144**	**37,728**	**37,728**
Net Finance Costs	(49,553)	(52,453)	(53,798)	(54,469)	(55,196)
Net Movement in Cash	**(41,251)**	**(30,106)**	**(17,654)**	**(16,741)**	**(17,468)**

The net movement in cash improves over the period as efficiency measures are realised and rental income from new build properties can be recognised. Debt hits its peak in year 5 of the forecasts, however, thereafter the business will generate sufficient cash resources to both service its debt and repay an element of the capital borrowed. The table shows the cash requirement of the business and how this improves each year. The underlying business is cash generative in all years and this will contribute towards the financing costs of the business.

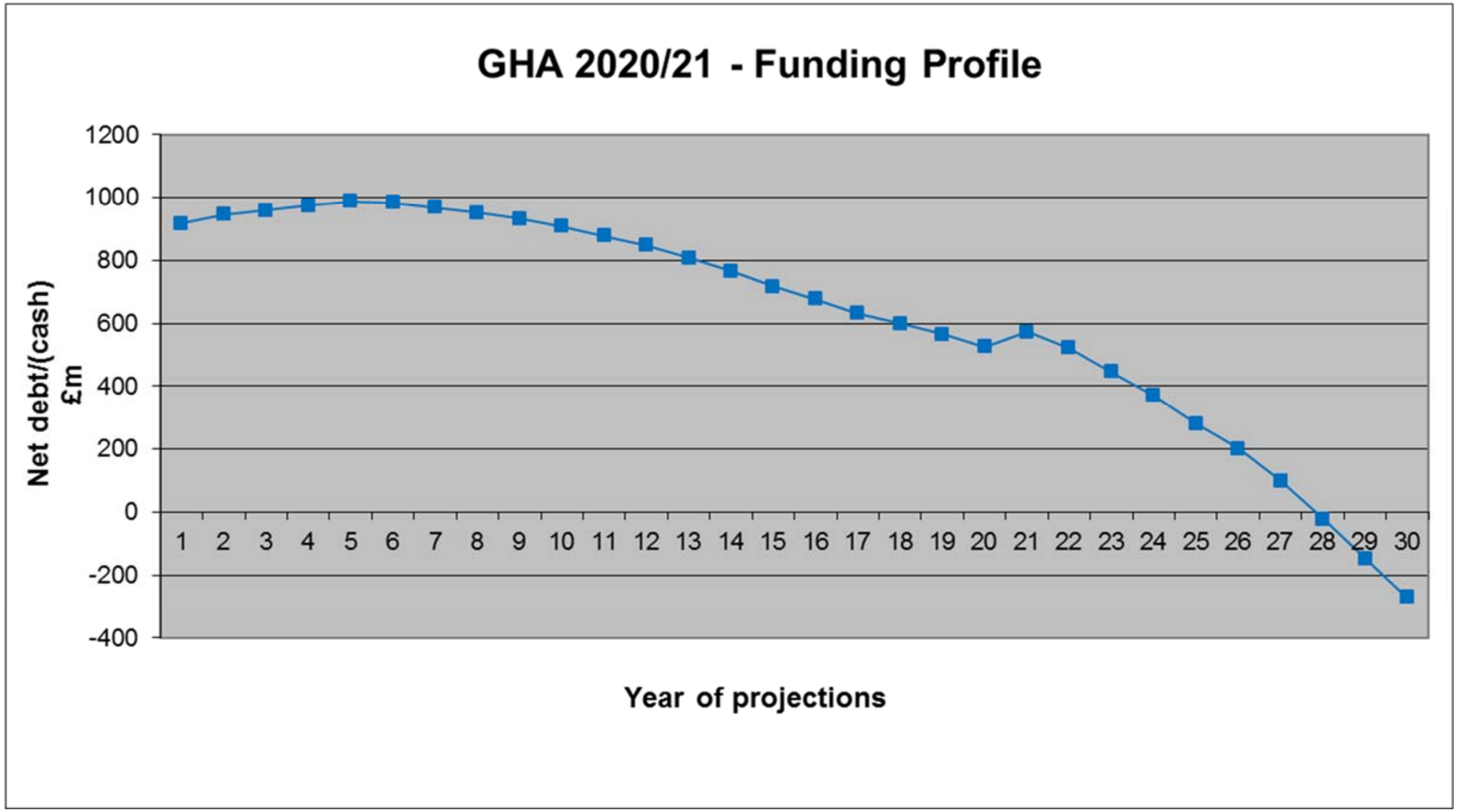
4. Funding and debt profile

The plan reflects the group funding arrangements through Wheatley Funding Limited 1 (WFL1). GHA can borrow from WFL1, subject to debt facilities being available, what it can support with its assets and cash flows. GHA, together with all the other RSLs in the RSL Borrowing Group, needs to ensure that all external funding conditions at WFL1 level are met at all times, including compliance with financial covenants. Whilst there are no specific financial covenants at each RSL level it is the delivery of the approved financial projections by each RSL (as set out in section 2 above for GHA) that is key to meeting funding conditions at WFL1.

The resulting debt profile for GHA is as follows:

Debt indicator	Value
Peak debt	£989.0m
Peak debt year	5 (2024/25)
Debt repayment year	28 (2047/48)
Closing cash	£271.4m

The graph below shows how GHA’s debt level will increase in the short term as investment continues in the new build programme and the core programme. The debt starts to get repaid in year 5 (2024/25) of the plan and thereafter the debt levels reduce. By year 28 (2047/48) of the plan, there will be sufficient cash to repay debt with an estimated closing cash balance of £271.4m.


GHA 2020/21 - Funding Profile
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0
-200
-400
Net debt/(cash) £m
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
Year of projections

5. Key financial parameters

Whilst there are no specific funding covenants for GHA, there are important financial parameters which need to be met to ensure that GHA remains financially sustainable in the long term and that its contribution to the RSL Borrowing Group, along with all the other RSLs in the group, allows WFL1 to meet its external funding conditions. Therefore the following criteria need to be taken into account when assessing the impact of any risks or business decisions on the financial projections:

Operating margin generation

In the long term, operating surplus needs to be sufficient to service debt, i.e. meet interest payments on debt balances and achieve overall financial surplus every year. The financial projections that GHA will generate the following operating margins over the first 5 years:

STATEMENT OF COMPREHENSIVE INCOME	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Operating Surplus**	25,049	28,076	36,406	40,134	43,212
Operating Margin	13%	14%	18%	19%	19%

**Note that operating surplus has been adjusted here to remove grant income and property valuations and is the measure used to test covenants at a WFL1 level.

Cash Flow Strength

Cash flows need to be able to demonstrate that there is sufficient cash available to service intra-group debt each year and to repay funding within 30 years. A measure often used in the housing sector is “Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included” (“EBITDA MRI”), which removes items that are non-cash and/or unrelated to operations, such as grant income and property valuation movements, to assess the funds available to meet interest payments and pay for all costs related to current stock.

Cash Flow Strength	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
EBITDA	86,680	92,818	103,036	108,580	114,417
Less Capital Investment (Existing Properties)	(47,817)	(45,256)	(43,080)	(46,591)	(48,464)
EBITDA MRI	38,863	47,562	59,956	61,989	65,953
Net Finance Costs	(49,553)	(52,453)	(53,798)	(54,469)	(55,196)
EBITDA MRI less Finance Costs	**(10,690)**	**(4,891)**	**6,158**	**7,520**	**10,756**
Interest Cover	0.78x	0.91x	1.11x	1.14x	1.19x

In years 1 and 2 of the plan interest costs exceed EBITDA MRI reflecting the level of investment in our core investment programme. As income increases on completion of the additional units and efficiency savings are realised the ratio improves and by year 3 is sufficient to cover borrowing costs and its capital investment. Over the longer term it is projected that debt can be repaid in year 28 of the plan with £147.7m of cash generated by year 30.

Asset cover

One of the metrics which governs overall borrowing limits is the value of the owned asset base. The GHA investment and development programme is supported by intra-group borrowing from WFL1 which operates on a Group wide borrowing and asset security basis. Assets are typically based on the cash flows associated with these assets, business decisions, e.g. in relation to rent growth, will have an impact on asset values.

6. Risk analysis

We have performed sensitivity analysis showing the potential impact on the plan of key risk factors. As well as general risks relating to inflation and the cost base.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.78**	**0.91**	**1.11**	**1.14**	**1.19**	**£989.0m**	**28**	**£271.4m**	
1	Cost inflation decreases to 2.5% from year 3	0.78	0.91	1.12	1.14	1.20	£987.9m	27	£423.8m	As expected this has a positive impact on the Business Plan, more so in later years as the compound effect of lower than assumed inflation results in improved performance and cash flows. Year of debt repayment is brought forward by one year, cash at year 30 increases by £152.4m
2	Rent increase reduced to 3% for duration of plan	0.78	0.89	1.08	1.08	1.12	£999.8m	NA	NA	In early years EBITDA MRI cover deteriorates, though still exceeds 1 by year 3. The compound effect of the lower rent causes debt to remain outstanding over the 30 years. In mitigation, costs of operation, investment and new build would be reviewed in order to reduce the overall cost and cash requirement to within a manageable level.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.78**	**0.91**	**1.11**	**1.14**	**1.19**	**£989.0m**	**28**	**£271.4m**	
3	Bad debt increases by 1%	0.75	0.87	1.07	1.09	1.14	£1,000m	30	£82.5m	The increase to bad debt causes debt repayment to be delayed by two years, with peak debt increasing £11m, and year 30 cash decreasing £188.9m. The monthly reporting process would identify any trend towards a deterioration of the bad debt position, allowing for time to understand the reasons and work towards resolution.
4	Employee costs increase by 2% higher (4.2%) in year 2.	0.78	0.89	1.10	1.12	1.17	£993.1m	29	£203.5m	Interest cover is marginally affected, and remains on trend, being >1 by year 4. Peak debt increases by £4.1m and closing cash is reduced by £67.9m due to the higher employee cost base from year 2 and the compound effect of future employee pay increases. Operational cost efficiencies would be sought elsewhere in order to mitigate any impact from increased employee costs.
5	Repairs & maintenance costs are £3m higher per year for the duration of the plan	0.72	0.84	1.04	1.06	1.11	£1007.6m	31	NA	EBITDA MRI reduces but remains on trend. The main impact is that debt cannot be repaid within 30 years, with peak debt increasing £18.6m. In mitigation cost efficiencies would be sought elsewhere in the event of increasing repairs and maintenance, with a focus on new build and capital investment.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.78**	**0.91**	**1.11**	**1.14**	**1.19**	**£989.0m**	**28**	**£271.4m**	
6	The introduction of a new housing standard requires additional capital investment of £10m over the course of years 2 and 3	0.78	0.80	1.00	1.12	1.18	£1001.6m	29	£229.6m	The additional investment has a significant impact on interest cover in years 2 and 3 due to the effect of additional capex reducing cash surplus, and increased interest costs as a result of additional debt funding; however, though recovers from year 4. Peak debt increases £12.6m and repayment is delayed by one year to year 29. Closing cash reduces by £41.8m. In mitigation any non-essential works would be delayed in order to accommodate investment priorities, and cost efficiencies would be sought within the operational cost base and new build programme.
7	New Build schemes are all delayed by 3 months	0.78	0.91	1.12	1.14	1.20	£986m	28	£270.4m	This has the effect of delaying the net operating surplus generated by new build units; costs of finance increase due to debt being held for longer than anticipated and the organisation is also potentially exposed to inflated costs brought about by the delay. The decrease to peak debt is due to the delayed spend causing a change to the profile of debt requirements (peak debt is lower, but is for longer). Closing cash decreases by £1m, mainly relating to lost rent. Whilst GHA can absorb these impacts, the development team would endeavour to reduce the impact of this through contract negotiation and planning forward for known issues.

Nr	Risk description	EBITDA MRI Interest Cover					Cash flow			Mitigation
		Year 1	Year 2	Year 3	Year 4	Year 5	Peak net debt £k	Debt repaid	Cash (Year 30)	
Base Case		**0.78**	**0.91**	**1.11**	**1.14**	**1.19**	**£989.0m**	**28**	**£271.4m**	
8	A major house builder goes into administration affecting 180 units of GHA's new build programme, delaying completion by 6 months and increasing costs by 20%	0.78	0.91	1.11	1.13	1.19	£994.6m	28	£251.6m	Interest cover decreases in years 4 and 5 due to the additional debt requirement to complete the scheme, increasing interest costs. The delayed handover of completed units also means rent is not being generated until later. Peak debt increases £5.6m, and closing cash decreases by almost £19.8m. In mitigation we would expect that this would be picked up by our monthly monitoring of contract exposure, allowing time for resolution before the contractor fell into administration. We would seek to absorb any impact from this within the investment programme funding allocation, and by reducing non-essential work within the capital investment programme.

Report

To:- **GHA Board**

By:- **Jehan Weerasinghe, Managing Director of GHA**

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

Subject:- **Inspiring Ambition, Unleashing Potential: Our Strategy 2020-25**

Date:- **14 February 2020**

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1. Purpose

1.1 This report seeks the Board's approval for our new strategy 2020-2025: "Inspiring Ambition, Unleashing Potential". This follows the approval of the Group strategy in October 2019 by the Wheatley Group Board.

2. Authorising context

2.1 The Intra Group Agreement as well as the Group Authorising Framework sets out that the Group Board is responsible for the agreement of a Group strategy. Our Board has responsibility for approving:

- Our individual strategy;
- Our strategic priorities; and
- How the strategy is implemented in a way that reflects our unique circumstances, history and track record of success.

3. Risk appetite and assessment

3.1 Developing our strategy for 2020-2025 will involve discussions across all risk areas. These discussions will reflect agreed risk appetite levels in each area and balancing these measured risks against our ambitions to evolve from an excellent standard of customer service to outstanding.

4. Background

4.1 As we close out 'Investing in our Futures' (2015-20), our sector leading strategy, we want to push our ambitions even further from delivering excellent services to delivering outstanding services. We close out this strategy with having achieved monumental success for the communities and customers we service across Glasgow. A few of these highlights include:

- Consistently achieving over 90% or above overall customer satisfaction;
- Achieving top quartile on 80% of measures/KPIs;
- 3,000 new build homes across Glasgow;
- 1,515 jobs, training places and apprenticeships created;
- External validation of out impact on the Scotland's largest City (Fraser of Allander) and the economy in 2019;
- EFQM Global Excellence Award 2017; and
- Over 30% of customers registered to transact on-line.

4.2 We want our next strategy to be even more ambitious, impactful and empowering for our customers. During 2019, the Board considered our strategic ambitions to be included within the new strategy for 2020-25. The results of this were presented to the Wheatley Board in October 2019 where the Group's strategy "Inspiring Ambition, Unleashing Potential" was approved. This strategy includes the strategic priorities highlighted by this Board and marks the next significant milestone in the journey of GHA towards delivering truly outstanding services.

5. Discussion

The Approved Group Strategy

5.1 The draft Group strategy was well-received by Boards across the Group, and remains as exciting and ambitious as it was when it was first presented a year ago. However, reflecting on some of the feedback from the Boards and discussions at the Group Governance Event and Group Board residential, some improvements have been made. These changes ensured that the final Group strategy reflects our latest thinking and strategic direction, in particular the potential growth of the Group into Dumfries & Galloway. Subsequently, at the October 2019 Group Board, the Group strategy for 2020-25 was approved.

5.2 In the period since the GHA Board feedback and October 2019 approval of the Group strategy, work has been undertaken to refine the proposed summary GHA Strategy 2020-25. The key updates are summarised below.

(i) *Restructuring of strategic themes to draw out our work in changing lives and communities more strongly.*

5.3 Initially, four key strategic themes were proposed. In response to Board feedback we have amended these slightly; splitting the "Creating Customer Value" theme into two; one theme based on outstanding services ("Delivering Exceptional Customer Experience") and a specific theme to emphasise the importance of our transformational role in "Changing Lives and Communities". The latter covers our care and wraparound services through Wheatley 360, but also introduces a new strategic outcome of *Supporting economic resilience in our communities*, which picks up our work on employment, education, training and poverty alleviation through the Wheatley Foundation. Economic and individual resilience is a key driver within the strategy.

5.4 We have also renamed the theme “Building Communities and Engagement” as “Making the Most of our Homes and Assets” to make it clearer that this theme relates to our homes (physical assets), communities and estates (infrastructure). Engagement as a topic is weaved throughout the strategy, not just linked to our physical assets.

5.5 The revised set of strategic themes are:

- Delivering Exceptional Customer Experience;
- Making the Most of our Homes and Assets;
- Changing Lives and Communities;
- Developing our Shared Capability; and
- Enabling our Ambitions.

(ii) Updated strategic outcomes

5.6 The strategy sets out the key strategic outcomes we will achieve by 2025. These have been amended to:

Delivering Exceptional Customer Experience	***Making the Most of Our Homes and Assets***	***Changing Lives and Communities***	***Developing Our Shared Capacity***	***Enabling Our Ambitions***
Progressing from Excellent to Outstanding Enabling Customers to lead Developing a customer led repairs service Differentiating Lowther from its competitors	Increasing the supply of new homes Investing in existing homes and environments Setting the benchmark for sustainability and reducing carbon footprint Building community voice, engagement and resilience	Shaping Care services for the future Developing peaceful and connected neighbourhood Supporting economic resilience in our communities	WE Think – creating our Think Yes culture together WE Create – driving innovation WE Work – strengthening the skills and agility of our staff	Raising the funding to support our ambitions Maintaining a strong credit rating and managing financial risks Evolving digital platforms to support our activities Influencing locally and nationally to benefit our communities

(iii) Updating our plans for the repairs service

5.7 In the last year our plans for our new repairs service have taken greater shape, as presented to the GHA Board in October under the banner of *MyRepairs*. The content in the strategy has been updated to reflect our latest detailed plans and the sequencing of work to deliver service improvements.

(iv) Greater focus in care on supporting existing customers

5.8 The care section of the Customer Value chapter (now part of the "Changing Lives and Communities" chapter) sets out a vision for an expanding care operation; in a Glasgow context this means more support for homeless customers, a continuation of Loretto Support (branded under the single care vehicle) on complex cases and TSS Plus to help customers with UC. For GHA we will also roll out the Tenancy Star programme which is being piloted in Milton and Baillieston. This is a model which was successfully trialled in care. We also plan to expand the LivingWell model beyond the initial 27 sites. Reflecting on the latest outlook for the care market, we have refocused more on supporting existing customers, with the target for internal service income for care now increased from 15% to 25% by 2025.

