THE GLASGOW HOUSING ASSOCIATION LIMITED

BOARD MEETING

10.30am, Friday 11 February 2022
By videoconference

AGENDA

1. Apologies for Absence

2. Declarations of Interest

3. a) Minute of 5 November 2021 and matters arising
   b) Action List

Main Business Items

4. Wyndford regeneration consultation results and next steps

5. Wheatley Homes Glasgow update [redacted]

6. a) New group development vehicle [redacted]
   b) Five year development programme

7. a) Five year investment programme
   b) Heat and smoke detector update (Presentation only)

8. a) Rent, service and other charges 2022/23
   b) 2022/23 Financial Projections

9. Governance update

10. Bellgrove update [redacted]

11. Group Health and Safety policy

12. Group dampness, mould and condensation policy

Other Business

13. Customer First Centre update

14. Performance report

15. Finance report

16. Funding update [redacted]

17. AOCB

Date of next meeting - Board workshop, Tuesday 15th March at 10.30am

GHA

Report

To: GHA Board

By: Jehan Weerasinghe, GHA Managing Director

Approved by: Martin Armstrong, Group Chief Executive

Subject: Wyndford regeneration consultation results and next steps

Date of Meeting: 11 February 2022

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1. Purpose

1.1 The purpose of this report is to:

- update the Board on the outcome of the eight week customer consultation on our proposals for demolition of the Wyndford 26 storey blocks and wider regeneration of the area;
- seek Board approval for reclassification of the four Wyndford 26 storey blocks to 'for demolition' status;
- update the Board on our rehousing strategy and progress;
- update the Board on the regeneration plans and next steps.

2. Authorising and strategic context

2.1 The regeneration of Wyndford and determining the future of the four 26 storey blocks has been identified as a strategic priority for the Group and as such is incorporated in our 2021/22 strategic projects as well as our 5 year strategy. The Group Board approved the consultation approach in October 2021 The £54m investment in the Wyndford will be the first large scale regeneration project to be delivered by the new Wheatley Homes Glasgow, delivering on promises made to customers as part of the Cube transfer. It will also be one of the largest regeneration initiatives in Scotland.

3. Risk appetite and assessment

3.1 Our risk appetite for development is 'open', while we have a cautious approach to governance and finance. The proposals outlined in this report have been developed taking account of these risk appetite levels and are more fully captured below.

4. Background

4.1 As approved by the Board on 5 November 2021, letting ceased with immediate effect on the four 26 storey Wyndford blocks at 151, 171, 191 and 120 Wyndford Road. The blocks contain 400 one-bed flat and 200 bedsits. The blocks are occupied by 443 Scottish Secure Tenants and 97 nonstandard lets.

4.2 Performance in the four blocks has been a long-standing issue with half the tenants having lived there for less than five years, turnover and refusal rates being some of the highest in the city and a quarter of tenants having a live transfer application.

4.3 Lack of capacity in the Cube business plan had prevented the option of regeneration. Remodelling of the existing built for at had been considered in 2018, but the overall cost was prohibitive. Former Cube customers transferring to GHA has opened up the option of large-scale regeneration, due to the stronger financial base provided by the combined organisation.

4.4 Following the cease letting decision an extensive eight-week programme of consultation commenced with Wyndford residents on proposed demolition of the four blocks, as well as the significant investment and wider regeneration to the remainder of the estate.

4.5 Consultation on the proposed regeneration, including demolition began on 22 November 2021 and was carried out over an eight-week period, ending on 14 January 2021. This is longer than our standard six-week timescale for consultations. The engagement took the form of promoting the proposals to tenants via digital channels and more traditional means such as drop-in events and visiting tenants of the affected properties. The consultation has been supported by TPAS (Tenant Participation Advisory Service) to provide free, independent advice to tenants throughout the consultation period. TPAS also supported tenants on the Cube transfer consultation process.

4.6 The consultation began with brochures being sent to all Wyndford tenants detailing the case for demolition and our regeneration proposals to build hundreds of new energy efficient homes. The offer made to customers also included wider investment to the area, addressing key local issues and key priorities including:

- better car parking and bin stores;
- creating attractive outdoor spaces that will enhance the local neighbourhood;
- creating a new concierge station from which staff will be on hand 24/7;
- expanding the hugely popular services provided by our Neighbourhood Environmental Teams;
- introducing new safety and security measures by installing improved CCTV and new video door-entry systems;
- internal upgrades to tenants homes;
- installing electric car charging points and new bike stores; and
- introducing new community artwork to record the history of the area.

4.7 A similar bespoke brochure was sent to every tenant living in the four 26 storey blocks, providing additional reassurances as agreed by the Board at its November meeting and in summary were:

- all of our tenants living in these four blocks will be offered one-to-one interviews to establish their personal housing need;
- those moving from the blocks will be offered another Wheatley Group home matching their needs and circumstances;
- tenants who wish to remain in Wyndford will be able to move to another home within the community. Those who wish to return to Wyndford after the redevelopment is completed will be given priority for one of the new homes that will be built;
- tenants moving from these blocks will receive a Home Loss payment of £1,500 and a Disturbance Payment of up to £1,250; and
- no rent increases for the blocks earmarked for demolition.

5. Discussion

Customer engagement

5.1 The formal response to the consultation ended on 14 January 2022, although we have continued to engage with tenants since that date. Throughout the consultation, staff engaged with tenants across the Wyndford estate, with particular focus on those living in the 26 storey blocks. This engagement included home visits, phone calls, text messages, as well as arranged ‘Have Your Say’ events which took place at Maryhill Hub. We also shared useful information on our web and social media pages. In total, 309 responses were received, with 77% of responses from those living in the four blocks who would be most affected by the regeneration proposals.

5.2 Feedback from tenants on the proposals has been positive with 85% of the tenants we spoke to indicating they supported the regeneration plans, including demolition of the four 26 story blocks, 14% stating that they did not support the plans, and the remaining 1% did not indicate whether they supported or not.

5.3 The responses from those living in the 26 storeys are representative of the overall feedback, with 87% of tenants in support of the plans, and 13% not in favour.

5.4 As part of discussions, tenants were also asked to share their thoughts on what excited them most about the plans for regeneration. It should be noted that not all tenants commented on this:

- 59% of customers expressed their excitement on building hundreds of new homes in the community;
- 59% of customers felt the proposals, including investment in the wider community, would create a safe and attractive environment; and
- 36% of customers told us that an enhanced community facility is what excited them most.

5.5 The ‘Have Your Say’ events held during consultation were facilitated and attended by staff from across the group, including housing officers, regeneration and development and the investment team. This provided an opportunity for Wyndford residents to see what the emerging regeneration plans could look like, as well as our vision for the wider Wyndford neighbourhood. The events have also been attended by local ward Councillors. All local MSPs and Councillors were engaged throughout this process by relevant senior staff. We will continue to engage with locally elected members and MSPs to keep them appraised of the developments and support them responding to any constituency queries.

5.6 Approximately, 100 customers attended these events, and 56 customers expressed interest in being involved in a bespoke local group we will establish called the ‘Wynford Future Focus’. This will provide a platform to engage with tenants and stakeholders on a regular basis throughout the lifetime of the regeneration. In addition to this, we will hold local events and drop in sessions as we approach particular milestones or periods where there will be visible activity in communities.

5.7 This Wyndford Future Focus and local events will be in addition to ongoing, visible presence in communities through our housing officers and the new concierge station. Housing officers will be regularly updating tenants on progress, answering any queries as the arise from tenants and communicating on progress.

5.8 Our approach to engagement will throughout the entire regeneration period will include a focus on co-creation and understanding tenants' priorities. The Wyndford Future Focus group will also include the Head Teacher of the Wynford Nursery Group and the Chair of the Maryhill Hub to ensure that local stakeholders are represented. We will further keep the wider community informed through quarterly newsletters.

5.9 Following Board approval, we will communicate the consultation outcome to all Wyndford tenants by the end of February, again with a bespoke version to those living in the four 26 storey blocks.

Rehousing strategy

5.10 Prior to consultation, 22% of tenants living in the 26 storeys had already expressed an interest in moving from these blocks and during our engagement activities, more tenants have told us they would like to move as soon as possible.

5.11 One-to-one housing options discussions have already commenced with these customers to understand their preferences and housing need. 50% of our tenants living in the blocks have now had a housing options discussion and have been awarded our highest priority banding, Band A, which will allow them to be matched to any suitable property as they become available.

5.12 90 tenants have already been offered a suitable property in their preferred locality, with 22 of these already signed up for their new tenancy, and 9 having accepted their offer.

5.13 We have met with all external agencies who we lease properties to within the blocks; GCC, Blue Triangle, SAMH and Mears. From the original 123 lets to these agencies, 39 have successfully been recovered. We continue to liaise monthly with these agencies to mutually agree termination dates for the remaining leases. The latest update on our agency lets are:

Table 1

Agency	Numbers of Homes	Current Position
GCC	91	30 of the 91 homes have been returned to GHA
Mears	25	7 returned and the remaining 18 will be returned by May
Blue Triangle	3	2 returned to GHA
SAMH	4	SAMH have requested 2 replacement properties

- the 25 properties let to Mears will not be replaced as these leases are due to expire on 15th September 2022;
- we are in discussions with GCC in relation to replacement temporary accommodation and have been mapping the current temporary accommodation portfolio across the city to ensure we do not create over saturation in areas;
- Blue Triangle has already terminated 2/3 leases due to the natural move on of the customer and it is not expected that they will require any replacement properties; and
- SAMH currently has 4 properties, and we are in discussion with them around replacements.

Regeneration progress

5.14 We have been in dialogue with the City Council on the potential to advance a regeneration project in Wyndford since early 2020. Most recently a meeting was held with the Head of Housing and Divisional Director of Housing, Planning and Building Control at Glasgow City Council in December to provide a strategic overview of the consultation and potential opportunities at Wyndford. This engagement will continue with a focus on the next steps to reach agreement from GCC on the transfer of the land in their ownership which will support the wider regeneration proposals. We are also in discussions with GCC on the future of the Maryhill Hub which the City Council own and manage.

5.15 The development team attended the consultation events to seek the community's general thoughts on how the future Wyndford vision should be developed and understand priorities for the neighbourhood. The informal feedback on the future proposals generally focused on creating a safe and comfortable environment and delivering affordable housing for the existing community. Feedback was also received on the importance of delivering a space for the community to hold activities and meetings. There was also a concern that land would remain vacant and an associated desire to see quick progress and activity.

5.16 The team also received completed Place Standard questionnaires. The Place Standard is a tool that provides a simple framework to structure conversations about place. It considers the physical elements of a place (for example its buildings, spaces, and transport links) as well as the social aspects (for example whether people feel they have a say in decision making). The feedback through the Place Standard Tool will be used along with the informal feedback to inform the brief for the Masterplanning work which will be co-designed with the community. The Wyndford Future Focus Group will be instrumental in this process.

5.17 The design team has been assessing the technical constraints and opportunities on a desktop basis and considering survey and site investigation requirements that will commence subject to Board approval. This will feed into the co-designed Masterplanning process and provide the detail requested by Glasgow City Council to progress negotiation of the necessary land transfer at nil value. Both processes are due to commence in the spring.

5.18 The consultant team is preparing the demolition tender documents for issue in April 2022. The team is also progressing the procurement of asbestos surveys to be undertaken by the end of March 2022. The intention is to allow possession of the site for demolition from March 2023.

5.19 [redacted]

5.20 [redacted]

Conclusions

5.21 The initial consultation on the proposal to demolish the 4 blocks ended on the 14th January, however we will continue to have a visible presence in communities and engage with our customers throughout. This will include co-creation on investment plans and seeking views on the works that could be prioritised as well as engaging on new build proposals. We will continue to support tenants and answer any questions they have as rehousing commences. Feedback, from tenants gives us confidence that there is support for the regeneration proposals and plans to demolish the four blocks at 151, 171, 191 and 120 and there will be an ongoing engagement with the community to develop the masterplan proposals. Based on this, we propose reclassification of stock and plans for regeneration and demolition can proceed following Board approval.

5.22 A further update on progress will be provided at the March Board workshop.

6. Digital transformation alignment

6.1 During consultation and beyond customers have a wide range of options on how to engage with us – through traditional methods as well as digital, offering a greater flexibility for them to be involved in the co-creation of plans.

6.2 This gives a real opportunity for customers to feel empowered to shape what happens in their community; and more opportunities for customers to have a say on decisions affecting investment in the local environment. We will use 3D imaging and rendering, along with the use of models to allow tenants and the winder community to envisage how the new Wyndford will look and feel. Tenants will be engaged at an early stage of the development proposal and involved in design and customer choices.

6.3 All new build affordable housing built at Wyndford would be digitally enabled. This means that when customers get keys to their home, they can arrange for an internet connection to ‘go live’ without the internet service provider having to provide additional cabling to the premises.

7. Financial and value for money implications

7.1 The financial projections presented to the board in February 2021 reflected the planned demolition of the 600 units at Wyndford, including the expected cost and reduction in rental income and service charges. The 2022/23 Financial Projections to be presented to the February 2022 Board and have been updated to reflect latest expectations on timing of the demolition. These demonstrate that the demolition of the properties can be delivered while meeting our loan covenants and golden rules.

8. Legal, regulatory and charitable implications

8.1 Support would be provided by the Group Property Legal Team (with external legal providers as required) on all aspects of the project including partnership arrangements with the local authority and other key stakeholders; development procurement matters and land assembly.

9. Equalities implications

9.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1), as integrated into the ‘Glasgow’ mandatory standards promoted by GCC. The inclusion of 10% wheelchair units is a standard funding requirement.

10. Environmental and sustainability implications

10.1 Subject to the Board's approval to proceed with demolition, set out below is headline commentary on environmental sustainability implications for a Wyndford regeneration project.

10.2 Our sustainability approach in Wyndford, as in other large regeneration areas, would follow best practice. All generated waste would be separated to ensure maximum recycling and minimum landfill is achieved. Inert demolition material (concrete, timber & metal) should achieve upwards of 97% recycling with other mixed waste targeted at 95%.

10.3 A selected demolition contractor would require ensuring that sustainability is taken into account during all project including providing end destinations for building materials and suitable locations for on-site waste storage and segregation.

10.4 Our proposed new build properties will be developed to meet Aspects 1 and 2 of the Silver Sustainability Standards which covers reduction in carbon dioxide emissions and energy use for space heating. This is in line with Grant condition requirements from GCC, as Transfer of the Management of Development Funding authority. Our new build homes would meet EPC Band B.

10.5 The proposed new development at Wyndford will assess the commercial and sustainability benefits of connecting to the existing SSE energy network, that provides heat and hot water across the Wyndford neighbourhood.

11. Recommendations

11.1 The Board is asked to

1) agree reclassification of stock for the four 26 storey blocks at respectively 120, 151, 171 and 191 Wyndford Road, Glasgow to demolition status;
2) agree to progress with demolition of these four blocks as part of a wider regeneration of the area;
3) agree to communicate the consultation response and next steps to Wyndford tenants;
4) note the updates on rehousing strategy and engagement with agencies whom we lease to; and
5) note the updates on regeneration plans, to be advanced with support from GCC, for Wyndford.

GHA

Report

To: GHA Board

By: Lindsay lauder, Director of Development and Regeneration

Approved by: Martin Armstrong, Group Chief Executive

Subject: Five year development programme

Date of Meeting: 11 February 2022

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1. Purpose

1.1 To seek approval for our five year development programme.

2. Authorising and strategic context

2.1 The responsibility for operational oversight of the Group development programme now rests with the Group Development Committee, in line with the Committee's terms of reference approved by the Wheatley Housing Group Board. This is in the context of our approval of the five year development programme.

2.2 A copy of the five-year development programme was presented to the Group Development Committee on 27 January 2022 and will be presented to the Wheatley Housing Group Board on 23 February 2022.

2.3 The Scottish Government's key housing policy document, *Housing to 2040,* and the subsequent Bute House Agreement (SNP agreement with the Scottish Green Party, August 2021), confirmed the Scottish Government's ambition to deliver 110,000 affordable homes by 2032 as well as moving towards decarbonising Scotland's domestic (and non-domestic) buildings.

2.4 Linked to this, the Scottish Government provided Glasgow with four-year Resource Planning Assumptions ("RPA") for 2022/23 to 2025/26, providing for over £400million in grants. Longer-term RPAs are a key enabling mechanism for the Council and its partners, providing greater certainty and confidence in the programme and capacity for future delivery and Glasgow City Council welcomed this budget allocation.

2.5 Glasgow City Council's Strategic Housing Investment Plan ("SHIP") sets out plans for over £480million grant to be invested in development projects across Glasgow with potential to deliver over 6,500 new affordable homes over the next five years, 2022/23 to 2026/27. These will include social rent and intermediate Mid-Market Rent as well as low cost home ownership options.

3. Risk appetite and assessment

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

3.2 A key risk is that we do not identify a pipeline of development opportunities to realise our assumed development programme. This could lead to us not constructing enough units to repay our borrowing levels or achieve assumed reductions in management cost levels. To mitigate this risk we have brought together a strong programme of named sites in the proposed five year programme. In addition, we have a further pipeline of additional sites, that are subject to regular dialogue with the local authority and developers.

3.3 While the overall grant allocation to the City Council over the coming years is significant, there remains a risk that development costs continue to increase and the Scottish Government grant criteria (which the Council use to assess applications) do not provide for sufficient subsidy to make individual projects viable. This is also a risk in the context of the increasing green specification for new build projects; with the requirement that any schemes granted building warrant from 2024 will need to have zero carbon heating systems.

3.4 The new subsidy regime announced by Scottish Government in late 2021 increases the benchmark grant level and provides additional top-up grant for low carbon elements. The benchmark level is to be reviewed on an annual basis which will allow for ongoing monitoring of the cost associated with new homes meeting zero carbon ambitions. However, we continue to stress test our business plan at GHA and Group level to ensure we would not be adversely impacted were development to become unviable/uneconomic and we had to reduce our programme due to these factors.

4. Background

4.1 In the last 12 years, we have completed 3,629 new affordable homes to January 2022, with 170 further properties expected to complete in 2021/22. We have a further 337 units currently on site.

4.2 The Covid-19 pandemic, Brexit, global economic factors and material supply issues have impacted significantly on our development programme through 2020/21 and across 2021/22. The cessation of construction activity during the initial lockdown, followed by new procedures agreed between the construction industry and the Scottish Government for safe site operations, has enabled construction activity to continue but productivity has been impacted.