<u>Our strategy</u>

5.9 Our proposed Strategy 2020-25 is provided at appendix 1. In addition to capturing changes made in the Group strategy, the updated summary emphasises our key priorities as identified during our strategy workshop in May 2019:

(i) Be a catalyst for positive change in our customers' lives

5.10 Our vision very strongly sets out that our services will be customer led. As with the Group strategy; engagement with our customers and communities is a common thread throughout our strategy. Through involving and engaging our customers we aim to deliver bespoke and highly personalised services which are important to them as well supporting them to meet their wider aspirations through employment and training opportunities. We will work towards building resilient lives and communities with our customers. Co-creation of services is another.

(ii) Understanding what creates value for money for our customers

5.11 Delivering exceptional customer experience sets out our commitment to understanding what creates value for our customers. By prioritising the services which mean the most to our customers and working with them to define what 'outstanding' service means to them. Key areas for focus for GHA will be around developing the 'whole family approach' to improve satisfaction amongst this customer segment. Another area for delivering customer value will be to work with customers and City Building to co-create a customer led digital repairs service. The foundation for this is already in place with the launch of the MyRepairs service last year.

(iii) Ensuring customers are at the heart of our digital transition

5.12 We have recognised, whilst fully harnessing the benefits of technology to our customers and business, that face to face contact will always be important to some. We have detailed our commitment to listen and co-design the transformation of services, as well as establishing affordable and accessible Wi-Fi connections to ensure no-one is left behind. We will harness the wealth of data to provide cutting edge predictive services based on customer needs whilst ensuring that no one is left behind in the digital age. During Investing in our Futures we have ensured that 20,746 of our customers are registered to access on-line services.

(iv) Influence on local and national levels to benefit our communities

5.13 Through development of structured engagement with key partner organisations such as DWP, Health and Social Care and local authorities we will raise our collective voice on important challenges that our customers face and drive change for the benefit of our communities. This will be particularly important with the continuation of the roll out of Universal Credit during the period of our Strategy. We are predicting that by 2021/22, 43% of GHA customers will be on UC.

(v) *Unique places to live – high rise living*

5.14 We will utilise the unique nature of high-rise living which represents 23% of our homes to engage with customers every day through local teams, with a bespoke engagement programme for each site. The High Rise Living Framework, which was approved by the GHA Board in October 2019 has informed the attached strategy and reflects that the 106 tower blocks are very much part of the GHA story and will continue to do so over the period of this strategy and beyond.

From strategy to implementation

(a) Delivery Plans

5.15 To set out a clear plan on how we will deliver on our strategy, each of the strategic objectives have been mapped into one of four Delivery Plans. These set out more detailed explanations of how we will deliver our strategic intent, as well as detailed delivery plans and milestones.

5.16 These delivery plans are:

- Digital;
- Assets;
- People; and
- Customer Value.

5.17 Over the next year, we propose to bring each Delivery Plan to this Board.

(b) New Performance Management Framework

5.18 In light of the new strategy we are also proposing a new Performance Management Framework to monitor compliance with achievement of our planned outcomes. This is detailed below.

5.19 The proposed strategy makes significant changes to our priorities. A series of new "golden threads" will run through all the work that we do. The key changes that need to be incorporated within the new Performance Management Framework ('the Framework") are:

- shifting the balance of power towards the customer;
- refocusing our performance indicators away from just "business value' measures to include a new focus on "customer value" measures;
- key customer facing cycles (ie repairs, complaints, anti-social behaviour and allocations) have been mapped and new customer and business value measures are being developed;
- engaging differently to build resilience; and
- harnessing technology to blend the digital with personal.

5.20 We plan two new ways of measuring performance. To ensure we are monitoring against our strategic themes (ie our "golden threads"), we are proposing the following approach to monitoring performance. The new approach focusses on the 5 Group strategic themes. In addition, we will revise how we monitor performance. Previously, we have focussed on business measures and completion of annual projects. We have also incorporated feedback from the recent EFQM report and plan to measure performance under 4 distinct areas. These are:

- *Key Performance Indicators (KPIs)* – these are the key measures which have been linked to the strategy.
- *Projects* – these are the priorities detailed in the strategy and detailed in the Group wide supporting chapters. We will monitor achievement of planned business outcomes along with achievement of milestones.
- *Impact Measures* – the strategy includes a number of actions which will have a positive impact on our customers' lives e.g. reducing the cost of running a household by 10% and building the confidence and resilience of our communities. This new reporting area will monitor achievement of these areas. We plan to work in partnership with specialists in this area (e.g. the Fraser of Allander Institute) to develop an approach which would index our impact on our customers, our communities and national wellbeing. This will also provide external assurance on our impact in these areas.
- *Operational Measures* – these will be the routine measures used at an operational level to monitor performance (e.g. Annual Return on Charter measures) and will continue to be used.

5.21 Further detail on the implementation of the Performance Management Framework will be provided to the Board in early 2020.

6. Value for money implications

6.1 Our ambition to positively impact on the key drivers of value identified in our value for money framework will underpin the development of the onward strategy.

7. Impact on financial projections

7.1 The impact of proposed strategic commitments will be assessed as part of the development process.

8. Legal, regulatory and charitable implications

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

9. Partnership implications

9.1 Influencing relationships and partnerships is a key theme for the onward strategy. Engagement will include discussions with stakeholders about their contribution to helping us deliver our strategic outcomes, as well as involving staff and customers in refining our proposals.

10. Implementation and deployment

10.1 Support will be provided by Wheatley Solutions to deliver the extensive engagement programme, ensure sufficient focus around the work needed to continue to develop and refine the new Group strategy, and support Managing Directors and Subsidiary Boards across the Group to develop their 2020-2025 Strategic Plans.

11. Equalities impact

11.1 Equalities impact considerations will continue to underpin the development and refinement of our strategic proposals. The engagement programme has been designed to be inclusive and ensure the voices of groups with specific needs are heard.

12. Recommendation

12.1 The Board is asked to approve our strategy 2020-2025: *Inspiring Ambition, Unleashing Potential.*

List of Appendices

Appendix 1 –GHA Strategy 2020-25: Inspiring Ambition: Unleashing Potential

GHA

Wheatley Group

Inspiring Ambition, Unleashing Potential

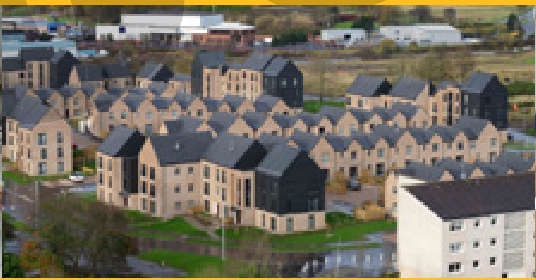


2020–2025



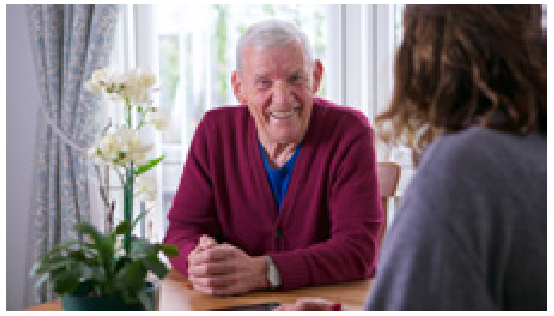
Glasgow Housing Association

Our five-year strategy

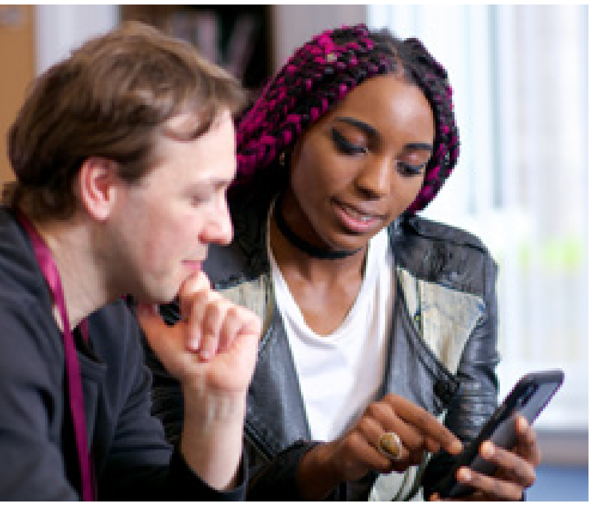



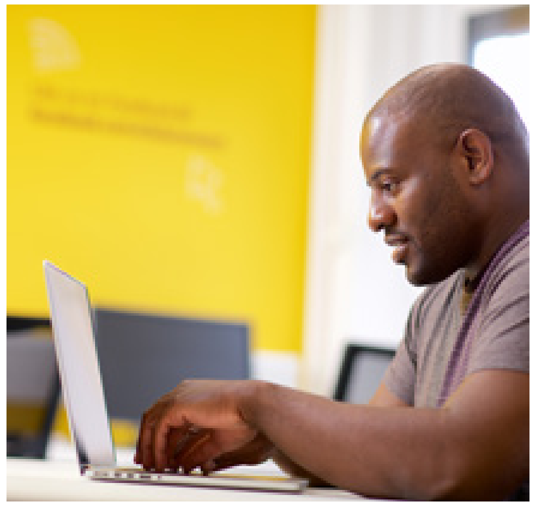











Contents

OUR VISION FOR 2020 TO 2025

GHA, part of Wheatley Group, is rooted in its local communities and committed to delivering outstanding, customer-focused services.

As one of the UK's biggest social landlords, we have an ambitious new-build programme under way and a number of national and international awards to our name. But it is our dedication to delighting our customer and helping them to reach their potential which truly sets us apart.

Inspiring Ambition, Unleashing Potential, sets out how we will take our services to the next level on this, the next stage of our journey, from 2020 to 2025.

It's a journey which began with stock transfer of the city's social housing from Glasgow City Council in 2003.

Since then we've changed the city's skyline forever, demolishing homes which had no long-term future to make way for fantastic new homes for customers and invested more than £1.5billion modernising homes in the biggest housing refurbishment programme of its kind in Europe. An ambitious, new-build programme has seen us work closely with our key partners, Glasgow City Council and the Scottish Government, to bring forward thousands of much-needed new affordable homes. We were delighted to have delivered over 3,000 award winning new build homes over the last ten years. Over the lifetime of this strategy we will build up to 1,740 more homes while continuing to invest in the fabric of our existing homes.

But our mission is, and always will be, focused on much more than just bricks and mortar. **Better homes, better lives, a better Glasgow is what** guides us on now, and as we look to the next five years.

Having the keys to one of our homes will continue to lead to a new world of opportunity for customers to help improve life chances and maximise potential. We will remain committed to helping people break down the barriers, too often created by disadvantage and poverty. This will include offering people in our homes real opportunities – such as jobs and training – to improve their lives and have more control over what happens in their area. We will also work with our partners and tenants, to create safe, peaceful and connected communities.

Customers will be at the heart of decisions and we will offer people more choice in how they engage with us as well as how they access our services.

We will deliver our vision for our communities against a backdrop of significant external challenges, including the impact of Welfare Reform, digital exclusion, rising levels of poverty, continuing public spending cuts, uncertainity around government investment in New Build and the continuing gap between housing need and supply.

Through the lifetime of this strategy, we will continue to work with customers to allow them to achieve more co-creating a better future for them and a better Glasgow.

By 2025, we know that the expectations of our customers and our staff will be very different. We will evolve how we work, listening and responding so that GHA remains in the best possible shape to deliver on its ambitions. Key to this is understanding the needs of our diverse range of customers across the city and the unique characteristics and opportunities in different communities. This includes where high-rise living, comprising 20% of our homes, brings whole communities under one roof.

At the heart of our strategy for 2020 to 2025 are five key outcomes:

- Deliver exceptional customer experience
- Make the most of our homes and assets
- Changing lives and communities
- Developing our shared capability
- Enabling our ambitions.

OUR VISION – GHA IN 2025

Our vision is to enable our customers to reach their potential for a brighter future for themselves and their families. Our strategy for making this real will deliver an unprecedented shift in the balance of power and control towards our customers, empowering them to make their own choices about the services they want, ensuring they are properly equipped to do things for themselves and involving them in the design of products and services from start to finish. Our task is to ensure that no customer is left behind in this bold new world of digital transformation.

We will deliver this vision through five strategic themes, under which we have defined 16 key outcomes. These are summarised below.

Our purpose:
Making Homes and Lives Better

Our vision:
Customers have increased control over their services, their communities and their lives, with new opportunities for building skills and resilience.

We will work ethically and sustainably, ensuring our homes and services are affordable for our customers, sharing our expertise and collaborating with others to improve the fabric of our customers' lives while creating great communities.

Strategic themes:

Delivering exceptional customer experience	Making the most of our homes and assets	Changing lives and communities	Developing our shared capability	Enabling our ambitions

Strategic outcomes:

Progressing from excellent to outstanding Enabling customers to lead Developing a customer led repairs service	Increasing the supply of new homes Investing in existing homes and environments Setting the benchmark for sustainability and reducing carbon footprint Building community voice, engagement and resilience	Developing peaceful and connected neighbourhoods Supporting economic resilience in our communities	W.E. Think – creating our "Think Yes Together" culture W.E. Create – driving innovation W.E. Work – strengthening the skills and agility of our staff	Raising the funding to support our ambitions Maintaining a strong credit rating and managing financial risks Evolving digital platforms to support our activities Influencing locally and nationally to benefit our communities

These themes and outcomes align the strategic priorities across our Group. The particular priorities of GHA's strategy for 2020-25 are detailed in the following sections of this document under each strategic theme.

The delivery of our outcomes will be assessed through a series of key performance indicators and impact measures. These will demonstrate our progress towards the outcomes throughout the life of the strategy.

Performance indicators will be measured and monitored on a regular basis. These are detailed below each of the relevant themes within this document. The impact measures will quantify our societal and economic impact and provide evidence of statements made in the strategy. These will generally require periodic evaluation studies to assess the results. Our impact measures relate to the following key areas:

- **Strengthening the Economy** – this will include tracking the significant impact this strategy will make to the Scottish GDP. It is projected by GHA that the operating and capital spend over the 2020-25 period is estimated to support up to 3,600 jobs, training places and apprenticeships annually and have a total impact of up to £1bn on GDP.
- **Reducing Poverty and Improving Wellbeing** – this will include measuring how we are reducing the cost of running a home and tracking the positive impact of our support services are making to both customers' financial circumstances and overall wellbeing and resilience.
- **Improving our Environment and Mitigating Climate Change** – this will include reducing our corporate carbon footprint by 50% (from 2012 baseline), reducing the CO_2 emissions in our Wheatley homes by at least 1,000 tonnes and raising the environmental standard of our New Build homes making them more energy efficient and cheaper to run.
- **Strengthening our communities** – this will include increasing customers' social capital, expanding our engagement methods and measuring the positive impact this is making to our customers and our communities. We will also track how our increased community cohesion is helping to make our neighbourhoods more 'peaceful'.

Our values:

- **Excellence** – we raise the bar …in everything we do
- **Community** – people direct what we do …and together we build strong communities
- **Ambition** – we push the boundaries in new ways …so everyone can fulfil their potential
- **Trust** – we inspire customers and staff …to shape the future.

1. DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE

Excellence is embedded in GHA culture and we want to build on this foundation of excellence to deliver even more outstanding services.

Our vision is that services will be easy to access and feel seamless for our customers. We'll have a renewed focus on their overall 'experience' with us, seeking to maintain our existing high levels of customer satisfaction.

Following our past success in achieving top quartile performance, we will work with our customers to define what 'outstanding' service means to them now and what it will mean in future. Understanding what creates value for our customers will help us improve services and track the impact of changes we make.

We will prioritise services which mean most to customers and engage with customer groups who tell us they are less satisfied so we better understand their needs.

We want to offer quick resolutions to issues which affect how satisfied people feel with our services. That's why we'll build engagement channels into the development of services so that we capture and respond to customer feedback.

Analysis shows that we can improve upon satisfaction with families as they struggle to deal with competing demands on their time and money so we will develop a Whole Family Approach to support them through every stage of life.

Our new **Whole Family Approach** is focused on improving outcomes for families. Children and young people will become part of decision-making in our neighbourhoods, such as the use of outdoor space around our high-rise blocks. In our homes, we'll look to develop more child-friendly features such as better storage for family equipment. In high-rise homes this may involve providing storage for bikes, prams and play equipment; promoting active play and healthy living. New-build homes will be designed to suit modern family living. As children grow we will support families with employment and training opportunities through the Wheatley Foundation. Young adult children in our homes will be offered a housing options consultation as they consider setting up their own home.

We will **drive digital transformation to deliver innovative solutions to issues facing GHA and our customers**, building thriving customer communities online as well as in the real world.

Our digital-based services, such as GoMobile, My GHA and MyHousing, will continue to help us strengthen our **customer insight**, ensuring we can meet the different needs of customers. We will **work with partners across the city and nationally to anticipate the profile and demography of our future customers** as well as the issues they will face in 2025 and beyond.

We will re-design the way we engage with customers. Enabling them to have more choices and control to make changes that are important to them. **Co-designing the transformation of our services** with our customers will ensure **no one is left behind**. In our high-rise homes, we will utilise the community space to provide online access and support for customers to help build and improve their digital skills. Services will be tailored to meet the specific needs of customer groups, whether they are delivered digitally or face to face. We will encourage a diverse range of customers to talk about their experiences and the **issues that matter to them** and will encourage our **customers to challenge our performance** and outcomes.

Our co-design process will focus on the key customer journeys of repairs, allocations, complaints and anti-social behaviour.

We will demonstrate GHA's progress towards the outcomes under **Delivering exceptional customer experience** through the following key performance indicators.

Our key performance indicators:

- Overall customer satisfaction above 90%
- Implement "Rate it" score from book it, track it, rate it repairs approach and aim to improve performance by 10%
- Tenant satisfaction with value for money increased to 85%
- Implement new approach to recording satisfaction with how complaints are handled and improve performance by 10% points
- Overall satisfaction amongst households with children improved to 90%
- 90% tenant satisfaction with the opportunities given to participate in the landlords' decision making
- 95% of customers actively engaged in shaping services feel they participate in decision making
- Satisfaction with the process of getting my new home is improved by 10% points
- Meet the agreed contributions to accommodation for homeless households in each local authority we operate in.