4.3 Material supply issues impacted our development programme throughout 2021/22. They are reported to be a combination of pressure on product availability in the UK market, driven by high demand and wider global issues caused by COVID-19 and Brexit (also linked to the availability of labour). The findings of a materials survey which we completed was reported to the Group Development Committee in September and has been shared with the Scottish Government and SFHA.

4.4 We have taken on board remaining uncertainty linked to Covid-19, Brexit and material and labour supply issues when considering the planning and Business Plan implications of the Group five year programme.

5. Customer engagement

5.1 The proposed housing and tenure mixes across the programme will be agreed with our Housing Management (for social rent) or Lowther Homes (for mid-market rent) teams, the Strategic Authority and are based on housing needs in the area.

5.2 In line with our engagement strategy, we will involve customers in the development process and provide customer choices in more elements of their news homes, such as kitchen colours and finishes.

6. Discussion

Development footprint

6.1 Our future development pipeline is shaped by our understanding of the regeneration and housing development opportunities that are currently agreed, or may emerge, in our operational area. For us this continues to be driven by Glasgow City Council's Housing Strategy and the associated Strategic Housing Investment Programme.

6.2 Lowther Homes will take forward a significant programme of mid-market rent housing through its own new build five-year development programme including development of a small number of sites within our strategic footprint. At present, one project has been agreed for Lowther at Ashgill Road, Milton; with future projects at Bellgrove, Gallowgate and Spoutmouth, Calton to be considered within financial year 2022/2023.

Development appraisal criteria

6.3 The Group Development Committee in October 2019 approved the criteria that forms the basis for assessing new development opportunities. On the basis that proposed projects are included in the respective RSL's approved five year development programme, the following criteria must also be met for any new development project to be eligible for approval:

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 in consultation with GHA Housing Management and respond to known and anticipated housing need for social rented housing and in conjunction with Lowther Homes for our future mid-market rent programme.

Housing Market Areas	Within the agreed local authority areas unless otherwise agreed with the Group Board and the respective RSL.
Internal Rate of Return	The Internal Rate of Return shall be a minimum of 5.7% over 30 years.
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.

6.4 Accordingly, the Development Committee has the authority to approve projects where they meet the agreed criteria. This allows a balance between a strategic programme role, and the ability to set clear parameters for projects to proceed.

6.5 Where any of these criteria are not met the project may be referred by the Development Committee, where it considers there to be an exceptional reason for proceeding, to the respective RSL Board for consideration.

Five year development programme

6.6 The revised business plan assumes we will complete a minimum of **727** units of affordable housing over the next five financial years from 2022/23.

6.7 Table 1 below sets out our programme by year to 2026/27, with a more detailed breakdown in Appendix 1.

Table 1 – GHA Programme

Team	22/23	23/24	24/25	25/26	26/27	Total
Social	0	20	27	100	137	284
MMR	102	186	43	112	0	443
Total	102	206	70	212	137	727

6.8 The funding update paper on the agenda outlines a series of proposed changes to our loan agreements that will increase our new build capacity significantly over the next 10 years, to an estimated 4,000 new homes.

6.9 Our programme makes a significant contribution towards the strategic regeneration and transformational placemaking across Glasgow, particularly around the Calton and Trongate areas, Sighthill, Gallowgate and Pollokshaws Transformational Regeneration Areas and within the later years of the programme, at Wyndford. This is a high-profile development programme that requires close partnership working with local communities, Glasgow City Council, the Scottish Government and a wide range of partners and stakeholders.

6.10 Our five year plan continues development activity in Glasgow and, with the imminent increase in borrowing capacity from our lenders, work is also underway on future opportunities. These include nominated disposals from Glasgow City Council for significant development sites in the East End and Tradeston areas and regeneration opportunities in neighbourhoods where we have existing stock. Our project pipeline contains a number of potential sites that are allocated to us in the SHIP and represent deliverable opportunities. We will set out the status of these in the next Board development update.

7. Digital transformation alignment

7.1 All properties in the programme will be digitally enabled, supporting social inclusion. Providing this infrastructure will allow our customers to access high speed internet services quickly at point of entry, without additional works having to be carried out by their internet service provider.

8. Financial and value for money implications

8.1 Our business plan assumes a net cost of £68m over the next five years. The successful delivery of the development programme helps us realise the wider assumptions within our financial projections. Once the changes to our loan agreements presented in the separate paper on the agenda are complete and approved by the Group Board, there will be potential to significantly scale up the programme. A summary of the development costs and grant over the next five years on the current base programme is presented in the table below:

Table 2 – Financial Expenditure and Grant

Investment in new properties GHA	2023 £'000	2024 £'000	2025 £'000	2026 £'000	2027 £'000	Total £'000
Development costs	23,952	23,746	28,437	22,557	27,932	126,624
Grant Income	(10,711)	(8,542)	(15,413)	(6,948)	(17,049)	(58,663)
Total net Development Cost	**13,241**	**15,204**	**13,024**	**15,609**	**10,883**	**67,961**
Completions	*102*	*206*	*70*	*212*	*137*	*727*

8.2 In line with our approved methodology for the appraisal of new build schemes, a forecast cash-flow is prepared based on the cost of a development, and our assessment of the development's future income, management, maintenance and lifecycle costs.

8.3 This cash-flow is used to calculate certain key indicators including net present value (NPV) and internal rate of return (IRR) to ensure it generates sufficient return to cover cost of funds plus a margin for risk. The minimum requirement for social and mid-market rent schemes is 5.7%.

8.4 Continued use of both our Group contractor framework, and where appropriate access to external contractor frameworks, combined with seeking to extend our developer partnerships for land led opportunities, should continue to offer the Group a significant programme of development.

9. Legal, regulatory and charitable implications

9.1 On a regular basis details of the development programme are shared with the Scottish Housing Regulator.

9.2 Legal support for the Development Programme is provided via both our in house and Framework Solicitors as required.

9.3 In keeping with Group approach, the construction obligations in our Building Contracts will allow contractors to claim additional time as a result of a recurrence of Covid 19. There will be no entitlement to claim additional money.

10. Equalities implications

10.1 Within the programmes, all new build units are designed to Housing with Varying Needs (Part 1), as integrated into the ‘Glasgow Standard’ promoted by the local authority. The inclusion of 10% of wheelchair units across all sites is a standard funding requirement.

11. Environmental and sustainability implications

11.1 All properties within the programme will be developed to meet Aspects 1 and 2 of the Silver Sustainability Standards which covers reduction in carbon dioxide emissions and energy use for space heating. We will work with our design teams to develop an approach to zero carbon emissions homes.

11.2 Our specifications are developed to help customers reduce their energy bills through a ‘fabric first’ approach which aims to maximise environmental sustainability through the components and materials of the building itself. In many cases this is supplemented by Photovoltaic panels which convert sunlight into clean and free energy. We are also investigating the use of other renewable technologies in lieu of gas boilers on our future projects.

12. Recommendation

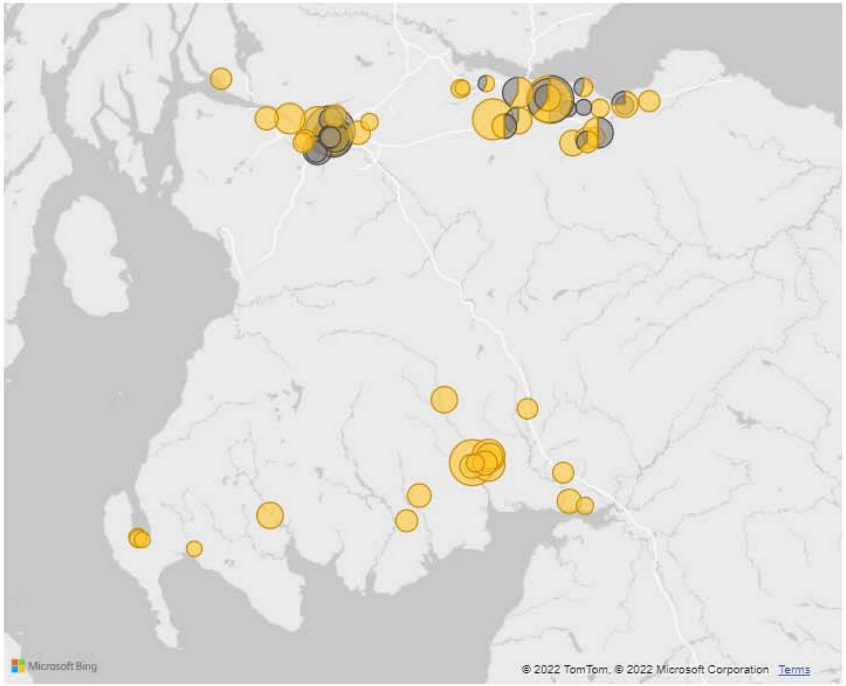
12.1 The Board is asked to approve the details of the five year development programme as summarised in this report.

List of Appendices

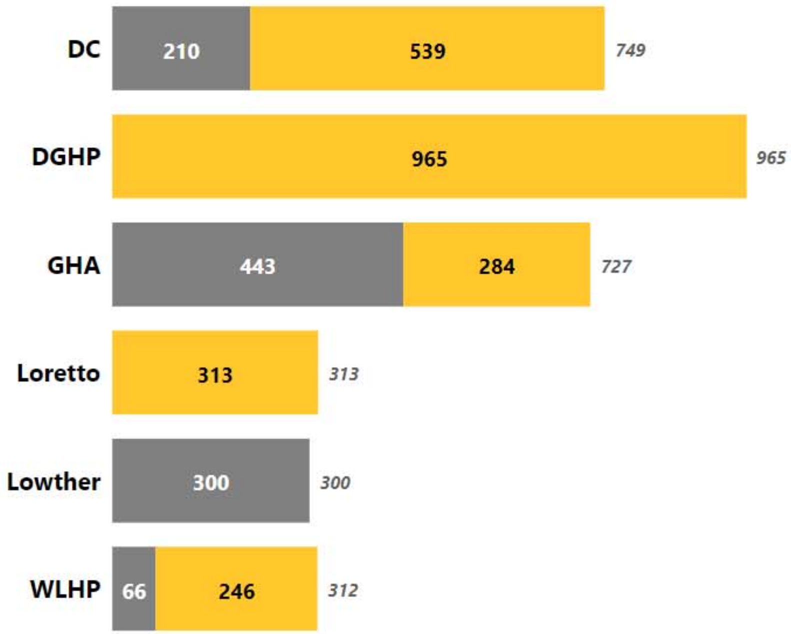
Appendix 1 – GHA five year development programme

GHA 5 Year Plan
2022/2023 to 2026/2027

80	**12**	**26**	**3,366**	**2,347**	**1,019**
Projects	Local Authorities	projects on site	Units	Social Rent	Mid Market Rent



● MMR ● SR



5 Year Plan

18 Projects

1 Local Authorities

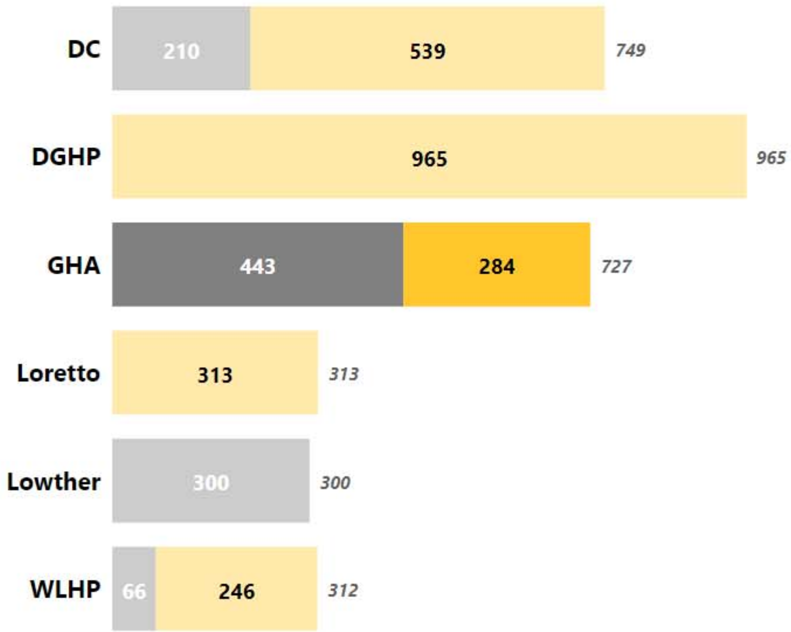
7 projects on site

727 Units

284 Social Rent

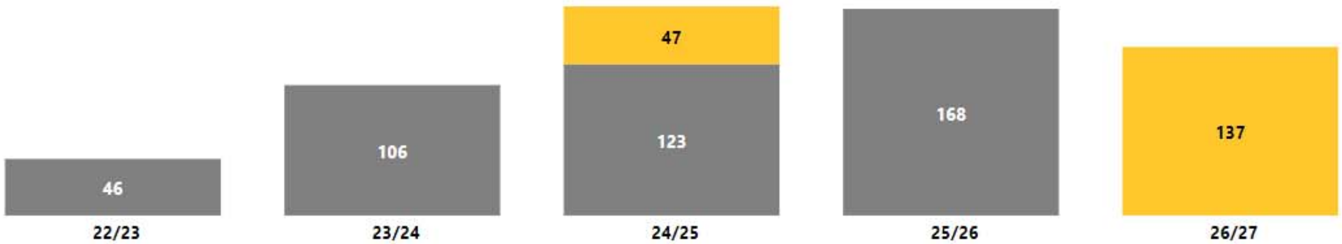
443 Mid Market Rent

● MMR ● SR



5 Year Plan

Building in:
Baillieston
Calton
Carnwadric
Cranhill
East Govan
Easterhouse
Garscadden
Kennishead
Maryhill
Merchant City
Old Pollok
Pollokshaws
Sighthill



Projects

Year of Completion	Project	21/22	22/23	23/24	24/25	25/26	26/27	27/28	5 Year Plan
21/22	Auchinlea	23							
	Bellrock	19							
	Carnwadric / Hopeman	22							
	Damshot Crescent	26							
	Dovehill Phase 1	32							
	Hurlford Avenue	70							
	Kennishead Avenue	42							
	Main Street, Baillieston	37							
22/23	Watson St Ph2		46						46
23/24	Shawbridge Arcade			71					71
	Shawbridge Street			35					35
24/25	Calton Village Ph1			80	43				123
	Shandwick / Arnisdale			20	27				47
25/26	Sighthill MMR	30	56			112			168
26/27	Calton Village Ph2					50	48		98
	Calton Village Ph3						39		39
27/28	Broomloan / Brighton							50	
	Wyndford					50	50	150	100
Total		301	102	206	70	212	137	200	727

Programme

Project	Contractor/Developer	Procurement	Tenure	Units
Albion	Merchant Homes	Developer	Mixed	160
Abbotshall Road, Drumchapel	Framework TBC	Framework	SR	50
Cook Street, Tradeston	Framework TBC	Framework	MMR	100
Copeland Road/Burndyke	Framework TBC	Framework	TBC	60
Cranhill Regeneration	Framework TBC	Framework	SR	145
Dovehill Ph2	Framework TBC	Framework	MMR	60
Drumlochy Road, Ruchazie	Framework TBC	Framework	SR	100
Drumchapel Regeneration	Framework TBC	Framework	SR	121
London Road/Springfield Road	Framework TBC	Framework	Mixed	100
Old Shettleston Road	TBC	Developer	Mixed	90
Milton Regeneraton	Framework TBC	Framework	SR	114
Pollok Regeneration	Framework TBC	Framework	SR	50
Red Road Barmulloch TRA	Framework TBC	Framework	MMR	50
Station Road, Millerston	Framework TBC	Framework	MMR	150
				1,350

GHA

Lifeboat

Watson St Ph2

RSL: GHA

LA: Glasgow City

Area: Merchant City

Contractor: CCG

Year of Completion: 22/23

Total Units: 46

Tenure: MMR

Current Status: On Site & Completed

In SHIP: Yes

	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Total		**46**					
SR							
MMR		46					

Slide 8 redacted

Calton Village Ph1

RSL: GHA

LA: Glasgow City

Area: Calton

Contractor: McTaggart

Year of Completion: 24/25

Total Units: 123

Tenure: MMR

Current Status: On Site & Completed

In SHIP: Yes

	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Total			80	43			
SR							
MMR			80	43			

Sighthill MMR

RSL: GHA

LA: Glasgow City

Area: Sighthill

Contractor: Keepmoat

Year of Completion: 25/26

Total Units: 198

Tenure: MMR

Current Status: On Site & Completed

In SHIP: Yes

	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Total	**30**	**56**			**112**		
SR							
MMR	30	56			112		

Slides 11 -16 redacted

Report

To: GHA Board

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

Approved by: Martin Armstrong, Group Chief Executive

Subject: Five year investment programme

Date of Meeting: 11 February 2022

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1 Purpose

1.1 To seek Board approval of GHA's Five-Year Asset Investment Plan. This plan underpins our strategic asset management approach, specifically our ambition to continue investing in our existing homes and communities – a key theme of our 2021-2026 strategy, Your Home, Your Community, Your Future.

2. Authorising and strategic context

2.1 Under the Group Authorise, Manage, Monitor Matrix, the Board is responsible for the approval of its business plan which forms part of the Group business plan.

2.2 The Board is also responsible for the approval of the key business planning considerations which arise from the approved business plan, including the approval of its investment profile, priorities and capital investment plan. Where any specific investment project is in excess of £6m then Group Board approval would be required, in line with the Group Scheme of Financial Delegation.

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". This risk appetite is mirrored here in relation to the Investment programme.

4. Background

4.1 Our asset investment plan details our approach to major property improvement works across our housing asset portfolio over the next five years. The plan is reviewed and updated annually to reflect changing customer priorities, new regulatory requirements and strategic investment decisions. This report seeks board approval for changes from the previously approved plan. All amounts include irrecoverable VAT where appropriate.

5. Customer engagement

5.1 As a landlord, we have a legal responsibility to keep our tenants safe in their homes. These safety and compliance duties drive the allocation of a significant proportion of the overall investment budget. With our remaining resources however, our aim is to increase customer participation in future investment planning decisions, both in relation to the type and timing of investment, putting customers firmly in control of their homes.