2. MAKING THE MOST OF OUR HOMES AND ASSETS

Our primary purpose of changing lives through providing quality homes remains unchanged. Building on the unparalleled success of the last five years we have set ourselves another challenging target. We will deliver a minimum of 1,300 new homes between 2020 and 2025; with the potential for a further 440 subject to agreement from the Group's lenders to support an increased level of private finance and the availability of government grant funding.

Improving our existing customers' homes remains a key strategic priority. We will use our financial strengths to invest a further £231m over the next five years in improving, modernising and maintaining homes, in addition to £178m on repairs. This will allow us to reduce the levels of emergency, reactive and maintenance repairs which create inconvenience to our customers as well as being poor value for money.

The safety and security of customers will continue to be of paramount importance.

Our **new engagement model will place the customer at the heart of how we plan and design** our improvement programme and new-build developments. We will maximise the use of technology to engage a diverse range of customers across our geographical footprint in both the investment planning process and the development of our new homes. We will help customers to both design and visualise their new kitchen or bathroom. When pre-allocating our new homes customers will be able to decide on kitchen preferences and finishes to interior décor.

We will harness **technology** to make home life more convenient for our customers and to support people to live independently for as long as possible. This will include delivering digital connectivity in every high-rise block and expanding the "How are you Today" service to older people within our high-rise homes.

Through to 2025, the transformation of our services will provide scope for us to look at how we organise our office spaces. More **agile working patterns** will be more suited to touch-down points rather than assigned desk spaces. This will enable us to generate new opportunities for supporting entrepreneurship in our communities by providing **flexible spaces that can be shared with customers, social enterprises, other public service providers and new local businesses**. We will replace our current workplace estate and relocate to creative community hubs and workspaces that look and feel very different from traditional office and provide added value for our customers and our people.

We will ensure our people are equipped with the skills and confidence they need to successfully make this transition and will **develop ways of working so that no staff member feels isolated or unsupported** due to more flexible working patterns.

A warm, safe and energy efficient home in the right location is a life changing experience for a household that can transform health and well-being, educational attainment and life opportunities. Over the next five years our ambition is to make a giant leap forward on our journey towards our long term aims of becoming carbon neutral and eliminating fuel poverty. This will include a targeted programme in our high-rise homes such as energy advice and interventions, including smart meters and heating upgrades, introduction of better controls and utilisation of renewable heat sources to offset the cost of heating wherever possible. This work will contribute to compliance with the Energy Efficiency Standard for Social Housing (EESSH) in the future.

The scale of our new-build programme will deliver significant benefits in employment, training and apprenticeship opportunities for our customers and communities. Our **housing-led regeneration in the city's eight priority Transformational Regeneration Areas will continue through Transforming Communities: Glasgow**, a partnership with Glasgow City Council, the Scottish Government and GHA.

Moving through to 2025, we want to **review** empty or underused assets within our communities and, if viable, **deliver innovative restoration projects which bring more homes to existing neighbourhoods.**

Our **Wheatley 24** homes will be highly adaptable and can easily change as the needs of the household evolves. This means homes will support people at all stages of life creating truly 'lifetime homes'.

In addition to the added value this brings to our customers, it will deliver significant business benefits, including reducing tenancy turnover and future-proofing our homes against changing demographics. We will work with innovative development partners to **ensure our house types evolve, and that they are sustainable, connected and intelligent homes for the future. They will be built as efficiently as possible with the most limited impact on the environment.**

Our new engagement model will **encourage customers to help shape initial house designs** and offer opportunities to stay connected throughout the project. This approach will place the customer at the heart of how we plan and design our new-build developments. We will adopt the same approach and principles for major improvement programmes.

Tackling fuel poverty, improving energy-efficiency and mitigating increases in energy costs for our customer base continues to be key. We will prioritise solutions for electrically heated homes that **enhance control and cost savings** for customers, and draw on external research to solve long-standing challenges for improving energy efficiency in non-standard construction types.

We will demonstrate GHA's progress towards the outcomes under **Make the most of our homes and assets** through the following key performance indicators.

Our key performance indicators:

- Develop up to 1,740 new homes across all tenures
- Invest £192m of new public and private finance in new build housing
- 95% of customers satisfied with their new-build home
- Invest £231m in improving, modernising and maintaining homes
- Achieve a 60:40 ratio of planned to reactive repairs
- Reduce the volume of emergency repairs by 10%
- Deliver digital connectivity in every high-rise block by 2025
- Maintain existing tenant satisfaction with the quality of their home at over 90%.

3. CHANGING LIVES AND COMMUNITIES

By 2025, we want **our customers and our communities to be more resilient**. Many of our communities face multiple challenges with many customers experiencing poverty and inequality.

Through the Wheatley Foundation, our Care services and Wheatley 360, we provide a portfolio of wrap-around services and opportunities which help change GHA tenants and their families' lives and encourage individuals not just to harbour aspirations but also to realise them. The **Wheatley Works** programme will continue to grow, helping customers **into jobs, training or apprenticeships** and our **Wheatley bursaries** programme will support customers to attend higher education

We will create targeted learning opportunities to prevent homelessness and to support new approaches to housing those households, who are homeless, through **Rapid Rehousing and Housing First**, supporting the Scottish Government and Glasgow City Council in delivering their 5-year plan. This will help to **strengthen the pathways for homeless people** to ensure that they can access the different types of support they may need, easily and at the time they need it.

We will support our older tenants to be as active and independent as possible. Building on our **Livingwell model** we will work as enablers to allow people to use their skills to support others. Our existing Group services including Care and Wheatley 360 will be maximised to deliver support to older people and also tailored for other households who need this type of support. Building on the success of our **415 Hub and Cluster Innovation model**, we will also establish four additional Hubs in Glasgow utilising the connectivity of our high-rise block. Customers, their families and carers can visit the demonstrator flats to experience the available technology for themselves, including dementia friendly environments. This is complemented by our virtual shop front app, which enables the available technology to be discussed with customers in their homes.

Over the last five years we worked with our customers and communities to ensure our **neighbourhoods are peaceful and places customers are proud to live**. Using both online and offline platforms and approaches, we will support local engagement and encourage customers to work together to design local solutions in response to local priorities building resilience, skills and confidence so people can make things happen for themselves. Our **Community Improvement Partnership** approach will take communities from being merely safe to ones which are improving, peaceful and with high levels of satisfaction. This will be based on building a **confidence cycle** with communities which will support communities to become more resilient through increased confidence to report crimes and other issues. In turn, this will help GHA and our partners to make customers feel safe in their neighbourhood and communities stronger and more peaceful. This will be supplemented by our high quality environmental services and our strong focus on best quality fire safety provisions which will help to reduce the incidence of fires. A particular focus for this will be in high-rise homes where we will ensure each home passes an annual fire safety assessment.

Building on our Locality Planning approach, we will take a lead role in **influencing** other organisations and agencies in the interests of our customers. This will involve establishing common objectives, agreed and co-ordinated approaches, shared data and common indicators of success.

Loneliness is a real issue for many people in our communities. Our aim will be to put the 'Neighbour' back into our neighbourhoods, creating a modern version of '**Neighbourliness**' as a hallmark of our communities by 2025. We will seek to **co-create** opportunities with a focus on supporting families, young people and overcoming isolation across the generations. **Digital neighbourhoods** will provide a virtual forum where our customers can connect to further support each other and co-create local solutions to improve their local community. Our forum will provide an easy location for people to advertise community events and help increase the use of key community spaces.

We will work with communities to co-create a '**Place Measure**' that reflects the criteria our customers identify as the hallmarks of a successful and resilient community. We have listened to our customers and we recognise the importance of **connectivity** for communities, and we will work to **influence the improvement of transport infrastructure and services** for our communities. We will use Voice of the **Customer real-time digital feedback** to track the impact and progress of all our new developments, when we carry out major investment work, and for Wheatley Foundation activities.

Involving customers in co-designing with us will ensure our services are tailored to meet the needs of particular groups, whether they are delivered digitally or face to face. **Designing our digital services to ensure they feel personal** will be crucial for ensuring our customers continue to feel we care about them and they have a strong connection with us even though engagement is through digital channels.

Extending our **Outcomes Star** approach from care into housing will shift the balance of power and control to the customer and ensures the service they experience is personalised based on what is most important to them.

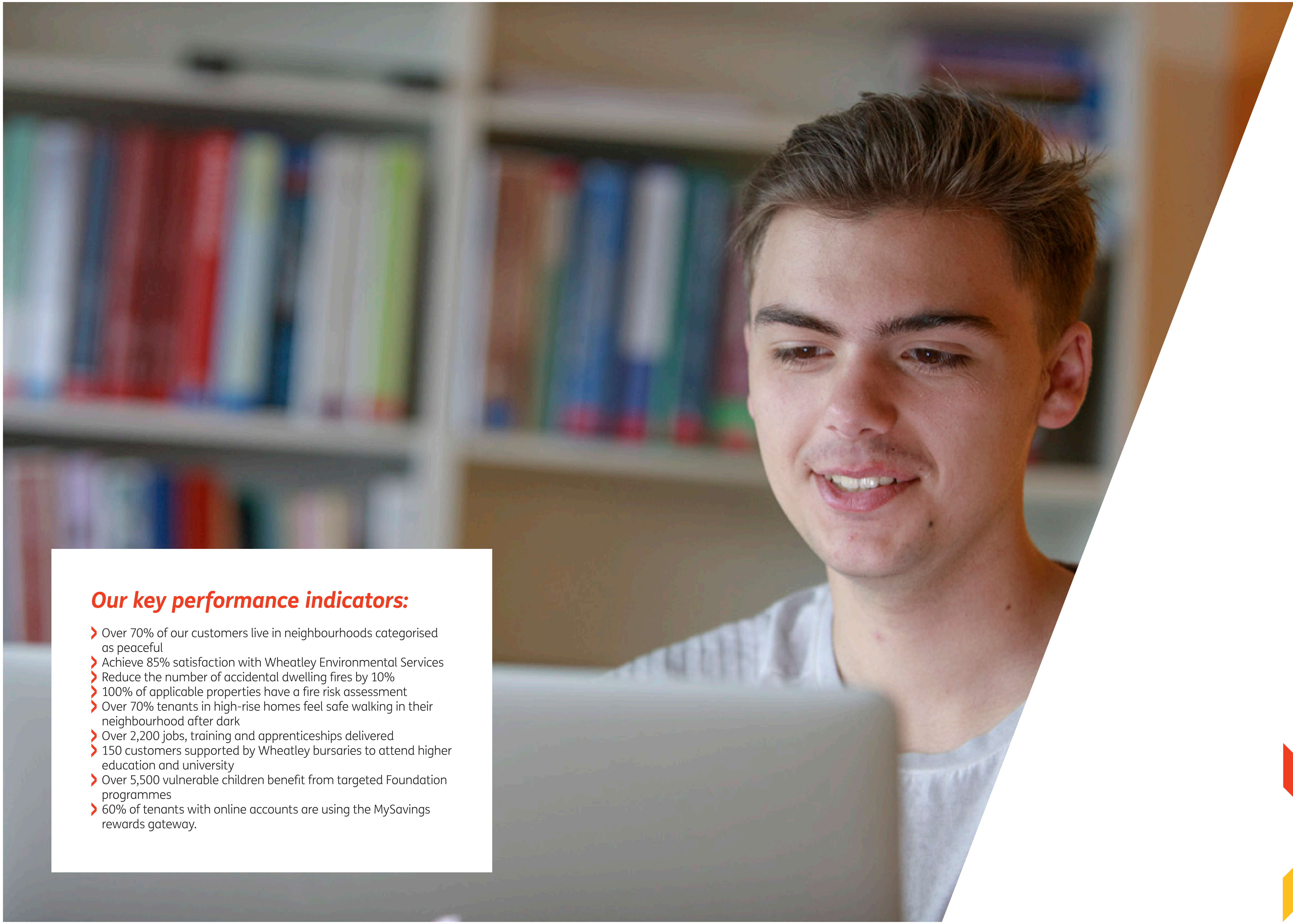
Our new **engagement models** will include an innovative **community led development approach**, involving our customers and wider communities in decision making at all the key stages of our work, whether it be new-build, in existing housing or around service development. As we move through key project milestones we will provide regular opportunities for communities and customers to re-engage, stimulating deeper and richer connection with the communities that we are investing.

Tenant Control of Expenditure – we will be open and transparent about how we are spending customers' money at both an individual and a community level, providing relevant performance information for customers to hold us accountable, and enabling customers to engage more meaningfully in decision making around repairs.

Our refined '**Community Benefit Model**' will involve engaging our customers and communities in identifying and prioritising the type of community benefits they most want to see derived from our investment in existing homes and new-build housing projects. We will continue to use our procurement frameworks to drive wider community benefits with our suppliers in order to expand the '**Wheatley Benefit for Customers**' providing them with a growing range of opportunities through the MySavings rewards gateway to save money and reduce the cost of running their home.

By 2025 our unique **high-rise living experience** will be a positive choice for customers, with an established reputation for combining great homes with role model services, opportunities and exceptional standards, in vibrant and well connected communities. Linking people to each other will be a particular focus for our high-rise homes. Uniquely, in high rise blocks whole communities are brought together under one roof. As a result, a strong sense of belonging can be fostered helping to make people proud of their home and neighbourhood. To do this we will utilise both the building and its surroundings to create great storeys which allow for dynamic engagement for all of our customers and their families.

We will demonstrate GHA's progress towards the outcomes under **Changing lives and communities** through the following key performance indicators.



Our key performance indicators:

- Over 70% of our customers live in neighbourhoods categorised as peaceful
- Achieve 85% satisfaction with Wheatley Environmental Services
- Reduce the number of accidental dwelling fires by 10%
- 100% of applicable properties have a fire risk assessment
- Over 70% tenants in high-rise homes feel safe walking in their neighbourhood after dark
- Over 2,200 jobs, training and apprenticeships delivered
- 150 customers supported by Wheatley bursaries to attend higher education and university
- Over 5,500 vulnerable children benefit from targeted Foundation programmes
- 60% of tenants with online accounts are using the MySavings rewards gateway.

4. DEVELOPING OUR SHARED CAPABILITY

Our ambition over the next five years is to stimulate innovation and learning in our communities as well as our workforce, enabling them to reach their potential for a brighter future for themselves and their families.

Our unique Think Yes culture inspires staff to develop innovative solutions and build insightful, trusting relationships with customers and communities. By 2025 our culture will have evolved still further under our **W.E. Think** approach so that our customers will increasingly be 'thinking yes' for themselves. As a result of our '**Think Yes Together**' culture, we will transform our culture and our thinking in order to create value for customers in different ways as they increasingly self-serve and do more for themselves.

The success of our transition towards self-directed services will require significant skill and capacity building for both staff and customers: **our shared capability**. As our service offerings change, the skill sets required to deliver them will also change. Investing in our people to ensure they have the exceptional skills, attitude, engagement and influence to deliver our strategic ambition will therefore be fundamental to our success. At the same time, building the capacity of our customers and communities over the next five years will be equally important in bringing about the new empowering relationship we are seeking to establish with them. We will measure both staff and customers on 'distance travelled', linked to our outcomes-based approach and showing the impact our staff make for their customers.

W.E. Create will drive innovation across all aspects of our business and in our communities. GHA tenants and communities will benefit from the creation of a **Community Academy**, taking the Academy on the road and into the heart of our communities with both **virtual and physical spaces** for innovation and learning. Creating environments and opportunities for our staff and customers to learn together will re-enforce our Think Yes Together culture. By 2025, our Community Academy will:

- embed customer driven learning, ensuring learning is designed with customer involvement
- focus on building individual capacity to help customers prepare for the world of work
- bring access to Wheatley Scholarships and apprenticeships to our customers' doorstep
- provide opportunities for customers to come into our business and get work experience through a Wheatley Customer Work Experience programme.

W.E. Work will deliver the transformational changes to our roles and operating model required to ensure this Strategy is delivered. For example, by 2025 our customer-facing roles will have evolved to include developing relationships of trust online, building the capacity of customers to do things for themselves, helping communities have a stronger voice, linking people with their neighbours/ into activities and engaging with influence.

We anticipate the workforce of 2025 will be significantly different from the workforce of today; fully digital and increasingly looking for more flexible career models, work arrangements, reward programmes and career development opportunities. We predict that up to 75% of our workforce will no longer work a traditional Monday to Friday pattern by 2025. Our aim is to deliver a gradual and smooth transition towards a new workforce model that is more agile in responding efficiently to changes in customer requirements. We will:

- explore opportunities for co-designing modern employment terms and conditions and working practices that appeal to our evolving workforce and ensure maximum flexibility to meet changing needs
- re-design our work roles, rationalising and professionalising the number to reflect the creativity and agility of our staff to deliver our vision
- introduce a new career marketplace platform, putting staff in control of managing their own career and encouraging leaders to share talent for the benefit of the business
- value staff who are highly skilled in building and managing relationships and have the capacity to lead creative outcomes.

We will continue to ensure our workforce planning takes account of the gender balance of our workforce, particularly in housing officer and environmental roles.

Our Future 250 programme will provide a sought-after route for young people to develop their talent, attracting an external talent pipeline for our evolving business requirements. Each year a cohort will be identified and provided with structured opportunities to move around the business to build their skills and experience portfolio, honing their talents and demonstrating their potential. At GHA we will encourage young people in our communities to engage with this programme and we will provide opportunities for those on the programme. We will demonstrate GHA's progress towards the outcomes under **Developing our shaped capability** through the following key performance indicators.

Our key performance indicators:

- Over 90% of staff say they feel appreciated for the work they do
- Staff absence is maintained at 3%
- Staff turnover remains at less than 7%
- Over 80% of customer's self-report positive distance travelled towards 'self-reliance'
- Improve gender balance of our workforce, particularly in housing officer and environmental roles
- 40% of promoted posts filled with internal candidates.

In addition to the above GHA specific KPIs, GHA will also contribute to and monitor against the following Group-wide KPIs:

- 50 graduates provided with opportunities to work and gain experience in our sectors
- 250 young people provided with structured opportunities to build their skills within the business.