5.2 The allocation of the discretionary elements of the budget beyond compliance and safety work has been informed by customer feedback in recent years, such as that gathered through pop-up local events pre-pandemic, from customer satisfaction surveys, rent consultations and the input of locality directors and housing teams, reflecting the views coming from customers in local communities.

5.3 Over the next five years, we propose to go further, through our 'Stronger Voices, Stronger Communities' framework. This framework:

- Gives customers greater control of their home by choosing how and where investment is delivered;
- Uses both online and offline approaches to make it easier for customers to engage and to share their priorities; and
- Adopts new technologies such as a community voice app to enable interactive engagement e.g., voting on investment proposals, ordering improvements for their home, making choices, and providing feedback on our investment and asset services.

5.4 Our investment plan includes our 'Customer Voice' budget in support of this framework, which will deliver £5m of customer driven investment over the next five years. This budget will be used to deliver an enhanced programme of local priority investment work over and above existing planned investment commitments. The content of this programme will be informed exclusively by our tenants working with our frontline housing teams. This programme is in addition to over £54m already allocated to deliver current customer priority investment work programmes such as new windows, heating, kitchens and environmental improvements.

6. Discussion

Overall programme

6.1 We have a robust and sector leading approach to the management of our assets. This includes continuing to maintain and invest in our existing housing assets, to ensure that our homes and neighbourhoods remain viable and desirable in the long term.

6.2 Our five-year plan includes a core programme budget of £160.9m, which will be directed towards major property improvement works. In addition, the programme includes £80.2m for improvement works and capitalised repairs to vacant properties, £10.1m to support the delivery of major medical adaptations, a total of £251.2m Note that these figures include an allocation of on-costs such as City Building overhead and costs for our staff, who are an integral element of delivering this investment. Unlike other RSLs in the city, we do not receive grants for medical adaptations.

6.3 As part of our commitment to all Glasgow tenants on the Cube transfer we set out plans for investment of £250m in existing properties over the five year period from 2021/22 to 2025/26 with £25m of this specifically in the Cube homes transferring. This updated five year plan confirms that there continues to be sufficient provision in the investment programme over the remaining 4 years when added to expected spend in 2021/22 to meet this commitment.

6.4 The commitment to improving our homes and communities over the next 5 years has a continuing focus on delivering investment that our customers want to see in their home and in their communities whilst also protecting our customers and assets through our safety and compliance programmes. Our investment plans also place a strong emphasis on sustainability. Around 45% of our total core programme is directed towards the delivery of energy efficiency measures designed to tackle the effects of fuel poverty and reduce the carbon footprint of our housing asset portfolio. Our investment programme continues to follow three broad themes:

- Warm, High Quality Homes;
- Safe Homes; and
- Great Neighbourhoods.

Further details of the programme that make up these themes is provided at Appendix 1. The figures in Appendix 1 and below are before on-costs unless otherwise stated.

Warm, High Quality Homes

6.5 A range of investment activities fall within this theme including for example:

- Energy Efficiency Measures (Heating, Wall Insulation, Windows, Doors); and
- Internal Modernisation (new Kitchens and Bathrooms).

6.6 We plan to invest £56m over the next five years in improving the energy efficiency of our homes. These measures will include window replacements, wall insulation and improving the efficiency and operability of electric heating for homes in non-gas areas.

6.7 Our investment plan also takes cognisance of the UK Government’s ambition to decarbonise the national gas network, which will see the gradual introduction of hydrogen as a replacement for natural gas from around 2025/26. This transition would see the introduction of an increasing blend of hydrogen with natural gas completely phased out in some parts of the network by the early 2030’s. In preparation for this transition, we plan to commence a programme of replacing existing gas boilers with hydrogen-ready models capable of accommodating an increasing hydrogen blend from 2025/26. The geographical phasing and pace of the transition is not yet known however, we will ensure that our longer-term investment plans post 2025/26 are agile enough to move with the pace of the switch as dictated by government and technology.

6.8 Our planned programme of energy efficiency improvements will not only benefit our customers in terms of reducing fuel costs and fuel poverty but will also assist in relation to sustainability and delivering our legislative obligations in relation to the Scottish Government’s Energy Efficiency Standard for Social Housing mark 2 (“EESSH2”).

6.9 This new standard requires, as far as reasonably possible, that RSL properties to reach Energy Performance Certificate ("EPC") Band B by 2032, although exceptions are permitted on the grounds of cost, feasibility, and consent. The Scottish Government proposes to review the EESSH2 in 2023 to strengthen and realign the standard with the target for net zero heat in houses from 2040, as set out in their Heat in Buildings Strategy and the Housing to 2040 Route Map. Our wider strategic approach to the delivery of EESSH2 will be informed following the outcome of this review.

6.10 Maintaining excellent internal housing quality standards is essential in ensuring that our homes continue to remain desirable. Our 5-year investment plan includes for the installation of around 2,400 modern kitchens and a further 1,000 bathrooms.

6.11 We recognise the negative impact that damp and mould can have on our customers' health & quality of life. The primary cause of damp within our homes relates to condensation, generally resulting from excessive humidity, poor ventilation, or lifestyle behaviours, which can be exacerbated by the effects of fuel poverty. To tackle this, we have already introduced a new process where customers with repeat cases of damp and mould are referred to our fuel advice service to ensure they are provided with advice around energy tariffs and benefits to which they are entitled. Our investment plan seeks to further supplement this approach through the delivery of a targeted mechanical ventilation replacement programme benefitting around 8,500 customers over the next five years. This investment will ensure customers have efficient and effective means of ventilating their home to help mitigate the effects of condensation dampness. The programme will be developed using asset intelligence to identify trends which will help to inform priority areas and stock types.

Safe Homes

6.12 Our planned asset investment places a strong emphasis on ensuring our homes remain safe and secure, and helping to support the Group's Fire Prevention and Mitigation Framework. Over the 5 years of our investment plan, we will deliver improvements across a range of Home Safety related programmes encompassing:

- Completion of emergency lighting installations in our MSFs;
- Domestic rewiring;
- Lifecycle replacement of smoke and heat detection across all stock types;
- Installation of Thermostatic Mixer Taps for our most vulnerable customers; and
- Upgrade of vital Mechanical & Electrical infrastructure.

6.13 We will continue with our programme of emergency lighting installations across our high-rise portfolio. To date we have completed over 70% of the programme and we are on target to complete all installations by the end of 2023/24 financial year.

6.14 Our Safe Homes programme includes the upgrade of smoke and heat detection with nearly 32,000 homes at the commencement of the programme requiring this work to be completed by 31st January 2022, following the government's extension of the deadline. To date we have upgraded circa 31,900 homes with a further 101 homes still to be completed at the time of writing.

6.15 Access to customers' homes has been a significant challenge in delivering these improvements. To address this, we developed and implemented a robust and streamlined process involving our new Customer First Centre model and our frontline teams pro-actively contacting and agreeing access with our tenants. We made every reasonable effort to obtain access, and only as a last resort were forced appointments arranged. In addition, we will continue to promote and publicise our wider annual compliance programmes as part of our 'Home Safe' campaign and plan these improvements alongside other investment and repair works to drive improved access levels whenever practical.

6.16 Our five-year investment programme also continues to fund additional fire safety measures for some of our most vulnerable customers through supporting our fire safety officers in providing innovative solutions to help keep people safe. Measures include enhanced smoke/heat detection, portable fire suppression systems, fire retardant blankets and stove guards.

<u>Great Neighbourhoods</u>

6.17 We are committed to investing in our wider communities through the improvement of our common areas and environments. Maintaining the "kerb appeal" of our neighbourhoods is an integral part of our investment planning approach to ensure that our communities are desirable for both existing and prospective customers.

6.18 Our Investment Programme will help to support the delivery of our 'Keep Scotland Beautiful' environmental quality standard through works to improve controlled entry, common areas and backcourts as well as fencing, paths and steps in our main door properties.

<u>Year 1 programme (2022/23)</u>

6.19 Year 1 (2022/23) of the 5-year plan has a total value of £45.3m (including all on-costs). This includes almost £27.7m for major property improvements, £15.6m for capitalised repairs and improvements in vacant properties and £2.0m for major medical adaptations. Our 2022/23 programme will deliver a range of work types and associated outputs which will benefit over 3600 tenants as well as all the tenants in 4 MSF blocks.

<u>Continuing implications of Covid 19</u>

6.20 The Coronavirus pandemic continues to have an impact on investment delivery, albeit to a much lesser extent than in 2020/21. Working restrictions have eased considerably; however, we have not yet returned to pre-COVID levels of productivity due to COVID infections and associated self-isolation periods continuing to affect our direct labour and supply chain resources.

6.21 Programme delivery in 2021/22 has also been hampered by intermittent material supply issues with a particular impact on manufactured items such as glass and ironmongery. City Building (Glasgow) has been working to mitigate the impact of these shortages by widening their supply chain and manufacturing capacity. We will continue to monitor the situation as we move forward to ensure that we remain agile to react to this evolving situation and to reduce the impact on programme delivery and customer experience.

6.22 We continue to follow our agreed customer engagement approach for internal investment activities, which seeks to provide customers with reassurance around the robustness of our health & safety approach whilst delivering works within occupied homes. This approach includes calls to every customer due to receive internal investment by a member of our asset team to discuss the work and to seek their commitment to provide access for the work to take place. Another positive impact of this new process has been a reduction in no access and refusals at survey and installation stages across all internal works programmes, which has helped to drive down waste in resources.