5. ENABLING OUR AMBITIONS

The funding platforms we put in place provide a strong basis to **raise the funding to support our ambitions**. However, new facilities will be required in the latter years of the strategy period and we will look to bond, bank and other potential sources to identify the most advantageous options. Access to Scottish Government grant, which was such a vital element of the new-build programme we delivered from 2015-20, will continue to be key to our ambitions.

Our continuing focus on social rented housing, supported by Scottish Government subsidy, will help in our objective to **maintain a strong credit rating and manage financial risks**. We will test our business plan against a set of financial golden rules and ensure we have mitigating actions ready to address a wide range of adverse scenarios and stresses.

By 2025 GHA's customers and staff will become the **most digitally enabled in Scotland**. Our **evolving digital platforms will help to support our activities and** provide a **rich portal** for customers to draw down services, save money on fuel bills, interact with their community and tap into a host of other benefits. Importantly, the transition that our customers and staff make to self-managed services must be both successful and sustainable as well as being based on offerings that fundamentally **improve services beyond that which is possible in an off-line environment**. To achieve this, we will optimise digital channels for customers to drive positive engagement and give them finger-tip access to the data they need to make informed decisions.

Technology and digital innovation will also **augment the work that is done by people** in the organisation. Creating a **single source of trusted, secure information** for all core front line staff will ensure our decision-making is informed in real time and that our decisions strategically, tactically and operationally are **intelligence led**.

To support our ambitions and ensure that our investments are properly focused on those areas that will realise both customer and business value, we will continue to mature our model for assessing digital investment to consider strategic fit, complexity, risk, people and quality measures as well as financial considerations. We will explore opportunities to measure the progress in our **digital maturity** against others in our sector and beyond.

Our success over the last five years has ensured Wheatley has been accepted and recognised as a force for good in Scotland. Building on these strong foundations, GHA is well positioned to confidently and deliberately take a leading role on the UK and international stage **influencing locally and nationally to benefit our communities**.

Over the next five years will also adopt an **international dimension** to our search for best practice. Identifying and exploring different ways of working and solutions developed across a broader range of contexts will stimulate and inform our thinking. This will **enhance our international profile and reputation** through showcasing our own role-model approaches across the world.

GHA staff will increasingly be **recognised as thought leaders and practice experts** in their particular discipline. Staff will increasingly liaise with, inform and **influence strategic decision makers** in Scotland through membership of committees and advisory groups.

As part of our evolving business intelligence approach we will map and maintain **strategic profiles** across our existing and potential future footprint. This will ensure we systematically identify new opportunities for growth and partnership working to maximum effect.

We will demonstrate GHA's progress towards the outcomes under **Enabling our ambitions** through the following key performance indicators.

Our key performance indicators:

- Limit rent increases to Consumer Price Index +1% (estimated to be 2.9% overall) by 2025
- Maintain gross rent arrears below 4%
- Average days to let a home maintained at less than 14 days
- Over 50% of customers actively using their online account to transact with GHA.

In addition to the above GHA specific KPIs, GHA will also monitor against the following Group-wide KPIs:

- Maintain a strong investment credit rating of A+ stable.

www.gha.org.uk

Our values are what unites everyone at Wheatley

Wheatley Group

www.wheatley-group.com

Wheatley Group, Wheatley House
25 Cochrane street, GLASGOW G1 1HL

Report

To: GHA Board

By: Tom Barclay, Group Director of Property and Development

Approved by: Martin Armstrong, Group Chief Executive

Subject: Five Year Development Programme

Date of Meeting: 14 February 2020

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1. Purpose

1.1 To advise the Board of the proposed GHA five year development programme.

1.2 A presentation on the five year programme will be made at the meeting.

2. Authorising context

2.1 The overall strategic direction and associated priorities of the Group are reserved to the Wheatley Housing Group Board. In relation to the development programme, this includes the geographical areas in which we operate.

2.2 The responsibility for governance oversight of the Group development programme and the approval of new projects now rests with the Group Development Committee, in line with the Committee's terms of reference approved by the Wheatley Housing Group Board, and in which the five year development programme is approved by the GHA Board.

2.3 A copy of the Group-wide five year development programme will be presented to the Wheatley Housing Group Board in February 2020.

3. Risk appetite and assessment

3.1 The Board's risk appetite in respect of the new build development programme is "open", which is defined as willing to choose the option '*most likely to result in successful delivery while also providing an acceptable level of reward*".

3.2 Our future strategic direction envisages a continuing development programme, beyond the assumptions in our current strategy. At Group level this is in the order of 650 units per year. Our development programme represents a significant element of the Group's expenditure, in the form of borrowing to fund construction. We currently spend c.£100m every year on development-related activity.

3.3 The income from the construction of new homes represents a correspondingly significant element to increasing rental income to continue to service borrowing. Additionally, the development programme plays a key role in reducing management costs per unit, as overheads are spread over a greater number of units.

3.4 Risks associated with this programme are:

- We do not identify a pipeline of development opportunities to realise our assumed development;
- We construct too few units to repay our borrowing levels or achieve assumed reductions in management cost levels; and
- Grant availability beyond March 2021. This applies to all developing RSLs and local authorities. The next 5-year budget is expected in summer 2020.

4. Background

4.1 The current Group business plan assumes that GHA will complete 1,304 units of affordable housing in the five financial years from 2020/21.

4.2 Table 1 below sets out the proposed GHA programme completions by year. As and when we re-negotiate our debt per unit covenant with our lenders it is envisaged that this will increase to 1740.

Table 1 – GHA programme

RSL	20/21	21/22	22/23	23/24	24/25	Total
GHA	478	198	161	230	237	1304

5. Discussion

Development Footprint

5.1 An important consideration for our future pipeline is understanding the areas where opportunities may emerge. For GHA this will be driven by Glasgow City Council's Local Housing Strategy and the Strategic Housing Investment Programme that flows from it.

5.2 The Wheatley Group Board agreed in April 2019 that GHA will be our principal developer for the City of Glasgow, and over time will consider development in Greater Glasgow.

5.3 An update on the strategic drivers for our development programme was also presented to the Group Development Committee in October 2019, and a presentation circulated summarising key strategic housing information in each of the local authorities where we are, or may be active.

5.4 The planning of our programme involves discussion with Glasgow City Council, and the annual submission of a Strategy and Development Funding Plan covering a five-year period.

5.5 A presentation on the five year development programme, and the key strategic housing drivers, will be made at the Group Development Committee.

Development appraisal criteria

5.6 The Group Development Committee in October 2019 Board approved the criteria set out in in Table 2 below. These form the basis for assessing new development opportunities for inclusion in our programme:

Criteria	Measure/Test
Local Housing Strategy	Contribute to the Local Housing Strategy of the respective local authority. The project appraisal should detail which of the LHS outcome(s) the project will contribute.
Building and strengthening strategic partnerships/ relationships	Contribute to strengthening our relationship with local authorities and developers. The appraisal will identify the strategic partnerships and/or relationships to which the project will contribute.
Improving customer choice	The housing mix will be developed to respond to known and anticipated housing need for social rented housing and in conjunction with Lowther Homes for our future mid-market rent programme if applicable.
Housing Market Areas	Within the agreed local authority areas unless otherwise agreed with the Group Board.
Internal Rate of Return	The Internal Rate of Return shall be a minimum of 6.2%
Debt	Borrowing required would not exceed total assets.
Borrowing	Borrowing will be repaid within 30 years.
Valuation Growth	Projects will be valuation positive on our balance sheet and assumed to deliver valuation growth within 3 years.

5.7 Where any of the criteria are not met, a project may be referred by the Group Development Committee (if there are exceptional reasons for proceeding), to the GHA Board for consideration.

5.8 If new opportunities arise that do not feature in the approved five-year development programme, then those proposed projects may also be presented to the GHA Board for consideration.

5 Year Development Programme

5.9 All RSL Boards will consider their own programmes during this cycle of meetings. The GHA draft five-year development programme is attached as Appendix 1.

5.10 The first year of the five year development programme includes completion of eight projects currently in progress, and the first phase completion at Sighthill. Thereafter, the programme comprises a range of social rented and MMR projects to provide the GHA target share of the Group-wide programme.

6. Key issues and conclusions

6.1 This report sets out a deliverable programme that would continue to see us operate as a key delivery partner for Glasgow City Council in the provision of new supply affordable housing in the city.

6.2 There remains considerable uncertainty on the likely scale of funding for affordable housing beyond 2021. We will continue to stay closely engaged with the Scottish Government and GCC, and will report to the Board as future grant funding arrangements become clear.

7. Value for money implications

7.1 Value for money will continue to be a focus in the programme, as we operate in a local market which continues to be affected by inflationary pressure, and subject to the currently unknown effects of the UK withdrawal from the EU.

We intend to achieve value for money through our continuing use of Group contractor and consultant frameworks, and by exploring development opportunities brought to us by private developers.

7.2 This combination will allow us to achieve tangible benefits for tenants as increased efficiency can enable us to deliver better value for money

8. Impact on financial projections

8.1 Our business plan assumes £99m of development expenditure over the next five years, with spend in 2020/21 excluding grant expected to be around £23.3m. The successful delivery of the development programme helps us to realise the wider assumptions within our financial projections.

8.2 A summary of development costs and grant over the next five years is presented in the table below:

Investment in new properties	Forecast				
	Year 1 2020/21	Year 2 2021/22	Year 3 2022/23	Year 4 2023/24	Year 5 2024/25
	£'000	£'000	£'000	£'000	£'000
Development Costs	40,998	31,044	29,490	41,806	32,329
Grant Income	(17,668)	(12,142)	(12,118)	(24,016)	(10,360)
Total	**23,330**	**18,902**	**17,372**	**17,790**	**21,969**
Completions	*478*	*198*	*161*	*230*	*237*

9. Legal, regulatory and charitable implications

9.1 Details of the development programme are shared with the Scottish Housing Regulator on a regular basis.

9.2 Legal advice is sought as appropriate in relation to procurement, contract negotiation and site acquisition.

10. Partnership implications

10.1 We rely on funding agreements with the Scottish Government for the remainder of our Bond-related programme, and Glasgow City Council for more recent projects included in their Strategic Housing Investment Plan. Progress on the current year's grant programme is monitored through regular meetings with the Scottish Government and GCC.

10.2 Our new build activity has been a significant contributor to the supply of new affordable housing in Glasgow in recent years.

11. Equalities impact

11.1 Within the programme, all new build units are designed to Housing with Varying Needs (Part 1) and the mandatory 'Glasgow Standard'.

12. Recommendations

12.1 The Board is asked to:

1) approve the GHA five year development programme as summarised in this report; and
2) note that the five year development programme will be reviewed annually and presented for approval to the Board, in conjunction with the presentation of the Group Business Plan.

List of Appendices

Appendix 1 – GHA five-year development programme

Appendix 1

GHA 5 Year Programme

GHA Programme

Project	Total Units	20/21	21/22	22/23	23/24	24/25	5 Year Total
Auchinlea	80	64					64
Bellrock	53	19					19
Inglefield Street	49	49					49
Kennishead Avenue	48	48					48
Linkwood, Airgold	98	80					80
Main Street, Baillieston	37	37					37
Scaraway Street	49	49					49
Watson St Ph2	46	46					46
Carnwadric Rd / Hopeman Rd	22		22				22
Damshot Crescent	26		26				26
Dovehill Phase 1	32		32				32
Hurlford Avenue	72		72				72
Sighthill MMR	198	86	46	66			198
Kinfauns	35			35			35
Shandwick / Arnisdale	60			60			60
Abbotshall / Dunkenny	50				50		50
Calton Village Ph1	120				120		120
Cleeves - Nitshill Amenity Housing	25				25		25
Shawbridge (Former Police Station)	35				35		35
Calton Village Ph2	98					98	98
Calton Village Ph3	39					39	39
Dougrie Ph2	50					50	50
TRA: Broomloan / Brighton	50					50	50
	1,372	478	198	161	230	237	1,304


Glasgow
Dalmuir
Clydebank
Drumchapel
Great Western Road
Cadder
Lenzie
Bishopbriggs
Chryston
SUMMERSTON
MILTON
Stepps
Anniesland
ASHFIELD
ROBROYSTON
Inchinnan
WYNDFORD
WALLACEWELL
Scotstoun
HYNDLAND
FIRHILL
COWLAIRS
Craigend
GARTHAMLOCK
Renfrew
Whiteinch
ABBOTSINCH
HILLINGTON INDUSTRIAL ESTATE
Govan
EASTERHOUSE
SPRINGBOIG
Paisley
BARGEDDIE
Pollokshields
CALTON
Tollcross
Baillieston
Hillington
BRIDGETON
London Road
MOSSPARK
DIXON BLAZES INDUSTRIAL ESTATE
CASTLEHEAD
Carmyle
Viewpark
MAXWELL PARK
BATTLEFIELD
River Clyde
POLLOK
RUTHERGLEN
Uddingston
KING'S PARK
Flemington
Nitshill
Nitshill Road
Giffnock
Cambuslang
Bothwell
Barrhead
DARNLEY
CARMUNNOCK
Bing
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Carnwadric Rd / Hopeman Rd

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Carnwadric / Hopeman**	Yes	22		**22**

Damshot Crescent

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Damshot**	Yes	26		**26**

Gallowgate / Calton – Dovehill Ph1

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Dovehill Ph1**	No		32	**32**

Garscadden – Hurlford Avenue

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Hurlford Avenue**	No		72	**72**

Drumchapel – Kinfauns / Garscadden

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Kinfauns / Garscadden**	No	35		**35**

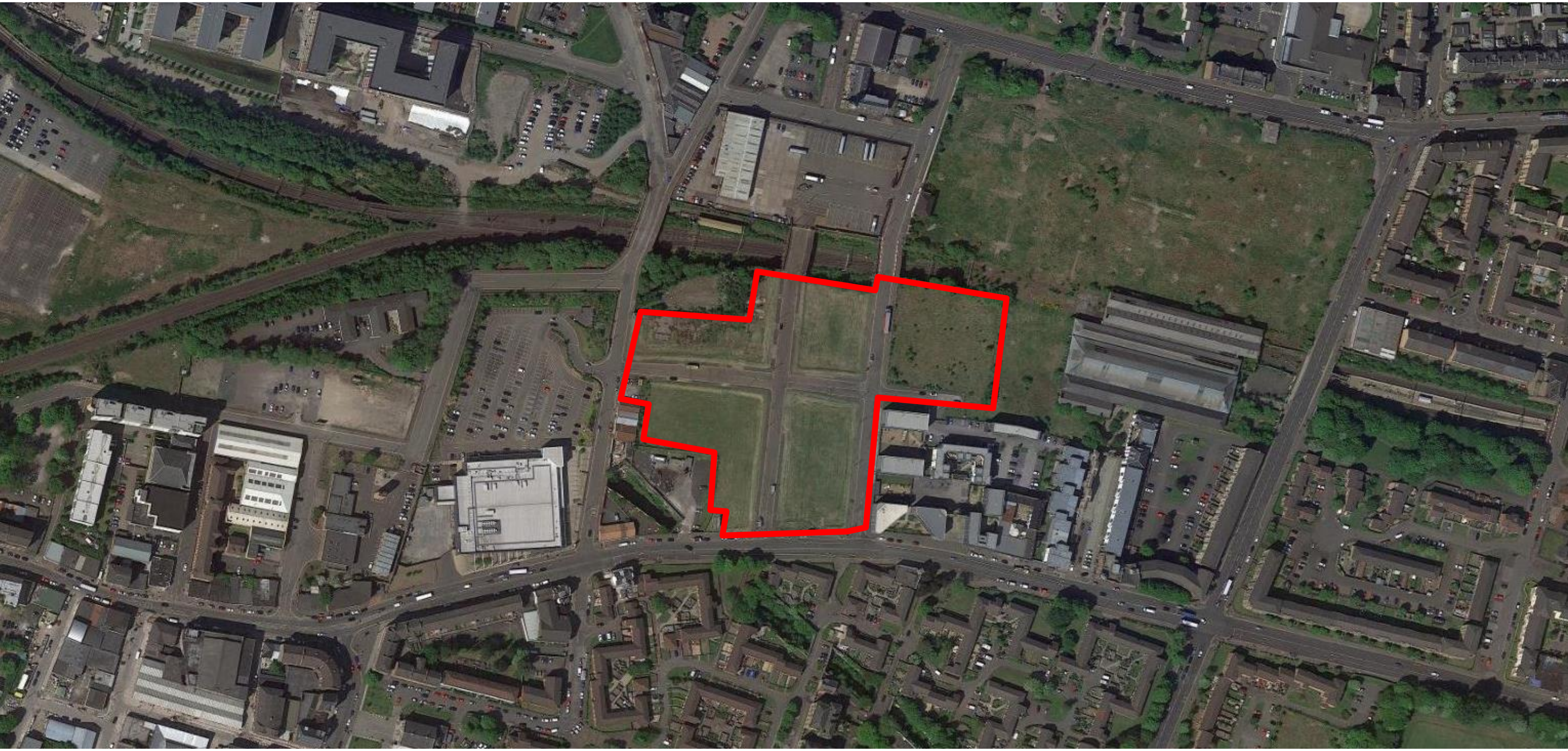
Easterhouse – Shandwick / Arnisdale

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Shandwick / Arnisdale**	Part	30	30	**60**

Drumchapel – Abbotshall / Dunkenny

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Abbotshall / Dunkenny**	No	50		**50**

Calton Village Phs 1, 2 & 3



RSL	Project	Do we own?	SR	MMR	Total
GHA	**Calton Village Phs 1, 2 & 3**	Yes	30	227	**257**

Nitshill – Cleeves Quadrant

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Cleeves Quadrant**	Part	25		**25**

Pollokshaws – Former Police Station

RSL	Project	Do we own?	SR	MMR	Total
GHA	Pollokshaws Police Station	No	35		**35**

Castlemilk – Dougrie Ph2

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Dougrie Ph2**	No	50		**50**

East Govan Ibrox TRA – Brighton / Briton

RSL	Project	Do we own?	SR	MMR	Total
GHA	**Brighton / Briton**	Part	50		**50**

GHA

To: GHA Board

By: Tom Barclay, Group Director of Property and Development

Approved by: Martin Armstrong, Group Chief Executive

Subject: GHA Fire Safety update

Date of Meeting: 14 February 2020

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1. Purpose

1.1 The purpose of this report is:

- To present Board with a progress update on the on-going implementation of our Fire Prevention & Mitigation Framework (The Framework);
- To seek Board approval for our proposed approach to undertaking Fire Risk Assessments (FRAs) in all Multi Storey Flat (MSF) blocks and Living Well sites across Group; and
- To provide Board with an update on the most recent outputs from the Scottish Government's Ministerial Working Group on Building and Fire Safety.