Cube partnership

6.23 The successful completion of the transfer of stock from Cube in April 2021 is a catalyst for regeneration and to build on the significant investment previously completed in these homes. Ballot promises included an additional £25 million investment relating to the stock, which we will continue to deliver across the life of the 5-year plan with key highlights including:

- delivery of an accelerated programme of customer priority investment including windows, kitchens, common area works and environmental improvements;
- Invest in and deliver new, modern, 24-hour concierge facilities within Wyndford and Broomhill estates;
- An enhanced investment offer in the Wyndford estate including accelerated delivery of the environmental masterplan and improved controlled entry provision; and
- Opportunities for customers to shape local priorities through our ‘Stronger Voices, Stronger Communities’ framework.

EESSH/EESSH2

6.24 Our investment activities will contribute towards the delivery of our SHQS (Scottish Housing Quality Standard) and EESSH2 (Energy Efficiency Standards for Social Housing) by improving both the condition and energy efficiency of our assets. We are currently 99.36% compliant with the SHQS standard. The remaining non-compliant elements relate to our final unimproved Winget properties and controlled entry upgrades in majority owned mixed tenure stock. The disposal of the remaining unimproved Winget properties will remove SHQS requirements for this stock.

6.25 The 2020 EESSH targets required stock to have an EPC (Energy Performance Certificate) of band D or above. Currently our compliance is in excess of 99%. Our 5-year plan includes various works that will help us towards achieving EESSH 2 such as external wall insulation, more efficient central heating systems and window replacements.

6.26 The current and future investment plan also includes provision for a specific 10-year programme focussed on the EESSH2 standard. The make-up of this programme will be developed taking account of expected Scottish Government consultation on the standard. In parallel, work is underway to develop a group wide EESSH2 policy statement, which will set out our approach to achieving this standard including how we will make decisions around investment and the development of a regime for data collection to demonstrate compliance.

6.27 We have included an initial budget allocation of £14m to support innovative investment interventions over the next 5 years as we develop our investment approach and understand requirements and associated costs to achieve compliance with the ambitious target of all homes to have a ‘B’ EPC band by 2032. An early illustration of this innovation is the planned retrofitting of smarter controls to existing storage heating systems, as part of our warm, high quality home’s theme, providing customers with greater control of their heating and significant savings on their energy tariffs of around £300 per year. This innovation is expected to provide a 14-point improvement to EPC rating, which is more than is achieved by over-cladding or installing a gas boiler.

High rise living

6.28 Our strategic ambition is to change the perception of high-rise living by creating new and exciting services that provide real value to customers, with an emphasis on helping them to grow their skills, knowledge and confidence to take control of their own lives.

6.29 Last year Board approved an additional £10m allocation in our 2021/22 investment programme to support this framework through the delivery of an accelerated programme of investment across priority MSF communities including:

- CCTV renewals and upgrades;
- Landing decoration;
- Flooring upgrades;
- Environmental improvements;
- Upgrading and renewal of controlled entry systems; and
- Acceleration of our planned improvement of electric storage heating.

6.30 By the end of March 2022 we will deliver this programme and with efficiencies from the original programme cost estimates, we have been able to accelerate the delivery of additional priority investment in our MSFs including our render cleaning and lift replacement programmes.

Think Yes for Investment

6.31 We will introduce a new staff facing initiative in 2022/23, “Think Yes for Investment”, which aims to empower our frontline housing teams to Think Yes and use their judgement to make informed investment decisions that create excellent outcomes for customers. The initiative seeks to simplify the process for ordering minor investment work e.g. a new kitchen, bathroom or new internal pass doors.

Management and Delivery

6.32 The MyRepairs Asset Team will provide day-to-day management of our investment programmes including all project management functions, customer communication and all performance, financial monitoring and reporting. The team’s approach will include analysing performance and asset condition data to inform bespoke investment interventions and appraisals where required, ensuring we are investing in the right stock and at the right time. This approach will ensure that our investment decisions are transparent and justified, whilst also helping to protect and drive maximum value from our existing asset base. City Building Glasgow (CBG) will continue to act as the principal delivery vehicle for most of our investment activities. CBG’s capabilities will be supplemented as necessary through specialist providers.

Communications

6.33 Digital communication will be prominent as we explain and engage with customers on the investment taking place across the city. As well as our social media channels such as Facebook and Twitter, we will increase the use of direct messaging to customers in local areas through text (including "GIF" images for those with Smartphones) and secure messaging.

7. Digital transformation alignment

7.1 We will look to align our investment services with our digital transformation strategy. Historically we asked our customers to make a visit – often at a time of our choosing - to an office to view investment plans and make choices. Now, we will look to provide more interactive and convenient methods for the customer to inform investment in their homes. An example of this will be developing tools that make kitchen design and colour choices a digital experience. We have also phased out whitemail customers surveys with individual investment project satisfaction surveys now carried out by text.

8. Financial and value for money implications

8.1 In accordance with the Group's Value for Money statement the investment programme will deliver value for money in a number of ways including:

- **Meeting customer aspirations** - Our investment plan supports the delivery of customer investment aspirations with our locality planning process and customer voice approach forming a key role in the development of the programme and priorities;
- **Quality of life** - Our investment plans help to improve our customers' quality of life and tackle fuel poverty through the provision of warm and affordable homes, which meet SHQS and EESSH standards in relation to quality and energy efficiency. Our investment planning also recognises the importance that a good quality environment can have on the desirability of our communities and on quality of life, with significant funds committed to deliver improvements in these areas;
- **Environmental maintenance** - Our approach to the delivery of environmental improvements, designed with input from our NETS service, will help to build capacity by reducing the maintenance burden on this service, enabling resources to be focussed on other key service priorities;
- **Factored homeowners** - Our five-year plan demonstrates a commitment to seeking innovative solutions to assist factored home owners to participate in our investment programme, helping to reduce the financial burden where possible, whilst also benefitting our tenants living in mixed tenure stock;
- **Joint Venture with City Building Glasgow** – our relationship facilitates a more efficient approach to investment planning and delivery, maximising our buying power with suppliers to drive value for money and deliver wider community benefits and apprenticeships; and
- **Asset sustainability** - By continuing to deliver investment in our existing assets we ensure the long-term sustainability of our assets, helping to drive down responsive repair costs, whilst giving assurance to our lenders that we have a robust approach in place to manage and maintain our assets.

8.2 The core investment programme of £160.9m is contained within the overall £251.2m five-year capital investment programme as set out in the 2022/23 financial projections

9. Legal, regulatory and charitable implications

9.1 There are no specific legal implications arising from the creation of the Investment Programme.

10. Equalities implications

10.1 Our aspiration is for our homes to meet the long-term needs of our customers, enabling them to remain in their home and to live as independently as possible. Our approach to medical adaptations enables customers to self-refer for minor adaptations such as handrails and lever handle taps. Major adaptations such as level access showers and structural alterations are also funded through the capital programme following a referral from an Occupational Therapist.

10.2 We have a robust approach to the identification and assessment of customer requirements as part of our project planning activities. Individual customer needs are considered on a project-by-project basis and this helps to inform the project design and specification.

10.3 Our communications strategy takes account of the broad cultural mix of our customer base with the ability to tailor correspondence to a range of different languages.

11. Environmental and sustainability implications

11.1 The Scottish Government have set ambitious targets for the reduction of carbon footprint and the country’s green agenda and response to climate change. We will look to embrace this challenge and contribute towards Wheatley’s overall objectives in these areas. We plan to deliver £56m of energy efficiency improvements over the life of the five-year plan, which equates to 45% of the total core programme spend.

11.2 Our investment programme includes the use of new innovative technologies through our connected response programme of electric heating upgrades. This project will contribute positively towards the reduction of fuel poverty whilst also providing improved comfort and use flexibility with their heating. It will also help prolong the lifecycle of these electric heating assets, thereby reducing our landfill waste contribution.

11.3 The investment plan recognises the ambition of the UK Government to decarbonise the national gas network demonstrated by our plans to commence with installation of “hydrogen-ready” boilers upon lifecycle replacement of existing gas boilers from 2025/26

11.4 In preparation for the first EESSH2 regulatory reporting period we are continuing to develop a property-by-property assessment of current energy performance characteristics in order to determine the exact requirements up to 2032 for each dwelling.

11.5 For now, our investment programme recognises the challenge of EESSH2 with a dedicated budget of £14m in our programme to support the delivery of innovative solutions to help deliver compliance with this standard over the next 10 years. This is in addition to existing work programmes such as heating upgrades, window replacements and external wall insulation which all contribute positively towards our EESSH2 objectives.