2. Authorising context

2.1 The Group's Authorise/Monitor/Manage (AMM) matrix sets out what matters are reserved to Boards/Committees and what is delegated to the Group Chief Executive. This report relates to strategy implementation, as such the proposals within the report fall within the powers that are delegated to the Group Chief Executive which are exercised via the Group Executive.

3. Risk appetite and assessment

3.1 The Group risk appetite relating to issues of technical compliance is averse, defined as avoidance of risk and uncertainty is a key organisational objective.

3.2 The Group Board approved "Delivering Safer Communities: Our Fire Prevention and Mitigation Framework" in August 2017. This report provides Board with assurance in relation to the on-going implementation of the Framework and our ability to respond to new guidance and legislation.

4. Background

4.1 Investing in our Futures (IioF) acknowledges that feeling safe and secure in their homes is of paramount importance to our customers and, in recognition of this, commits to a shared vision and passion for improving the homes and lives of those in our communities.

4.2 Over the last five years this high level strategic commitment has translated into the development and implementation of sector leading fire safety services that allows all Group Subsidiaries to evidence an outstanding record of preventing and mitigating the risk of fires.

4.3 In the years prior to the CIP the period 2003-12 GHA tenants accounted for 52% of all accidental dwelling fire fatalities in Glasgow. In the first four years of the partnership, between 2013-2016, zero fire fatalities were recorded in GHA/WG properties, this helped reduce the Groups fire fatalities to 16% of Glasgow's accidental dwelling fire fatalities between 2013-19. The high volume of HFSV completed in the past nine years has contributed to a 78% reduction in accidental dwelling fires comparing figures from 2011/12- 2018/19. In 2018/19 the Group increased HFSV from 1,550 to 2,812 an increase of 81% which had the positive effect of reducing accidental dwelling fires from 269 to 240 a reduction of 11%.

4.4 Our (CIP) Fire Safety Operating Model has already been recognised as a Fire Prevention Exemplar by the Scottish Governments, Building Safer Communities, and Unintentional Harm Hub. However, fire safety, and keeping our customers and communities as safe as they possibly can be, will always be of paramount importance to the Group; we will therefore continuously strive to innovate and set new standards for excellence in this extremely important area of work. This commitment to delivering unrivalled fire prevention and mitigation services has been carried over into our new Group 2020-2025 Strategy: Inspiring Ambition, Unleashing Potential, in which we clearly state that fire safety will remain a top priority.

4.5 Our commitment to excellence in this area is further evidenced by our unique partnership approach with the Scottish Fire and Rescue Service (SFRS.) Developing ground-breaking partnerships such as this allowed us to jointly draft and agree our Fire Prevention Charter. The Charter, **the first of its kind in Scotland**, sets out our joint approach to further improving community safety, fire prevention and home safety, while also addressing inequality and enhancing the wellbeing of our customers.

4.6 As a key strategy for the Group, the Framework was approved by Group Board on 30 August 2017. It was recognised at this time that the Framework was particularly relevant to GHA and Cube, both of whom have a significant percentage of Multi-Storey Flats (MSFs) within their stock profile (circa 20% GHA & circa 50% Cube). Following the 14 June 2017 Grenfell tragedy the Board has previously been provided with reassurance that the materials and systems used in our multi-storey investment programmes meet, and in many cases exceed, building standards and regulations for this type of property. None of our MSFs have the same cladding material used in Grenfell and the MSF compartmentalisation design has been extremely successful in containing fires and ensuring, when they do occur, they do not spread to neighbouring apartments.

4.7 As a Group we are nationally and internationally recognised for defining excellence and have an outstanding record in delivering sector leading levels of service and innovation in all fields in which we operate. The development and implementation of our Fire Prevention and Mitigation Framework was yet another highly visible example of this and, importantly, it clearly demonstrated to our tenants, staff and partners the importance we place on ensuring our homes are constructed, managed and maintained in a way which maximises fire safety for our customers.

4.8 The Framework clearly sets out the range of ways in which we will take this forward and, by doing so; further improve the safety of tenants and customers whilst also continuing to protect our assets. These interventions have been set out against four 'P's or Pillars': ***P**reventing and Protecting, **P**eople and Communities, **P**artnership and Collaboration and **P**ioneering Products and Services.* Since being approved in August 2017 Board has received three previous updates on the significant progress made to date against the work plan commitments aligned to these 'Pillars.'

4.9 On the 4 December 2019 the Scottish Government formally launched their Practical Fire Safety Guidance for Existing High Rise Domestic Buildings document. The Guidance is for those responsible for fire safety in high rise domestic buildings; this includes landlords, owners, managers, property factors, property advisors, managing agents, enforcing authorities and those assessing fire risk in high rise domestic buildings. It provides practical fire safety advice on how to prevent fires and reduce the risks from fires in high rise domestic buildings. It aims to assist the assessment of fire risk and the adequacy of existing fire safety measures. Its focus is on communal areas and aspects of building design in private accommodation which could affect the safety of others. The Guidance applies only to Scotland and is not mandatory.

4.10 The Guidance also makes reference to The Grenfell Tower Inquiry, set up to examine the circumstances leading up to and surrounding the fire at Grenfell Tower. The Phase 1 report of the Grenfell Inquiry was published on 30 October 2019. Within the Guidance the Scottish Government commits to studying the findings of the Phase 1 report and assessing if there are lessons to learn to further strengthen safety in buildings and then, if appropriate, to update their guidance accordingly.

4.11 In addition to the Guidance mentioned above the Scottish Government also launched their High Rise Fire Safety Campaign Leaflet (see Appendix 1) – ***'Keeping yourself and others safe from fire in your high rise building'*** on the 04th December. The Government aims to deliver a copy of this leaflet to the occupiers of all high rise flats across Scotland in the coming weeks. Additional leaflets will also be available in libraries and community centres in the local authorities across Scotland which have been identified as containing high rise domestic property. **Importantly, both the leaflet and guidance strongly advocate the continued use of the Stay Put Policy in Scotland.**

5. Discussion

Delivering on our Fire Prevention and Mitigation Framework Commitments

5.1 When approved in August 2017 the Framework was supported by a work plan that consisted of 12 work streams and 39 individual success measures that were aligned to the 4 pillars. Board has previously been provided with an update on the hugely successful delivery of the original action plan.

5.2 Detailed below is a summary of just some of the high level successes that were delivered as part of this initial work:

- We recruited four CIP Fire Safety Officers (FSOs) – they have subsequently developed and piloted a Fire Risk Assessment (FRA) process for our multi storey flats, a Fire Information Note for sharing learning from significant fires and a Vulnerable Household intervention process for supporting those most at risk of fire;
- In partnership with SFRS, we have renewed and strengthened the existing Home Fire Safety Visit (HFSV) referral process;
- We created a 'Stay Safe' campaign which reinforced the benefits of having a HFSV, this subsequently contributed to an 81% rise in HFSV's;
- We jointly developed and created a Fire Prevention Charter with SFRS; and
- We reviewed our use of our fire prevention budget which enabled our FSO's to provide 'Pioneering Products and Services' to our most vulnerable customers.

5.3 To ensure that we continued to drive forward new and innovative ways of preventing and mitigating fires within our communities a new work plan was developed. Detailed below is a summary of progress to date.

Preventing and Protecting

5.4 We know that the best way to prevent fires is to identify and change risky behaviours and ensure that a robust and proactive approach to repairs, maintenance and investment is embedded across the Group. To deliver the best outcomes for our tenants and customers both of these work-streams must be informed by real time customer segmentation and data analysis. Detailed below are examples of the progress delivered to date against the previously identified success measures:

- Serviced 4,500 fire doors and replaced in excess of 2,000 across our MSF stock portfolio;
- Upgraded our MSF bin chute hoppers with new smoke sealed units;
- Installed new fire safety signage in accordance with BS 5499;
- 3,200 service cupboards have been environmentally cleaned and fire stopped;
- Commenced an emergency lighting installation programme across our MSF stock portfolio, with 23 blocks completed to date;
- Developed a long term plan for the replacement of fire doors as part of our asset improvement plans;
- Procured mobile sprinkler systems as part of our risk based targeted approach to managing high risk individuals in our communities;
- Commenced with the delivery of enhanced fire suppression systems within the bin stores of our MSF portfolio; and
- Commenced a smoke and heat detector upgrade programme to comply with new legislation, with 13,000 properties completed to date.

5.5 Spend to date on fire safety measures is circa £13m covering the work within MSFs, emergency lighting and smoke/heat detection. Over the next 5 years across group we plan to spend a further £10m on fire safety covering smoke/heat detection, emergency lighting and additional fire safety measures for particularly vulnerable customers.

5.6 In addition to the asset based approach to mitigating the risk of fire we also recognise the importance of identifying, and working with, those households who are vulnerable or at a higher risk of experiencing a fire. This may be due to, for example, their lifestyle or a physical disability. Since 1 April 2019 our CIP Fire Safety Officers have visited 308 of these households and jointly agreed a bespoke intervention plan. This approach is, without doubt, a major contributory factor to our 11% reduction in accidental dwelling fires last year.

People and Communities

5.7 The development of this Pillar recognised the importance of designing and delivering services that are informed by a real understanding of the factors that put our tenants, customers and properties at risk of fire. Further, we also acknowledge the importance of all frontline Group staff having the skills and knowledge to identify risk and make the appropriate referrals. Detailed below are examples of the recent progress delivered within this work-stream:

- Housing Officers and frontline staff attending fire safety awareness sessions at the SFRS, Safe House at the SFRS, HQ in Cambuslang;
- Fire Risk Assessment training and qualifications for all Fire Safety Officers and Health & Safety Officers;
- The continued delivery of our mandatory Fire Safety Awareness training for all Group staff, with this being refreshed every 3 years; and
- Specialist training in fire door examination/maintenance for all our Fire Risk Assessors and a selection of City Building managers, asset officers, trades operatives and managers.

5.8 Our CIP, Fire Safety Officers continue to work closely with our Housing Officers and other frontline staff to identify vulnerable customers and provide sector leading fire safety products and services. In 2018/19 we increased our HFSV from 1,550 to 2812 an increase of 81%. In 2019/20 (Apr – Nov) SFRs have already undertaken a further circa 2,000 across Group.

5.9 To further increase our HFSV's we have developed 'Fire Safety Days of Action' this involves our SFRS Watch Manager, Fire Safety Officers and local SFRS Community Action Team visiting a location and offering every tenant a HFSV that day. This is proving to be extremely popular and effective and our most recent event in Castlemilk resulted in 37 of 44 possible customers receiving a HFSV.

5.10 Our 'Stay Safe' fire safety campaign to raise awareness amongst our customers continues to be very successful. Our websites now have dedicated sections on fire safety and prevention. Our 'Stay Safe' content regularly appears on our Facebook and Twitter channels encouraging people to sign up for a home first safety visit and pushing people to the Stay Safe sections on our websites. Information on the following issues has been covered in our newsletters and tenant magazines:

Mitigating the Risk of Scalding	Staying Safe at Xmas	Staying Safe from Falls	White Goods Safety	Home Fire Safety Visits	Smoke & Heat Detectors

Partnership and Collaboration

5.11 The development of the draft **Fire Prevention Charter** with SFRS is a sector leading example of our approach to developing unique partnerships that enhance our ability to deliver fire prevention services. The Charter sets out our joint approach to further improving community safety, fire prevention and home safety, whilst addressing inequality and enhancing the wellbeing of our customers. Detailed below are examples of the recent progress delivered within this work-stream:

- Meetings with the SFRS Operational Intelligence Manager have taken place with a view to creating 3D maps of our MSF sites. This will ensure SFRS staff have the most up to date information and intelligence available in every fire appliance if they have to attend a fire incident at one of our MSF blocks;
- Our SFRS Watch manager now has access to fire incident data for all Group Subsidiaries; this is updated onto PIMMS (our Group Asset Management database) twice weekly and is made available to all relevant staff;
- A meeting has been organised with the SFRS Deputy Assistant Chief Officer (Strategic Planning and Performance) to discuss the potential for creating a fire incident Business Intelligence Toolkit. This approach, similar to the one we previously developed with Police Scotland, will significantly improve our ability to map and analyse our data; and
- Our W360 CIP and NET's Team recently teamed up with SFRS Glasgow to deliver their Fireworks and Bonfire Initiative. This saw the sharing of information and intelligence between our organisations. Our CIP Police Team and NETs operated in areas identified by SFRS intelligence where previous years had seen unwanted bonfires.

Pioneering Products and Services

5.12 We continually drive innovation in all that we do; developing pioneering fire safety products and services is no exception. Our approach to identifying and investing in new and innovative products and services is informed by a detailed and on-going analysis of the comprehensive data and intelligence sets that are now available to us.

5.13 We are continuing to invest in our Microsoft Power BI platform that enables us to extract fire incident and vulnerable household intelligence rapidly and accurately. Our partners at SFRS have also invested in this platform and meetings with their strategic planning team will ensure that we can provide them with our maps and data and, by doing so, influencing the deployment of their Community Action Team resources. This approach will be used to jointly agree our future 'Fire Safety Days of Action'.

5.14 We know from our fire incident data that 79% of all accidental dwelling fires are cooking related; this has resulted in us sourcing and purchasing a number of Air Fryers. These are now available to our FSOs to replace traditional chip pans that are being used by some of our most vulnerable and high risk customers.

Our Proposed Approach to Undertaking Fire Risk Assessments (FRAs)

5.15 Whilst not a legal requirement under Part 3 of the Fire (Scotland) Act 2005, FRAs for the common areas of domestic premises, it is a strong recommendation within the Scottish Government Guidance that those organisations responsible for the management of high rise blocks carry out an assessment of fire risk in their buildings as part of their corporate responsibility. The guidance further states that a new FRA should be undertaken every 3-years and this should be supplemented with an annual review.

5.16 The key points in relation to high rise FRAs detailed within the Guidance are noted below for Board information:

- The purpose of assessing risk is to evaluate the risk to people from fire and determine appropriate fire safety measures;
- The assessment of risk will normally only consider the common areas and limited, specified parts of flats only;
- Concerns regarding risk to individual residents in their own flat should be referred to the SFRS for a Home Safety Visit;
- Fire spread potential on the external facade and roof of the building should be considered;
- Intrusive checks (involving exposure of construction) will only be necessary where there is justifiable concern regarding structural fire precautions;
- Risk assessors must be competent. Where external specialists are chosen, certification or registration schemes can provide some assurance;
- The findings of risk assessments need to be actioned; and
- Fire safety risk assessments should be reviewed regularly, when circumstances change or after a fire or near miss.

5.17 A key commitment within our Framework is the development of a FRA Methodology that reflects current UK best practice. Best practice defines a robust FRA as a process involving the systematic evaluation of the factors that determine the hazard from fire, the likelihood that there will be a fire and the consequences if one were to occur. Building on these basic principles our Fire Safety Officers have developed a FRA methodology and, over the last few months, this has been tested in eleven GHA MSF blocks. Importantly, this methodology was created by one of the expert witnesses to the on-going Grenfell Enquiry and we are confident that it not only meets, but exceeds, the recommendations detailed with the Scottish Government Guidance. From an assurance perspective The Local Government Association (England & Wales) “Fire Safety in Purpose-Built Blocks of Flats” manual endorses our proposed methodology and the Chief Fire Officers’ Association also deems it to be suitable.

5.18 Subject to Board approval we will now commence with a detailed 3-yearly cycle of FRAs across all of our MSF stock. This will be supplemented, as per the Scottish Government Guidance with an annual review.

5.19 Prior to the re-designation of our Sheltered and Very Sheltered stock to Living Well accommodation (and subsequent de-regulation with the Care Inspectorate) the FRA practice was that Group Health & Safety Officers would undertake a three-yearly FRA of these sites as they were deemed to be ‘relevant premises’. We propose to align the FRA process to our MSF stock and the Scottish Government Guidance and continue our 3-yearly cycle supplemented by an annual review.

Scottish Government Practical Fire Safety Guidance for Existing High Rise Domestic Buildings (published on the 4 December 2019)

5.20 This Guidance provides practical fire safety advice on how to prevent fires and reduce the risks from fires in high rise domestic buildings. It aims to assist the assessment of fire risk and the adequacy of existing fire safety measures. The focus is on communal areas and aspects of building design in private accommodation which could affect the safety of others.

5.21 The primary aim of the Guidance, is to reduce the risk to life from fire. As such, the focus is on life safety rather than the protection of property. It applies to existing multi-storey high rise blocks and tenemental buildings with a storey in excess of 18 m above the ground – generally more than 6 floors – but no storey above 60 m – generally more than 20 floors. It states that specialist advice should be sought for buildings above this height**. Across Group we have 26 MSF blocks above 20 floors (21 GHA, 4 Cube and 1 Lowther.)** The focus of the Guidance is on communal areas and aspects of building design in private accommodation which could affect the safety of others. There are 34 key points covered in the following six chapters:

- **Purpose and Scope of the Guidance -** This chapter explains what the Guidance is about, who it is aimed at, what buildings are included, what is the fire risk in high rise domestic buildings and the 'Stay Put Policy.'
- **Fire Safety in High Rise Buildings -** This chapter explains fire safety measures in high rise domestic property. It covers fire resistant construction, escape routes, fire detection and warning, evacuation strategies and facilities for use by SFRS.
- **Risk Management – Assessing the Risk to Persons -** This chapter sets out the purpose, practicalities and a proposed method for undertaking fire safety risk assessments. This will assist those responsible for fire safety to establish whether existing fire safety measures are adequate, or if improvements are required.
- **Risk Management – Fire prevention -** This chapter focuses on preventing fires and reducing their impact. It sets out the common causes and measures to control or eliminate them. There is consideration to different approaches to fire safety measures in communal areas, stairways and landings.
- **Risk Management – Physical Fire Safety Measures -** This chapter discusses how these can be used and offers benchmarks for measures such as fire separation, escape routes, smoke control, stairways and travel distance. There are also specifications for fire resisting doors and fire detection systems, facilities and assistance of firefighters.
- **Risk management – Ongoing control -** This chapter covers the responsibility for fire safety in the building and the fire safety messages for residents. There are important reminders of controlling building work and alterations (including resident's DIY) and on-going inspection, testing and maintenance of fire safety systems and equipment.