11.6 Year 1 (2022/23) investment work has an anticipated carbon reduction value of 2545 tonnes CO_2 or around 64% of the overall group annual target of 4000 tonnes CO_2 resulting from investment in our homes. The electric heating control improvements discussed are expected to have the biggest impact based on analysis using the Energy Saving Trust Carbon Calculator, Energy Performance Certificate Emissions Factors and OFGEM Typical Domestic Consumption Values. This analysis shows the following anticipated CO_2 reduction impact across core programme investment activities in Year 1 (2022/23). Each new energy efficiency measure installed also provides an uplift to the property EPC score, which helps towards compliance with EESSH2

Element of Programme	CO_2 reduction in tonnes	EPC score improvement
Gas Heating	166	+ 0 points
Electric Heating Controls	2210	+ 9 points
EWI	141.06	+ 10 points
Windows	28.32	+ 3 points

12. Recommendation

12.1 The Board is asked to approve GHA's Five-Year Asset Investment Programme 2022-2027.

Appendix 1

GHA Five-Year Investment Plan: 2022 - 2027

Over the next five years **£127m** will be invested in our homes and communities. Output projections for some of the **key** investment work streams **over the next five years** are shown below:

Heating

The Central Heating programme has a total value across the five years of **£21m**. The programme consists of £7m for reactive gas boiler replacements where existing boilers breakdown and cannot be repaired. A further £5m has been allocated in years 4&5 to commence with the installation of hydrogen-ready boilers. The timing and delivery phasing of this programme will be closely aligned with the geographical roll out of the wider decarbonisation of the national gas network.

In addition, we will continue to deliver our innovative approach to improving the efficiency of electric storage heating. We expect around 1,500 customers to have benefitted from these improvements in the 1st year of this programme with a further 8,500 of our homes due to receive this work over the next 4 years. This approach involves the retrofitting of technology to existing heating systems to provide the customer with greater control of when they heat their home, whilst also saving them money on their energy tariffs. There are further benefits to the organisation in terms of cyclical replacement costs, asset intelligence and potential revenue from services to the national grid.

Low-rise fabric

The Low-Rise Fabric (LRF) programme consists of the provision of External Wall Insulation (EWI) and roof replacement works. We have planned investment of **£1.4m** over the next 5 years to accommodate the delivery of outstanding EWI investment for tenants across the city who are living in mixed tenure stock where we have a minority ownership interest.

We continue to work with Glasgow City Council in relation to the administration of grant funding through the Scottish Government's Home Energy Efficiency Programme for Scotland (HEEPS). This scheme provides funding to support owners with the cost of energy efficiency improvements such as external wall insulation and is blended with additional funding through the Energy Company Obligation (ECO). This funding stream is vital in helping owners to participate in our investment plans, benefitting our tenants living in mixed tenure homes.

We will also deliver an innovative deep-retrofit pilot project involving our Canadian Timber Homes in Drumchapel, which will see a package of energy efficiency measures including EWI, Windows, Solar PV and Battery Storage helping to achieve EESSH2 for these homes

Pre-1919 Tenements

Our five-year plan includes **£2.5m** for our contribution towards the refurbishment of our pre-1919 tenemental stock within the city centre. The programme will support the delivery of sandstone and roof repairs in mixed tenure blocks in the Saltmarket and High Street localities, helping to protect the long-term future of these historic and culturally important buildings.

The high level of private ownership within these assets has proven to be a significant blockage to delivering this much needed investment. The MyRepairs Investment Team has been successful in their application for grant from Glasgow City Heritage Trust to help factored homeowners with the cost of the work and we await the outcome of our additional application to Glasgow City Council for supplementary grant support through their Private Sector Grants Scheme.

Kitchen, Bathroom and Rewire (KBR)

We plan to invest almost **£21m** in new kitchens, bathrooms and rewiring over the next 5 years. Nearly £8m will be allocated to delivering ad hoc, reactive KBR installations at in vacant properties where we have previously been refused access to complete this investment through our planned programmes. A further £8m will be allocated to lifecycle replacement kitchens, which is a high investment priority for customers. £3m will be invested in compliance and safety related domestic rewire installations across the 5 years, predominately within stock which has recently transferred from Cube. Finally, we will invest £2m in new efficient and effective mechanical extractor fans benefitting up to 8,500 tenants over the next 5 years. The programme phasing will be informed using data intelligence to identify trends from our repairs service which will help to identify problematic house types.

Windows and Doors

We plan to spend **£12m** on window replacements over the next 5 years, benefitting over 2,000 tenants. The programme will include ad hoc, reactive installations where we have previous been refused access or new acquisitions in addition to planned lifecycle replacements across the city. 2022/23 will see new energy efficient window installations at Orkney Street, North Pollok and the commencement of replacements at our MSF stock at Dumbreck, following recently completed MSF blocks at Cartcraigs and Dougrie. The former Cube MSF at Collina Street is also planned to be completed by the end of 2021/22 financial year.

Environmental

We will invest almost **£10m** in improving the environment within our communities over the next 5 years. The programme will include backcourt improvements for tenement stock including new bin storage provision and paths. We will also seek to deliver more customer priority investment with the commencement of a programme of fencing, steps and path renewals across our main door properties supported by our cyclical maintenance programme. In 2021/22 we will deliver our commitment to complete high customer priority projects to improve bin and drying facilities in Summerston, Drumchapel and Royston. 2022/23 will see backcourt improvements for residents in Lethamhill, whilst we will also commence with our masterplan environmental programme in the Wyndford estate worth £6.5m over the next 3 years.

Common Works

We have allocated **£2m** to deliver common area improvements encompassing investment such as improved security (new controlled entry doors) and decoration of foyers and landing areas. As part of the additional £10m investment allocation in 2021/22 agreed by board we will complete major landing refurbishment work within high priority MSF sites at Drygate, Linkwood, Kirkton, Charles St, Cartcraigs, Birness and Sandyhills supporting the delivery of our High-Rise Living Framework.

Over the next five years we plan to deliver our existing commitments to improve the foyer areas at Archerhill and Hillpark T84s and we will continue to deliver close improvements for high priority tenements across the city.

Mechanical and Electrical

We will invest **£6m** via our Mechanical and Electrical (M&E) programme, which will see the replacement of Mechanical and Electrical infrastructure, predominantly within our Multi-storey stock. The 5-year plan will include for the replacement of vital service components such as communal fans, water tanks, pumps, and CCTV. In 2021/22 we will complete controlled entry upgrades at Sandyhills MSF which will see state of the art video display within customers' homes. We will deliver similar improvements across the Wyndford and Broomhill estates in 2022/23.

High-rise Fabric

Our High-rise fabric programme will involve over **£5m** of investment over the life of the plan. In 2021/22 we will complete our high customer priority render cleaning programme consisting of 9 MSF blocks at our Kirkton Avenue and Blairdardie sites in the West of the city. Our forward programme will include the completion of roof renewal work at our MSF stock at Birness in Shawlands with further plans to review options for lifecycle replacement of existing EWI systems at Crathie Court in Partick and the MSF stock in Milton.

EESSH2

In recognition of our obligations around compliance with the new EESSH2 standard we have allocated a budget of £14m over the next five-years to deliver innovative energy efficiency measures across our stock portfolio. The make up of this programme will be developed following the planned Scottish Government review of this standard in 2023.

Lift Replacements

Almost **£13m** will be invested in new efficient and reliable lifts within MSF stock across the city. 2021/22 saw the completion of a 4-year programme to replace 12 lifts at Townhead. We are also on site with replacements at Charles St, Dougrie Drive and Kingsway Court. Our five-year plan will see further new lifts installed at Linkwood, Kennishead, Great Western Road, Kirton Avenue, Sandyhills, Acre Drive and Cranhill.

Fire Safety

£0.6m has been allocated over the 5-year plan to fund enhanced fire safety measures for our most vulnerable customers including stove guards and fire-retardant bedding packs. This programme will support the delivery of recommendations from our fire safety officers to help mitigate the risk of fire occurring or to keep our customers safe in the event of fire.

Living Well

A budget of **£0.7m** has been allocated to support the delivery of improvements to our living well complexes across the city. These works will encompass work such as improved communal facilities, redecoration of common areas and rebranding.

Customer Voice

We are committed to putting our customers in control of investment decisions, which affect their homes and communities. We have allocated **£5m** to deliver customer driven investment works over the next 5 years. Our dedicated Customer Voice budget will help our local housing management teams deliver on their customers' investment priorities identified through the ongoing engagement activities.

Think Yes for Investment

We will introduce a new staffing facing initiative in 2022/23, which seeks to empower our frontline housing teams to make decisions on investment that will deliver great outcomes for customers. A programme of £1m will be allocated over the next five-years to support housing officers in instructing small improvements such as a new kitchen, bathroom or painting a close where they feel the work is justified and is a priority for customers.

Capital Compliance

£11m of capital compliance works will be delivered over the next five-years to ensure our homes are safe and secure and to provide assurance that we are meeting our statutory and regulatory compliance obligations. This programme will encompass a range of activities including the installation of emergency lighting in all our high-rise flats by 2023/24, smoke and heat detector upgrades across all stock types and the installation of new Thermostatic Mixer Taps.

Report

To: GHA Board

By: Jehan Weerasinghe, GHA Managing Director

Approved by: Martin Armstrong, Group Chief Executive

Subject: Rent, service and other charges 2022/23

Date of Meeting: 11 February 2022

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1. Purpose

1.1 This report:

- Provides feedback from our consultation on the 2022/23 RSL rent, service and other charges increase; and
- Seeks Board approval for the 2022/23 rent, service and other charges increases.

2. Authorising and strategic context

2.1 The Group Board are responsible for agreeing the overarching rent parameters for rent setting. Thereafter each individual partner Board agrees their own individual rent increase proposals within the agreed parameters.

2.2 The Group Board agreed that a base increase of 1.9% should be the basis of consultation with each RSL's tenants, with the exception of those where a pre-existing rent promise was in place.