5.22 The content of the Guidance is predicated on a number of key points. These are: each flat being a fire resisting 'box' designed on the 'stay put' principles; fire resisting construction is provided to stair enclosures, service risers, lobbies and ancillary areas; escape from a fire should not rely on external rescue by the fire service, fire detection systems give early warning of a fire and facilities are provided to assist fire fighters. The Guidance also states that high rise blocks do not normally require a communal fire alarm system.

5.23 As previously stated the Guidance was only published on the 4 December 2019 and is currently subject to detailed scrutiny by all relevant service areas across Group. There have however already been a number of cross service meetings held to discuss the content of the previously published draft guidance document which isn't significantly different from the final version. These meetings did not flag up any major concerns, or issues, that have not already been addressed or, alternatively, have not been included within our on-going capital works programme. We are currently engaging with SFRS partners on appropriate 'specialist advice' for our MSF blocks that are more than twenty storeys.

Scottish Government Practical fire safety guidance for existing specialised housing and other supported domestic accommodation

5.24 This guidance, currently at draft stage, has been designed to meet the needs of all individuals that may need additional support in terms of fire safety in domestic accommodation which is not already covered by the 'relevant premise' regime set out in the Fire Safety Regulations. It will cover homes of people who are vulnerable to the risk of fire by virtue of characteristics / conditions or behaviours which require an element of care / support e.g. sheltered housing, supported housing, domestic care homes, other supported domestic accommodation.

5.25 It includes a two pillar approach which includes risk assessment of the individual and the building where they live. We are currently assessing the implications for our customers but expect to utilise our experience of undertaking fire safety risk assessments in homes of multiple occupation (HMOs) and undertaking home fire safety visits to meet the new requirements. The guidance is expected to be published by Scottish Government early in 2020.

6. Key issues and conclusions

6.1 The safety of our tenants and customers is of paramount concern to our Group. We already have an outstanding track record of fire prevention delivered through a range of proactive approaches.

6.2 The continued implementation of our Framework and proposed approach to FRAs further builds on this, and clearly demonstrates to tenants and stakeholders our commitment to improving fire safety across our Group.

6.3 Our Framework commits us to substantial investment, particularly in MSFs, which is funded from our investment and cyclical maintenance programmes. This physical investment is complimented by a range of awareness raising and behaviour changing programmes with staff, tenants and customers right across our group supported by the use of assistive technology to promote behaviour change.

6.4 We will continue to review and action, where appropriate, all relevant guidance that is issued by the Scottish Government.

7. Value for money implications

7.1 Two of the three key value drivers identified in our VFM framework were the repairs service offered to tenants and home improvements. The delivery of our Fire Prevention and Mitigation programme is directly linked to this as we continue to demonstrate to customers, through our maintenance and compliance works in relation to fire safety, our commitment to the safety of our tenants and the protection of their homes.

8. Finance implications

8.1 All current identified costs will be paid from existing investment and repairs budgets.

8.2 Should they become a legislative requirement, or part of the Scottish Government Guidance, implementing some of the recommendations would have a significant financial impact.

9. Legal, regulatory and charitable implications

9.1 Our Framework ensures that our practice is far beyond what is required in current legislation.

10. Partnership implications

10.1 Our Framework and Fire Safety Charter will ensure that we maintain and develop strong relationships with our partners across all the areas in which we operate, setting out our shared aims and priorities.

11. Implementation and deployment

11.1 Our CIP operating model has introduced four fire safety officers. This wider CIP team coordinates activities across our group drawing on resources from subsidiaries and Wheatley Solutions to deliver key elements, particularly around training, communications and raising awareness. This is further supplemented by the mandatory Fire Safety Management Training delivered by the Group Health & Safety team specifically for managers; our Asset Team within the JV also undertake annual common inspections. This will provide further knowledge and understanding with respect to roles, responsibilities and expectations.

11.2 The Group's approach to fire safety compliance and assurance is set out in the Group Health and Safety Policy and is supported by a single group-wide health and safety management system. The first line of management assurance is provided by the Group Health and Safety team who monitor compliance through the Framework. The second line of management assurance is provided by the Fire Liaison Steering Group, led by the Group Director of Property and Development, who routinely monitors and reviews fire safety compliance through regular management reporting. In addition, regular reports will be provided to the Group Audit Committee, Group Board and Subsidiary Boards to enable scrutiny on the status of the Framework. This will include progress reports in relation to the on-going programme of fire risk assessments and fire safety compliance.

11.3 A Fire Safety Risk Management Audit is currently underway as part of the 2019/20 Group Assurance Plan. This review is considering the key controls in relation to implementation of the Framework; and will be reported to the May 2020 Group Audit Committee. The proposed 2020/21 Assurance Plan will be considered at the February 2020 Group Audit Committee; this will propose ongoing review of the status of Group Fire Safety activity.

12. Equalities impact

12.1 No negative equalities impacts have been identified.

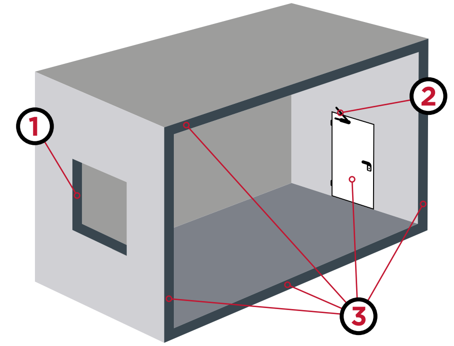
13. Recommendation

13.1 The GHA Board is asked to note the annual update of the implementation of the Framework and approve the FRA methodology including reporting to the Group Audit Committee.

List of Appendices

Appendix 1 – High Rise Fire Safety campaign

WHAT TO DO IF THERE IS A FIRE IN YOUR BUILDING



1 Fire resisting cavity barriers around windows

2 Self closing device (various kinds)

3 Fire resisting door, walls and floors

STAY PUT, STAY SAFE

Most high rise domestic buildings are built with the principle of 'stay put' in mind. This means that flats will be designed to resist the spread of fire. Because of this, a fire is not likely to spread from one flat to another.

If there is a fire in your building - but not in your flat - you should stay in your home and keep the front door closed **unless**:

- you are directly affected by heat, smoke or fire
- or the Fire and Rescue Service or Police tells you to get out

IF YOU ARE TRAPPED

It is rare for people to be trapped by fire. If you are:

- Go to a 'safe room' which should have a window and a phone and gather everyone there.
- Call the Fire and Rescue Service and pack bedding or towels around the door to keep out smoke.
- Open the window to breathe clean air and try attracting attention by waving a sheet if it is safe to do so.

If you have any questions, you should speak to the person responsible for fire safety in your building.

FOR MORE ADVICE

Visit **www.firescotland.gov.uk**, or talk to your local firefighters. You'll find contact details on our website, in your local library and in the phone book.

TO BOOK A FREE HOME SAFETY VISIT
Call 0800 0731 999, Text 'FIRE' to 80800
or visit **www.firescotland.gov.uk**

IN AN EMERGENCY CALL 999

USE AND KEEP THIS LEAFLET

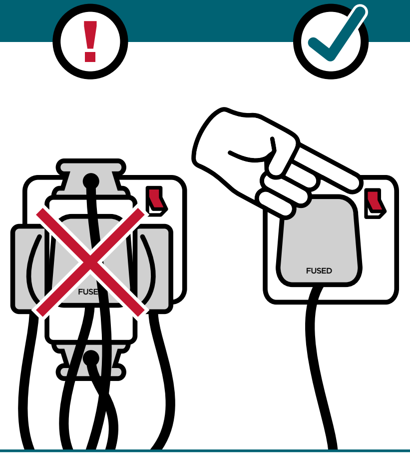
Make sure everyone in your home is clear on these actions. Put it somewhere handy to remind you - pinned to the wall or the fridge door.

SCOTTISH FIRE AND RESCUE SERVICE
Working together for a safer Scotland

Safer Scotland
Scottish Government

Keeping yourself and others safe from fire in your high rise building

ACTIONS TO STOP FIRES HAPPENING



AT HOME

IN THE KITCHEN

- Never leave cooking unattended - keep an eye on your cooker when it is on.
- Deep fat fryers or oven chips are much safer than using open chip pans.
- If you use a chip pan do not fill it up too much (no more than 1/3 full).

SMOKING

- Make sure cigarettes are put out properly in a sturdy ashtray.
- Don't smoke in a chair if you have been drinking alcohol or feel sleepy.
- Do not smoke when sleepy or in bed.
- Keep lighters and matches away from children.

ELECTRICS

- Do not overload sockets by plugging in too many electrical appliances.
- Turn electrical appliances off at the wall, this is safer than leaving them on standby.
- Don't leave appliances on when sleeping or out of the house - this includes washing machines, dishwashers and tumble dryers.

COMMON AREAS

STAIRS, HALLS AND CORRIDORS

- Make sure stairs, landings and corridors are clear for escape. Remove bikes, prams and other objects that could get in the way.
- If you have arranged for items to be taken away, do not leave these in common areas.
- Make sure all rubbish is disposed of properly using the communal bins provided.
- If you have questions about common areas, contact the person that manages your building.

PREPARE FOR ESCAPE AND GET EARLY WARNING

AT HOME

- Close all doors when you go to bed – especially the doors to the lounge and kitchen.
- Plan an escape route out of your home and keep it clear so you can leave quickly if you have to.
- Make sure everyone knows the escape plan.
- Make sure you've got working smoke and heat alarms, and test them weekly.

IF YOU HAVE TO LEAVE

- Get out as quickly as you can, closing doors behind you to stop smoke and fire spread.
- Use the stairs to get down to the ground floor - never take the lift.
- Once you get out, call the Fire and Rescue Service and stay out.

TO RAISE THE ALARM

If the fire is where you are - in your home or in a common area - leave the building immediately if it is safe to do so and **call the Fire and Rescue Service on 999.** Tell other residents if you can, but don't put yourself at risk.

Report

To: GHA Board

By: Jehan Weerasinghe, Managing Director of GHA

Approved by: Martin Armstrong, Group Chief Executive

Subject: Delivery Plan 2019-20: Quarter 3

Date of Meeting: 14 February 2020

1 Purpose

1.1 This report outlines progress on the Delivery Plan Measures and Projects for Quarter 3. Appendix 1 contains the overall Performance Dashboard and Appendix 2 provides progress on Strategic Projects.

2 Authorising context

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

3 Risk appetite and assessment

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

4 Background

4.1 The report outlines performance against our current Delivery Plan as at Quarter 3, with actions and updates where appropriate. Most of the key indicators which will be reported to the Scottish Housing Regulator as part of the Annual Return on the Charter are included within this report.

5 Quarter 3 performance

5.1 We are meeting target for a number of indicators already. These include emergency repairs timescales, repairs appointments kept, gas safety checks, anti-social behaviour timescales and satisfaction with the standard of the home when moving in. A number of other indicators are now very close to meeting target with many already meeting the top quartile benchmark.

5.2 338 jobs, training places and apprenticeships have been created in the year to date against a target of 325 for this point in the year.

5.3 Complaints responded to within SPSO timescales remains slightly below the 96% target at 95.6%. A new approach has been put in place across the organisation and measure results are being made visible across our offices to ensure performance improves. Performance is already above the GHA top quartile benchmark and is now slightly above the top quartile benchmark used for the other RSLs (95.55%).

5.4 Average time to complete non-emergency repairs is currently over target. However, this measure includes a number of repairs which are categorised as reactive in our system but should correctly be recorded as programmed repairs. These are manually reviewed at year end. As many of these will have taken a number of days to complete it is expected that this result will meet target following review.

5.5 Reactive repairs completed right first time is at 96.9% against the 97.5% target. Performance is already better than top quartile. The focus for improvement is on creating cleaner diagnosis of repairs and the new MyRepairs process will assist with this.

5.6 Satisfaction with repairs and maintenance is currently slightly just under the 94.2% target at 93.6%. This has been affected by lower numbers of survey returns. We are working with our colleagues in the Hub to ensure a major drive to increase returns over the remaining weeks of the year. The top quartile benchmark for this measure is 94%. Satisfaction results are rounded to a whole figure for our top quartile analysis so this result will meet the top quartile if it stays at this level or improves.

5.7 Tenancy offers refused remains at a consistent level with previous years at 33% against the 21% target. The number of offers refused tends to be consistently higher in organisations with choice based letting systems. Performance is slightly worse that the top quartile benchmark of 13.7%.

5.8 Tenancy sustainment has been maintained at 91%, a consistent level with previous years. This performance is better than the top quartile benchmark for GHA (89.67%), but slightly lower than the benchmark top quartile for other RSLs in the Group (92.44%). The Regulator's definition of sustainment means that deaths, and instances where people are taken into custody or long term care are counted as not being sustained. As part of the 2020-25 performance framework we will develop a new indicator which assesses tenancy failures where we could potentially make a difference so that we can track sustainment in a way that is more meaningful for us and for our customers.

5.9 Gross rent arrears are at 4.67% against a target of 3.99%. This is up 0.02% from Quarter 2, compared to a rise of 0.43% between Quarter 1 and 2. This has largely been caused by the impact of Universal Credit.

Universal Credit

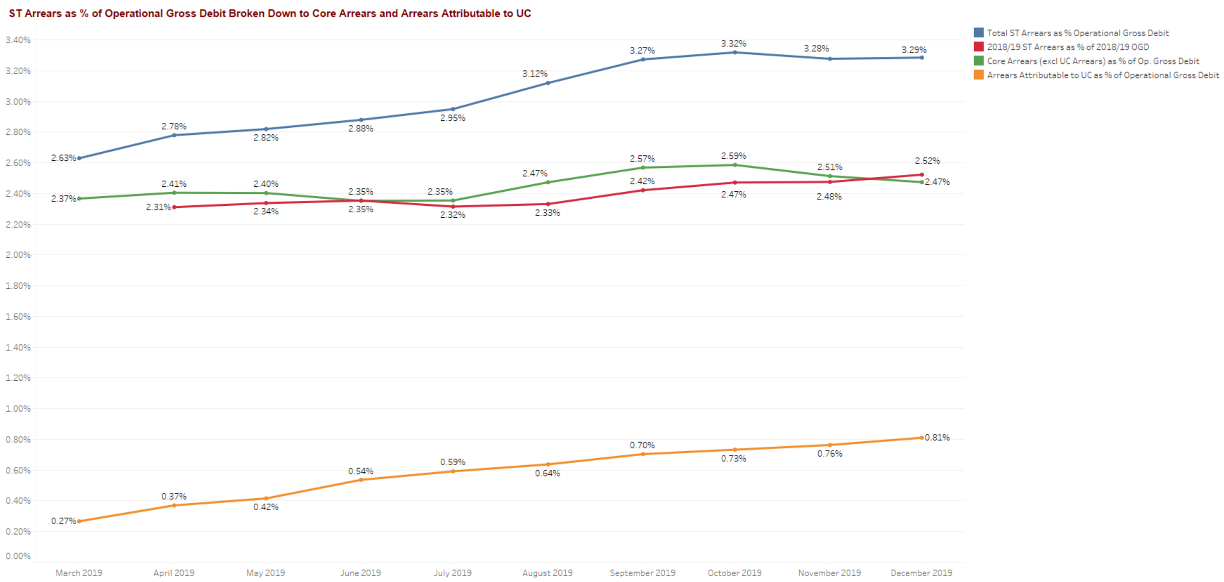
5.10 For the purposes of Universal Credit monitoring we focus on sitting tenant (ST) arrears.

5.11 Sitting Tenant arrears for GHA have increased by 0.66% from the beginning of the financial year to December 2019, from 2.63% to 3.29% of Operational Gross. We can split this down to:

5.12 **Arrears Attributable to UC** which have increased by 0.54%. This is in line with expectations. Positively, the % of UC customers in arrears has reduced by more than 3% from quarter 2 to quarter 3. This indicates more UC customers are becoming debt free. Linked to this, despite a 50% increase in the number of customers moving onto UC since quarter 1, we have maintained 27% of these customers with a clear or credit balance in their rent account across the year so far. We are now seeing an increasing trend of direct payments from DWP which shows we are putting appropriate measures in place to prevent UC customers accruing further rent arrears. Use of wraparound services to support UC customers is also increasing with TSS+ referrals up by 2% from quarter 2 to quarter 3, ensuring our most vulnerable customers are being fully supported to navigate the challenges of claiming UC and making payments to their rent account.

5.13 **Core Arrears** have increased by 0.10%, from 2.37% to 2.47%. We are focused on reducing core arrears to at or below the level of the previous year to mitigate the impact of UC.

CHART 1: GHA ST ARREARS AS A % OF OPERATIONAL GROSS DEBIT SPLIT TO CORE ARREARS AND ARREARS ATTRIBUTABLE TO UC



5.14 The rate of customers moving onto UC has been faster than the Business Plan had assumed for 2019/20. The assumption was that 6,082 customers would be on UC by December 2019, in reality we now have a cumulative total of 6,496 UC tagged customers.

5.15 A close working relationship with DWP allows us to identify customers moving onto Universal Credit to offer support as required. The key actions for staff to support customers on UC are to establish early contact, secure a direct debit or other formal payment arrangements, make appropriate referrals to Wheatley 360 wrap around services and ensure customers understand the importance of keeping their Universal Credit information up to date.

5.16 The use of Expected Payment Plans (EPPs) for UC customers is steadily increasing and it is anticipated that three quarters of UC customers will be on a payment plan by the end of the financial year. Encouragingly 95% of EPPs are maintained and this has remained steady since Quarter 2.

5.17 We are currently seeing an average increase of 399 new UC customers each month this year, with housing officers now supporting around 28 UC customers per patch. Whilst 73% of UC customers are in arrears, we are pleased to report that 27% of UC customers on a zero or credit balance. The percentage of customers in arrears has remained steady throughout the year despite an increase in the number of customers on UC of almost 7%.

5.18 Average time to let a home has increased from 14 days at Quarter 3 to 15.13 days. Citywide analysis has shown a number of key variables which have impacted on performance during the last quarter. This includes multiple offers on lower demand properties with high rise flats accounting for a good proportion of these. A full analysis of every let over 14 days has been carried out to inform improved ways of working. We are currently working with City Building to improve our process around KBRs (Kitchens, Bathrooms and Re-wiring) to offer customers more choice and carry out the works in situ. The will also save on the time taken to carry out void works. We have also launched a new in house void clear out service, carried out by W360 Environmental Teams. This service will run over weekends which will also positively impact on void and letting performance.

5.19 Payments made within 30 days is at 93.5% against the 96% target, 1% lower than at year end last year. Issues have been highlighted to relevant local offices and in month performance in the last period of the quarter was above the target.

6 Strategic projects – progress at Quarter 3

6.1 Appendix 2 outlines progress on the strategic projects in the Delivery Plan at the end of Quarter 3 (end of December).

6.2 At the end of Quarter 3, 4 of the 18 projects are complete and 9 are on track to complete on schedule.

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

- **Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations** –Glasgow Health and Social Care Partnership protocol was expected in December but has not yet been completed. The Scottish Government is also reviewing its approach to adaptations. As a result, it is proposed that this project is moved into the 2020-21 delivery plan to ensure it takes account of the outcomes from these partners.

- **Work with Police Scotland to develop a Group wide anti-social behaviour and crime prevention and mitigation framework:** This project was due by end November. The draft framework is still in draft format and is being updated by MD Wheatley 360. A report will be submitted to the ET and it will now be presented to Board in April.

- **Develop LivingWell specification for new build** – further work is required following discussions with Building Control. The project is now expected to complete by the end of March.

6.4 The **Development Framework** and the **Group workforce development plan** are both dependent on the enabling strategies for the 2020-2025 strategy. The development framework is now expected to complete in March. The Group workforce development plan will now move to the 2020/21 Delivery Plan.

7 Key issues and conclusions

7.1 We are already meeting the target for the year in a number of indicators with a number of others meeting top quartile or very close to target. Projects are generally on track or still expected to complete within the financial year. The exceptions are the proposal for medical adaptations and the workforce development plan.

8 Value for money implications

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

9 Impact on financial projections

9.1 No implications.

10 Legal, regulatory, and charitable implications

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

11 Partnership implications

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

12 Implementation and deployment

12.1 Not required.

13 Equalities impact

13.1 There is no direct equalities impact from this report.

14 Recommendation

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

List of Appendices

Appendix 1: Measures dashboard
Appendix 2: Strategic projects dashboard

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

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% All complaints responded to in full within SPSO timescales (Includes YP)	95.07%	95.62%	96%	
Average time taken to complete emergency repairs (hours) – make safe	2.79	2.72	3	
Average time taken to complete non-emergency repairs (working days)	5.68	6.12	5.5	
% reactive repairs completed right first time	96.01%	96.86%	97.5%	
% repairs appointments kept	100%	100%	98.02%	
% properties requiring a gas safety record which had gas safety check by anniversary date	100%	100%	100%	
% of tenants who have had repairs or maintenance carried out in last 12 months satisfied with the R&M service (4 Weekly)	93.54%	93.36%	94.2%	
% tenancy offers refused during the year	32.23%	33.24%	21%	
% anti-social behaviour cases resolved within locally agreed targets	93.8%	95.13%	94.03%	
% new tenancies sustained for more than a year - overall	90.87%	90.81%	93%	
% lettable houses that became vacant	8.24%	8.51%	8.5%	
% Tenants satisfied with the standard of their home when moving in	97.04%	96.37%	94%	
Average time to complete approved applications for medical adaptations (calendar days)	18.95	17.39	25	
Gross rent arrears (all tenants) as a % of rent due	3.85%	4.67%	3.99%	
Average time to re-let properties	15.79	15.13	14	
% lets to homeless		28.77%	33%	
% avoidable contact	7.69%	6.98%	18%	

Measure	2018/19	2019/20		
	2018	2019		
	Value	Value	Target	Status
% of payments made within the reporting period which were paid in 30 days or fewer (from the date the business receives a valid invoice)	94.57%	93.53%	96%	
GHA - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	408	338	325	
New build completions - Reprovisioning	197	210	44	
New build completions - Social Housing		42	98	
New build completions - Mid-market	145	93	29	
% Sickness rate	2.85%	3.09%	3%	

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

Strategic Project	Delivery Date	Status	% Progress
Develop and implement governance monitoring arrangements for the renewal of core strategies policies and frameworks	31-Oct-2019		100%
Review approach to service charges	31-Oct-2019		100%
Develop LivingWell specification for new build	31-Oct-2019		70%
Work with Police Scotland to develop a Group wide Antisocial Behaviour and Crime Prevention and Mitigation Framework	30-Nov-2019		70%
Develop a proposal to support choice, innovation and efficiency in the delivery of adaptations	31-Dec-2019		0%
Develop Group Asset Strategy for Housing, Commercial and Care	29-Feb-2020		95%
Development Framework	29-Feb-2020		80%
Develop Group Homelessness Framework including rapid rehousing	29-Feb-2020		70%
Implement repairs improvement project phase 1	30-Mar-2020		70%
New Wheatley Graduate Development programme in place	31-Mar-2020		75%
Develop 2020-2025 Group workforce development plan	31-Mar-2020		0%
Leadership and development framework implemented	31-Mar-2020		75%
Tenancy sustainment innovation - virtual home development (phase 3)	31-Mar-2020		50%
Mechanical & Electrical service contract procurement plan agreed and implemented	31-Mar-2020		100%
Implementation of strategy to meet “no home unimproved” by 2020 - GHA	31-Mar-2020		40%

Strategic Project	Delivery Date	Status	% Progress
Implement MSF strategy – GHA and Cube	31-Mar-2020		100%
Co-create our new engagement approach	31-Mar-2020		80%
Implement tenancy Star - Phase 2 (Group wide project)	31-Mar-2020		60%

Report

To:- GHA Board

By: Steven Henderson, Group Director of Finance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Finance Report

Date of meeting: 14 February 2020

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1. Purpose

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

2. Authorising context

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

3. Risk appetite and assessment

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

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

4. Discussion

4.1 A net operating surplus of £36.6m is reported for the 9 month period to 31 December 2019, £16.6m favourable to budget. GHA has reported a statutory surplus of £2m for the same period, which is £17.5m favourable to budget.

4.2 Key points to note:

- The main reason for the large positive variance is new build grant. Income recognised on the completion of new build properties is £14.9m favourable to budget following handovers of units at Glenacre, Hinshelwood, Bellwatson and Ibroxholm that were budgeted in 2018/19 but completed in the current year. In addition, earlier than planned 2019/20 handovers (113 to date) at our Gallowgate development have also contributed to the variance reported to date. The budget assumed these would not be handed over until Q4. All units at Ibroxholm have now been handed over.

- Total operating expenditure is £1.4m favourable to budget. Repairs, running costs and irrecoverable VAT and bad debts costs all contribute to the year to date variance. Repairs spend is £1.7m favourable to budget driven by favourable variances to budget for both reactive and cyclical costs. Employee costs are £159k adverse to budget following the creation of the new universal credit team and maternity cover costs in GHA. We anticipate this coming back into line with budget by the year-end. ER/VR costs are £782k higher than budget. A number of staff have signed up for ER/VR, as part of helping us address the ageing profile of elements of our workforce, as previously highlighted to the Board.

4.3 GHA has reported net capital expenditure of £62.3m for the period to 31 December 2019, which is £12.5m lower than budget. Key points to note:

- The core investment programme reports spend £3.4m lower than budget. The variance reported has arisen because as higher proportion of work carried out falls under the VAT shelter applicable to first time works.

- New build expenditure is reporting a favourable variance of £9.5m year to date. As previously reported to the Board, both Sighthill and Kennishead developments are reporting large variances. Both developments are now on site, however, the year to date variance of £5.4m for Sighthill and £2.5m for Kennishead is not expected to catch up by the end of the financial year.

Q3 2019/20 Forecast

4.4 A statutory surplus of £1.8m is forecast which is expected to be £0.7m higher than budget, due to the timing of grant income recognised on completion of new build units at Hinshelwood, Glenacre, Bellwatson and Ibroxholm which were expected to hand over in 2018/19 but completed this year. This will be offset by the reprofiling of budgeted Q4 completions at Kennishead, Bellrock and Linkwood. Net rental income is forecast to be £0.3m higher than budget driven by early completions at Gallowgate and a strong void performance reported in the year to date. Total income is expected to be £0.6m higher than budget.

4.5 Forecast operating costs are expected to be £0.2m favourable to budget. Repairs expenditure is forecast to be £0.9m lower than budget due to the timing of cyclical works. The demolition of properties at Gallowgate is expected to slip into next financial year and therefore £0.1m of costs associated with this will roll into 2020/21. ER/VR costs are expected to be higher at year end based on the factors noted above.

4.6 Net capital expenditure is expected to be £13.1m lower than budget following the later than budgeted site start at Kennishead and Sighthill.

5. Funding update

5.1 At its meeting on 4 October 2019 the Board received an update on the development of the single care vehicle. As part of this, the Board considered and approved the consent and amendment letters to our funding agreements. These were required to (i) allow the activities of Barony Housing Association to be consolidated elsewhere within group so that (ii) Barony could thereafter be dissolved. Some of the amendments were required in order to reflect the factual position following the re-organisation, including a change to arrangements for Loretto Care's working capital facility.

5.2 At present, Loretto Care and Loretto Housing Association have a £1m on-lend agreement, allowing Loretto Housing Association to lend Loretto Care up to £1m from funds obtained via WFL1 (note that this facility has never been used). While the arrangement is currently directly between Loretto Housing Association and Loretto Care, the RSLs share the potential exposure to Loretto Care via the cross-collateral agreement in the WFL1 Limited facilities.

5.3 Following the creation of the new single care vehicle, the £1m on-lend agreement will no longer be a direct relationship between Loretto Housing Association and the single care vehicle. Instead, a new intra-group on-lend agreement would permit the new care vehicle to access a maximum amount of £1m from any of the RSLs. A copy of the agreement is attached at Appendix 2. The exposure to WFL1 Limited remains unchanged; a maximum of £1m on-lending is permitted. Following the previous approval, it is our recommendation that the Board accept the current proposal presented.

5.4 As Barony Housing Association is also a guarantor for Syndicate and HSBC facilities, a letter of resignation will also be sent to each funder to request acceptance of the resignation from the facility agreement.

6. Value for money implications

6.1 Delivery of our cost efficiency targets is a key element of continuing to demonstrate value for money. GHA has reported a statutory surplus to December 2019 of £2m, noting that a deficit of £15.5m was budgeted, ensuring the achievement of these targets to date. After excluding grant income reported in the year, the favourable variance reported for the year to date is £2.6m.

7. Impact on financial projections

7.1 The updated long term financial projections for GHA, incorporating the forecast outturn for 2019/20, are provided separately on the agenda.

8. Legal, regulatory and charitable implications

8.1 No implications.

9. Equalities impact

9.1 Not applicable.

10. Recommendations

10.1 The Board is requested to:

1) Note the management accounts for the period to 31 December 2019; and
2) Approve the intra-group facility agreement and delegate authority to the Chair, any Board member, Group Chief Executive, Group Director of Finance, Director of Treasury or Group Company Secretary to execute.

List of Appendices

Appendix 1: Finance Report – 31 December 2019
Appendix 2: Loretto Care intra-group facility agreement [redacted]

GHA

Period 9 - December 2019/20 Finance Report

Period 9 – 2019/20 Finance Board Report

GHA

SUMMARY FINANCIAL PERFORMANCE

1. Operating Statement – Period 9 2019/20 YTD

	Year To December 2019 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	£132,427	£132,230	£197	£176,326
Void Losses	(£859)	(£919)	£60	(£1,225)
Net Rental Income	**£131,568**	**£131,311**	**£257**	**£175,101**
Other Income	£5,293	£5,238	£55	£7,056
Grant Income	£19,097	£4,176	£14,921	£26,903
Total Income	**£155,958**	**£140,725**	**£15,233**	**£209,060**
EXPENDITURE				
Employee Costs	£34,524	£34,365	(£159)	£46,201
ER / VR	£1,807	£1,025	(£782)	£1,025
Running Costs	£13,219	£13,521	£302	£18,030
Revenue Repairs and Maintenance	£19,784	£21,486	£1,702	£26,901
Irrecoverable VAT and bad debts	£6,812	£7,033	£221	£9,978
Depreciation	£42,970	£42,970	£0	£57,293
Demolition and Tenants Compensation	£240	£372	£132	£496
TOTAL EXPENDITURE	**£119,356**	**£120,771**	**£1,415**	**£159,924**
NET OPERATING SURPLUS / (DEFICIT)	**£36,602**	**£19,953**	**£16,649**	**£49,136**
Net operating margin	23.5%	14.2%	9.3%	
Interest payable & similar charges	(£34,601)	(£35,481)	£880	(£48,209)
STATUTORY SURPLUS / (DEFICIT)	**£2,001**	**(£15,528)**	**£17,528**	**£926**

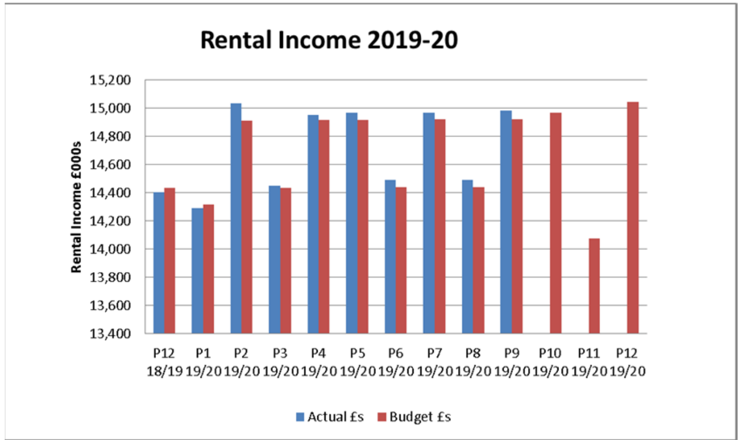
INVESTMENT	Year To December 2019 Actual £ks	Budget £ks	Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**£11,717**	**£13,009**	**(£1,292)**	**£15,200**
Total Expenditure on Core Programme	£33,850	£37,247	£3,397	£50,773
New Build & Other Investment Expenditure	£36,948	£46,490	£9,542	£53,554
Other Capital Expenditure	£3,214	£4,052	£838	£3,619
TOTAL CAPITAL EXPENDITURE	**£74,012**	**£87,789**	**£13,777**	**£107,945**
NET CAPITAL EXPENDITURE	**£62,295**	**£74,780**	**£12,485**	**£92,745**

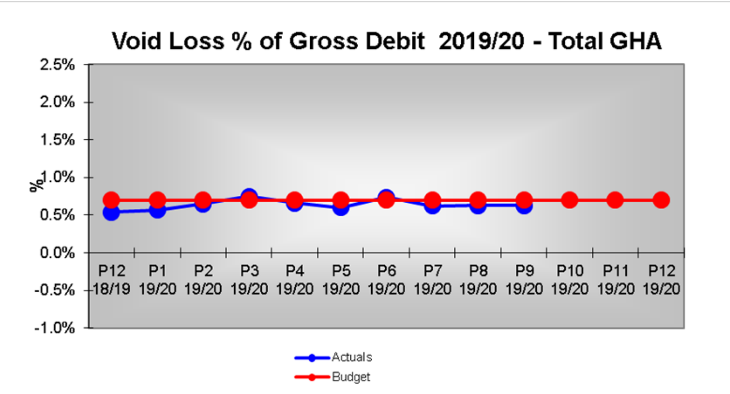
Key highlights year to date:

- A net operating surplus of £36.6m is £16.6m favourable to budget. The statutory surplus of £2.0m is £17.5m favourable to budget.
- Net rental income is £257k higher than budget with a strong void loss performance (0.65% of rental income), earlier than budgeted handover of homes at the Gallowgate new build development as well as higher than budgeted rental income on units completed in 2018/19, all contribute to the favourable variance.
- Grant income of £19.1m has been recognised following the completion of social rent units at Glenacre (26), Hinshelwood (113) and Gallowgate (113) and mid market units at Bellwatson (52) and Ibroxholm (41). This is £14.9m higher than budget with Glenacre, Hinshelwood and Bellwatson assumed to complete in 2018/19 and earlier than budgeted handovers at Gallowgate recognised to date.
- Total employee costs are £159k adverse to budget with the creation of the new universal credit team and maternity cover costs in GHA driving the variance on the direct employee cost line. The budget includes an in-year savings challenge profiled evenly through the year, however, a number of staff taking up ER/VR have leave dates phased in Q4.
- ERVR costs are £782k higher than budget. As part of addressing some of the long term structural issues with our ageing workforce, we have accelerated change in a number of leadership roles as well as a number of housing officer positions, whilst introducing our graduate programme.
- Total running costs are £302k favourable to budget with lower levels of spend to date on the Helping Hand Fund, Tenancy Sustainment and running costs recharged from Wheatley Solutions. We expect the gap on the Helping Hand Fund to close by the end of the year. The Tenancy Sustainment initiative is managed by Loretto; all outcomes are currently being met but at lower than budgeted costs.
- Repairs spend is £1,702k favourable budget with both reactive and cyclical repairs tracking lower to budget .
- Core Programme spend is £3.4m lower than budget with investment work continuing to meet the criteria for the VAT shelter.
- New build spend is reporting an £9.5m variance at the end of Q3 with Kennishead and Sighthill continuing to drive the YTD variance. As previously reported, Sighthill (£5.4m variance to date) is now on site with the start delayed from April to November 2019. The development at Kennishead started later than originally budgeted which led to a £2.4m variance earlier this financial year. The contractor is now on site and this development is progressing well.
- Investment income of £11.7m relates to grant received in the financial year. The gap of £1.3m against budget has arisen because of the new build delays discussed above; grant can only be claimed when the spend has been incurred.

2. Income – Rental Income & Void Losses

	YTD Actual £000s	YTD Budget £000s	YTD Variance £000s
Rental Income	£132,427	£132,230	£197
Void Losses	(£859)	(£919)	£60
Net Rental Income	**£131,568**	**£131,311**	**£257**

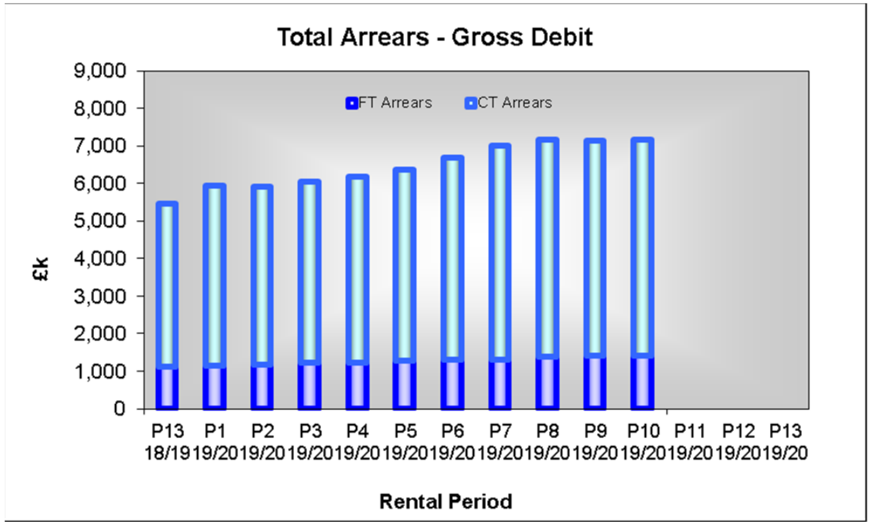




Comments:

- Gross rental income is £197k higher than budget at the end of period 9. There have been accelerated handovers at the Gallowgate new build site – 113 units have been completed to date against a budgeted completion date of January 2020.
  - Hinshelwood: all remaining 113 units were handed over by end of P4.
  - Glenacre: all units are now complete and have been handed over.
  - Ibroxholm: 41 units are now complete and handed over by the end of P9.
- The Rental Income graph shows the actual and budgeted rental income for the financial year. The budget fluctuates each month as a result of the number of days in the month, any expected new build handovers, and assumed acquisitions.
- Void rental losses are £60k favourable to budget at the end of Q3. The void rental performance measure for period 9 is 0.65% across the city which is favourable to budget. The Void Loss % graph shows lost rental income performance against the gross rental debit.
- Net rental income for GHA is £131,568k at the end of P9. This is £257k favourable to budget.

2. Arrears as a proportion of Gross Debit



Comments:

- The rental periods operate on a 4 weekly cycle.
- The chart opposite shows arrears up to the end of rental period 10 (23rd December 2019). Total arrears are £7,179k. This is an increase of £1.7m from period 13 of 2018/19. At the end of the last rental period £1,334k of arrears were attributable to tenants on universal credit.
- Current Tenant arrears are £5,759k at the end of rental period 10. This is an increase of £1,422k from the position at the end of rental period 13 in 2018/19. Arrears can fluctuate in the year; however, the impact of universal credit roll out has increased arrears.
- Former Tenant arrears have also increased from £1,125k at period 13 to £1,420k at the end rental period 10 2019. The movements is primarily driven by the number of evictions.
- The business plan and budget provided for an increase in arrears following the roll out of universal credit and the current levels are within the amounts provided.

Area/Division	Year To Date			2019/20
	Actual	Budget	Variance	Budget
North East Area	87,512	102,136	14,624	136,181
North West Area	88,200	84,849	(3,351)	113,132
South Area	93,383	99,640	6,257	132,853
Housing & Care	156,905	211,375	54,471	281,834
Glasgow Housing Association	**425,999**	**498,000**	**72,001**	**664,000**

- Helping Hand Fund: a budget of £664k was provided to help tenants particularly affected by welfare reform and financial stress.
- Awards totalling £426k have been made up to end of quarter 3 of this financial year.
- The variance recorded in the Housing and Care Area reflects the difference in timing between actual and budgeted awards. The full year position is expected to be on track with budget.

3. Balance Sheet

GHA Balance Sheet	Current Month As at 31 December 2019 £000's	Previous yr end As at 31 March 2019 £000's
Fixed Assets		
Social Housing Properties	1,259,266	1,268,305
Properties under construction	96,929	60,827
Other tangible fixed assets	38,771	34,411
Investment properties	36,399	36,399
Investments - other	8,387	8,387
Fixed Assets	**1,439,751**	**1,408,329**
Debtors Due More Than One Year		
Development Agreement	27,318	38,420
Inter Company Loan	26,381	26,381
Pension Asset	14,711	14,711
Current Assets		
Rent & Service charge arrears	5,180	11,192
less: Provision for rent arrears	(3,961)	(3,375)
Prepayments and accrued income	434	5,304
Intercompany debtors	6,027	5,961
Other debtors	18,378	18,095
	26,058	**37,177**
Bank & Cash	7,580	8,882
Current Assets	**33,638**	**46,059**
Current Liabilities		
Trade Liabilities	(5,817)	(3,825)
Accruals	(21,535)	(23,749)
Deferred income	(36,440)	(43,947)
Rents & service charges in advance	(7,718)	(7,003)
Intercompany creditors	(1,226)	(1,610)
Other creditors	(2,430)	(5,032)
	(75,166)	**(85,166)**
Net Current Assets	**(41,528)**	**(39,107)**
Long Term Liabilities		
Contingent efficiencies grant	(35,531)	(35,531)
Bank finance	(839,078)	(812,078)
Development Agreement	(27,318)	(38,420)
Provisions	(1,185)	(1,185)
Long Term Liabilities	**(903,113)**	**(887,214)**
Net Assets	**563,520**	**561,520**
Funding Employed		
Capital & Reserves		
Retained Income b/fwd	260,084	260,084
Income & Expenditure	2,001	0
Revaluation Reserves	301,436	301,436
Funding Employed	**563,520**	**561,520**

Comments:

- The balance sheet as at 31 March 2019 has been updated to reflect the audited statutory accounts for 2018/19 including property and pension valuations. No change in the pension asset is assumed during the year for management accounts purposes as the valuation is carried out annually. The actuarial valuation for the 2018/19 year end reported a £14.7m pension asset.
- The value of our **fixed assets** have increased by £31.0m in the year to date. This is due to £74.0m of new build and investment expenditure in the year to date, and depreciation of £43.0m.
- **Debtors due after more than one year:** The intercompany loan debtor relates to the £30m of convertible debt with Lowther Homes Limited. This is revalued on an annual basis.
- **Current Assets (before cash)** of £26.1m include an intercompany balance of £6.0m, gross rent arrears of £5.2m (£1.2m after bad debt provision), and £18.4m of other debtors, which includes capital owners billing.
- **Cash at Bank** – At 31 December GHA had £7.6m in the bank, and has access to draw down further funding from WFL1 as and when required.
- **Short-Term Creditors** – Amounts due within one year of £75.2m includes £21.5m in accruals and £36.4m in deferred income. The deferred income primarily relates to housing association grant received for the construction of new build properties which is released on property completion. The remaining balance includes rent received in advance from our tenants, trade and other creditors and balances owed to other Wheatley entities.
- **Loans** of £839.1m relate to funding drawn down from WFL1. By the end of P9 the total of additional borrowings of £27.0m have been drawn in the financial year. This is used to fund our new build programme.
- As at the end of December the organisation had drawn loan facilities of £855.0m. The cashflow projections have been reviewed based on the current period reforecast for the year and remain within the approved business plan peak debt levels.

4. Q3 Forecast

Full Year Forecast	Budget £'000	Qtr 3 Forecast £'000	Variance £'000
INCOME			
Net Rental Income	175,101	175,358	257
Grant Income	26,903	27,199	296
Other Income	7,056	7,056	-
Total Income	**209,060**	**209,613**	**553**
EXPENDITURE			
Employee Costs	45,925	45,925	-
ER/VR	1,025	1,825	(800)
Running Costs	18,069	18,069	-
Repairs & Maintenance	26,901	26,001	900
Irrecoverable VAT & bad debt costs	9,978	9,978	-
Depreciation	57,293	57,293	-
Demolition	496	396	100
Total Expenditure	**159,687**	**159,487**	**200**
NET OPERATING SURPLUS	**49,373**	**50,126**	**753**
Interest Payable	(48,209)	(48,209)	-
STATUTORY SURPLUS/(DEFICIT)	**1,164**	**1,917**	**753**
INVESTMENT			
Total Capital Investment Income	**15,200**	**19,667**	**4,467**
Total Expenditure on Core Programme	50,078	46,578	(3,500)
New Build & other investment expenditure	54,248	49,075	5,173
Other Capital Expenditure	3,619	3,619	-
TOTAL CAPITAL EXPENDITURE	**107,945**	**99,272**	**8,673**
NET CAPITAL EXPENDITURE	**92,745**	**79,605**	**13,140**

Comments:

- This table shows the 2019/20 budget presented to the Board compared to the Q3 forecast for 2019/20, which was compiled following the year to date results.
- The forecast operating surplus of £50,126k is £753k higher than budget. Statutory forecast surplus of £1,917k is £753k higher than budget.
- The main driver of this variance is the higher level of Housing Association Grant income recognised in the year, following delayed 2018/19 completions at Ibroxholm, Hinshelwood, Glenacre and Bellwatson offset by the revised completions expected in Q4 for Linkwood, Bellrock and Kennishead.
- The year to date variance reported on the net rental income is expected to be a permanent variance to budget with rental income forecast for the remaining months of the year in line with budget.
- Total expenditure is expected to be £200k favourable than the budget.
- A higher level of ERVR costs is forecast as a part of addressing some of the long term structural issues with our ageing workforce and we have accelerated change in a number of leadership roles as well as a number of housing officer positions, whilst introducing our graduate programme.
- Repairs and maintenance costs are expected to be £900k lower than budget based on the trend of cyclical maintenance activity in the year to date.
- New build expenditure has been updated to reflect the updated pipeline and the delayed spend at the Sighthill development, which commenced in November 2019.
- New build grant receipts are expected to be lower following additional early claims received in Q4 of 2018/19, and lower levels of current year spend.

Report

To: GHA Board

By: Anthony Allison, Director of Governance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Board appraisal and succession planning

Date of Meeting: 14 February 2020

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1. Purpose

1.1 To provide the Board with feedback from the 2019 Board appraisal process and a revised 3-year succession plan for approval.

2. Authorising context

2.1 Under the Group authorising framework, the Group Board is responsible for our overall governance framework. This is also reflected in the Regulatory Framework, which places responsibility on the Parent for the overall governance arrangements across the Group.

2.2 Board recruitment and succession planning is the responsibility of individual Boards, with the Group Remuneration, Appointments and Appraisals ("RAAG") Committee having an oversight and ratification role.

3. Risk appetite and assessment

3.1 Our risk appetite in relation to governance is cautious, which is defined as "Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward".

3.2 The Group strategic risk register recognises the risk associated with our governance structure, that is, the risk of a service or financial failure if our governance "is not clearly defined, is overly complex and lacks appropriate skills at Board and Committee levels to govern the Group effectively".

3.3 We mitigate this risk by having clearly defined documentation in place as well as undertaking a formal annual Board and individual member appraisal process. As part of this review we are taking into account the Scottish Housing Regulator ("SHR") Regulatory Framework ("the Framework") and associated statutory guidance.

4. Background

4.1 Our governance arrangements remain subject to ongoing review to ensure that they remain effective. During 2019 we enacted the key elements of our existing 3-year succession plan, including retirements and the changes to our Board composition to add an additional Parent appointee.

5. Discussion

5.1 The 2019 Board appraisal process has now been completed. The process was based on 3 key elements:

1) Assessment of Board performance against the agreed question set;
2) Individual self-assessment against the agreed question set; and
3) Individual interviews with the Chair of the Board.

Board appraisal

5.2 The scoring of the Board against the agreed questions is set out at Appendix 1. As can be seen from the scoring, there were no particular areas of concern identified with the Board's performance or the current skills mix as determined by our agreed skills matrix.

5.3 The scoring was reflected in the discussions with the Chair, with Board members recognising the benefit of the changes of Board composition and the additional skills this allowed us to add.

5.4 At the interviews a common theme was how we consider risk at Board meetings and allow sufficient time for discussions. In order to provide the Board even greater input in this area we are reintroducing a specific Board workshop, to be externally facilitated, on risk this year. It is proposed that we will hold this on the afternoon following the May Board meeting.

5.5 The feedback indicated the Board remained of the view that the quality of reporting received was high and supports effective decision making. The challenging balance between papers being fulsome and the potential to be more succinct was discussed. This was common across many of our Boards within the Group. We are currently reviewing the Board report template with a view to consolidating certain sections to reduce any duplication and increase clarity.

Individual appraisals

5.6 Each member was appraised individually by the Chair in relation to their own performance. As part of the individual discussions, two elements in particular were considered: Continuous Professional Development ("CPD") and succession planning.

5.7 Each member's feedback in relation to CPD is now being developed into our programme for the year. This will allow us to develop the overall capability of the Board as well as individuals.

5.8 As part of the appraisal the current succession planning assumptions are discussed with each individual. As a result of this year's discussions during the interviews and follow up discussions a number of amendments have been made to the existing plan as follows:

[list redacted]

5.9 [redacted]

5.10 [redacted]

5.11 To date we have identified in excess of ten candidates with an interest in the vacancy and those individuals are in the process of meeting the GHA Managing Director and Company Secretary to discuss the role. This discussion is to allow individuals the opportunity to fully understated the requirements of the role before entering a formal process. This opportunity will be available to any interested tenants during the formal process also.

5.12 A particular contextual factor is the Gender Representation on Public Boards (Scotland) Act 2018, which legislates the requirements for such Boards to have 50% females by 31 December 2022. In our planning we are preparing for the possibility of this legislation being extended to include us in future.

6. Key issues and conclusions

6.1 The feedback from the appraisal confirms that the Board considers itself to be effective and embraces the potential to continuously improve. A key part of the Board's responsibility is effective succession planning and the revised plan seeks to allow us to discharge this duty.

7. Value for money implications

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

8. Impact on financial projections

8.1 There are no financial implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 As a RSL, we are required to comply with the Scottish Housing Regulator's Regulatory Framework. Regulatory Standard six sets out specific requirements in relation to succession planning, board appraisals and continually considering the skills and experience the board needs.

9.2 The proposals within the report support and strengthen our ability to demonstrate compliance with the Regulatory Standards.

10. Partnership implications

10.1 There are no partnership implications arising from this report.

11. Implementation and deployment

11.1 The succession plan is subject to approval by the Group RAAG Committee and will be presented at their next meeting on19 February 2019. We will keep the Board updated on progress with the ongoing recruitment for Non-Executives, including at the next meeting.

12. Recommendations

12.1 The Board is asked to:

1) Note the feedback from the Board appraisal process and the actions being taken in response; and
2) Approve the updated GHA 3-year succession plan.

List of Appendices

Appendix 1 - Appraisal scoring
Appendix 2 – GHA Housing 3-year succession plan [redacted]

GHA BOARD APPRAISAL SCORE MATRIX		
SECTION	QUESTION	MEAN
COMPOSITION OF BOARD	There is an appropriate balance of skills on the Board	4.2
	There is an appropriate level of independent objectivity on the Board	4.2
	There is an appropriate balance of industry knowledge and relevant experience on the Board	4
	The composition of the Board is appropriate	4
	The size of the Board is appropriate	4.6
ROLES AND RESPONSIBILITIES	The roles and responsibilities of the Board are well-defined	4.2
	The Board understands its role and responsibilities	4.2
	I understand my role and responsibilities	4
	The division of responsibility between the Board and the management is clear	4
	The formal schedule of matters reserved for the Board's decision-making is clearly defined, understood and adhered to	4
	The frequency of Board meetings is sufficient to effectively direct and supervise the business	4

MEETINGS AND ADMINISTRATION	The Board meets at an appropriate time of day	3.8
	A change to the timing of the Board meeting would improve my ability to attend	2.8
	The Board meetings are long enough to cover all agenda points adequately	3.8
	The information received in advance of Board meetings is clear, concise and pertinent	4
	The receipt of papers before meetings is timely enough to allow consideration	3.6
	Board meetings have an appropriate balance between strategic operational and governance issues	4.4
BOARD DISCUSSIONS	Board meetings are conducted in a manner that encourages open and honest discussion	4.4
	Differences of opinion are discussed and resolved positively	4.2
	The content, format and style of Board papers allows for effective, focused discussion	4.4
	The Board effectively and appropriately challenges management information	4.4
	The Board is effective at taking decisions	4.4
BOARD RELATIONSHIP AND STEWARDSHIP	There is an environment of trust and mutual respect	4.6
	All Board members feel collectively responsible for achieving organisational success	4.2
	Board members support Board decisions visibly once the meetings have ended	4.6
	Management communicates effectively with the Board	4.8
	The Board assesses how it performs well	4.2

STRATEGY	The Board has a good understanding of the long-term strategy of the business	4.4
	Board members have an appropriate level of involvement in shaping the company's strategy and culture	4
	The Board's debate and understanding of risk appetite and how this translates to the business is appropriate	4.2
INTERNAL RISK AND CONTROL	The Board's responsibilities in relation to risk management and internal control are well understood	3.8
	There is a clear understanding of the company's on-going process for identifying, evaluating and managing principal risks faced by the company	4.4
	There is a consistent understanding of the company's key risks and effective controls in place to manage these	4
	The Board spends a sufficient amount of time discussing the principal and emerging risks in relation to performance and strategy	4.2
	There is an appropriate process for the Board to review the effectiveness of risk management	4.2
CORE DUTIES OF BOARD	The Board is strong at determining and upholding the mission, values, strategies and policies that guide the Board's work	4.6
	The Board ensures that the decisions taken are in the Group's interest	4.6
	The Board is good at receiving and scrutinising reports prepared by staff and questioning these to ensure that they are well-founded	4.2
	The Board is satisfied that information provided is accurate and that controls and systems of risk management are robust and defensible	4.2

	The Board maintains a good balance of challenge and support for staff, and works well with them	4.6
	The Board carries out its duties to the highest standards of integrity and professionalism	4.8
PERSONAL EFFECTIVENESS	I prepare for meetings fully in advance	4.2
	I make appropriate and focused contributions	4.4
	I contribute outwith my own area(s) of expertise	4
	I constructively probe issues that are not clear	4.2
	I use my experience and skills to make decisions	4.4
	I listen to the view of others	4.6
	I constructively challenge views that I disagree with	4.2
	I use opportunities to learn and develop	4.2
	I take collective responsibilities for decisions made by the Board and support decisions publicly	4.6
	I attend meetings	4.2
	I observe with confidentiality	4.6
	I actively support equality and diversity	4.6