2.3 It also agreed that a second and third option, 0.5% and 1% above the base level, should be discussed with tenants, with tenants asked whether they would be prepared to pay these higher levels in return for additional local investment.

2.4 It was also agreed that tenants who had transferred from Cube through the stock transfer ballot would be consulted on a 1% increase, in line with the 3-year ballot commitment.

3. Risk appetite and assessment

3.1 Our risk appetite in relation to business planning assumptions such as rent increases is open, defined as "*willing to choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward".*

3.2 In relation to the statutory requirement in consulting and engaging tenants on any rent increase, our risk appetite is averse, that is "*avoidance of risk and uncertainty is a key organisational objective".*

3.3 The decision on rent increases involves striking a balance between the need to continue our path out of underlying deficit into surplus (as set out in our business plan), continuing to deliver services our customers tell us they want, and keeping rents affordable. Setting rents lower than the assumption in the business plan could – in the absence of mitigating cost savings – risk the financial viability of the Group. However, we are also required under statute to take into account the views of customers before making final decisions on rent levels.

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 November 2021 meeting. A series of focus groups were held during November and December to gather customer feedback on the rent setting proposals. This feedback was taken into account in the formal rent consultation process with tenants, which is the final element of our rent setting process prior to formally agreeing rent levels.

5. Customer engagement

5.1 As a consultation process, the report sets out the responses to our customer engagement on the rent setting proposals.

6. Discussion

6.1 This year we reintroduced the approach of extensive focus groups with tenants from across the Group, which informed our formal consultation with all tenants. The feedback from each part is set out in further detail below:

Focus Groups

6.2 The information in this section is reported on a Group wide basis as the focus groups included a mix of tenants across Group.

6.3 This year, we further refined our approach to the focus groups, introducing an on-line option for tenants, which proved to be popular with tenants reflecting on the increased convenience to them in not having to travel. The option was not for everyone though, and we also ran face-to-face focus groups – both in our offices and also in community facilities. Across Group over 30% of participants took part online. Our independent advisors BMG facilitated the focus groups and supported tenants to access the online groups.

6.4 In both types of focus group, the Managing Director or a Locality Director delivered a presentation to tenants giving more context to the proposals. In order to maintain the independence of the focus groups, staff did not participate in the subsequent focus group discussions.

6.5 The presentation 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.

6.6 In total across Group we undertook 43 focus groups, of which 21 were for GHA, with a total of 81 of our tenants participating. 63 tenants participated in person and 18 tenants participated online. The total participation level across Group was 159 tenants. The focus groups allowed us to engage with tenants across Group 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.

6.7 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.

6.8 Focus group participants (excluding those where there is an existing ballot promise) were asked whether they supported a rent increase, and if so which of the options they preferred. They were asked this both before and after the discussion. Across the focus groups, support for the options 1-3 was 72%, which rose from 59% 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 – Group wide

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

- Strong feeling of community that arises from having a good relationship with their neighbours. This is enhanced by the quality and feel of their communal areas, where neighbours contribute to looking after the area, and also leads to a higher perception of value for money;
- Good experience of repairs service, with those in newer properties or with recent capital investment more likely to be satisfied with the maintenance of their home, and therefore with their landlord;
- 24/7 offering from the Customer First Centre, especially in relation to the repairs 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. Other tenants responded positively to hearing that these services are provided if they were not already aware; and
- a proactive housing officer who is effective in supporting and signposting tenants such as help to access benefits which tenants weren't aware of eg pension credits.

6.10 In terms of main drivers of dissatisfaction, poor experience with repairs and maintenance, or experience of anti-social behaviour from neighbours were the most common themes.

6.11 A key overall driver was where a tenant considers an issue is not being addressed appropriately or as quickly as they would like. The associated communication in resolving such issues can further exacerbate such issues. We anticipate that the introduction of the new Customer First Centre, focused on first point of contact resolution, should improve this experience for our customers.

Rent formal all tenant consultation

6.12 Following the Focus Groups, we formally consulted all our tenants on our rent setting proposals, with the exception of the Wynford. As per the Wyndford consultation, the tenants in the 4 MSFs at the Wyndford were not part of the separate rent consultation exercise as they were given a commitment that their rent would be frozen for this year.

6.13 The consultation commenced on 13th December and closed on Friday 28th January. The process was **managed independently** by Civica, and encompassed two main elements:

- Consultation with ex Cube tenants on the 1% increase agreed as part of the ballot to join; and
- All remaining tenants consulted on the three options through a consultation brochure.

6.14 As part of the process tenants had the option to return a hard copy form or respond to the consultation online. In total almost 15% of respondents utilised the option to provide their feedback online.

6.15 We received 180 responses from ex Cube tenants and 2634 responses from remaining tenants on the three options. In relation to those tenants who were consulted on the three options Civica independently certified the results which confirmed that **69.8% indicated they supported** one of the three options. Further detail on each are set out below:

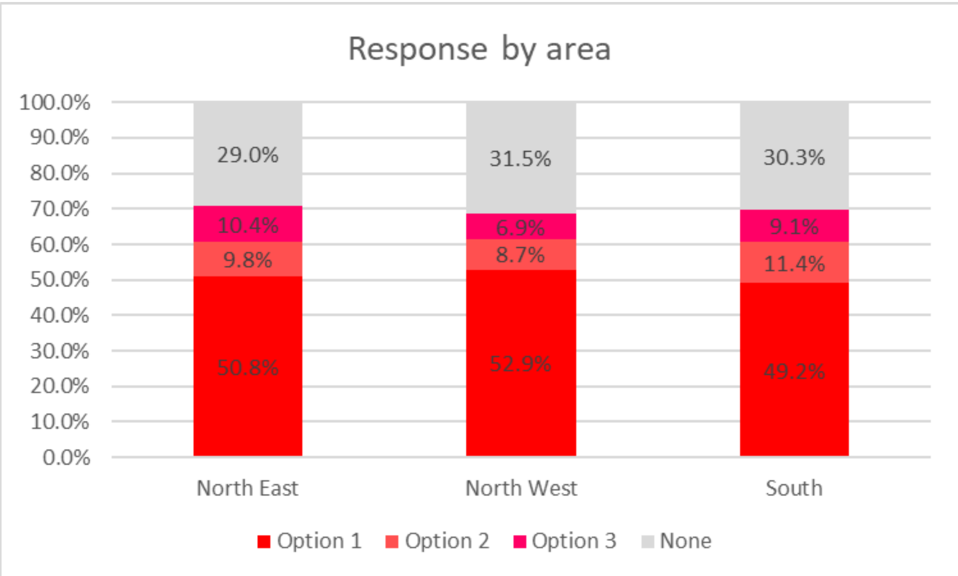
Ex Cube

6.16 A key element of the Cube ballot proposals was the 1% rent guarantee for three years. This is the second year of this promise and Cube tenants were given the opportunity to provide feedback during the consultation. As this was agreed by tenants as part of the ballot, this part of the consultation sough primarily quantitative feedback as there were no options.

6.17 We have reviewed all the feedback from ex Cube tenants. Of those who offered an explicit view in support or not of the proposals, 52 indicated their support, with 20 indicating they did not support the proposals. The equates to 72% in favour of the proposal.

All other tenants

6.18 A further breakdown of the results by each of our three areas is set out below:



6.19 The breakdown by area shows that all three areas had a majority of tenants indicating support for one of the three options. No single area deviated significantly from the overall result.

Qualitative feedback and comparators

6.20 We invited respondents to provide feedback on why they elected to choose the option they did. An analysis of this feedback is underway and a presentation will be provided at the meeting with the key themes along with comparators of proposed increases of other Glasgow based RSLs.

Summary

6.21 Our rent proposals are significantly below the current rate of inflation, which is 5.4%. This will support our overarching strategic priority of keeping rents affordable for our tenants. The overall response level is higher than our last pre pandemic rent consultation where we received 2186 responses.

7. Digital transformation alignment

7.1 Tenants were able to participate in the consultation through a wider range of digital means than ever before. For the first time, we ran on-line focus groups. Responses were also able to be emailed to the independent provider Civica. We also used a wide variety of digital and social media approaches to publicise the consultation.

8. Financial and value for money implications

8.1 The level of rent increase proposed during the consolation included detailed analysis in areas such as affordability and comparability. We know that overall rent levels are an element of how tenants perceive value for money. This is however set within the context of the services we provide, particularly repairs, through the rental income.

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. Equalities implications

10.1 An update will be provided at the meeting including analysis of responses relative to protected characteristics where there is sufficient data to draw any conclusions.

11. Environmental and sustainability implications

11.1 No implications noted.

12. Recommendations

12.1 The Board is asked to:

1) Consider the feedback received through the consultation process with tenants on our 2022/23 RSL rent, service and other charges increase;
2) Approve a 1% rent, service charges and other charges (including garages and lock ups) increase for former Cube tenants that transferred to GHA;
3) Approve a 1.9% rent, service charges and other charges (including garages and lock ups) for 2022/23 for all other tenants;
4) Note that the 4 MSF blocks in Wynford stock will have no rent increase as previously; and
5) Agree that we formally write to tenants to confirm this subject to Group Board approval.

GHA

Report

To:- GHA Board

By:- Steven Henderson, Group Director of Finance

Approved by:- Martin Armstrong, Group Chief Executive

Subject:- 2022/23 Financial Projections

Date of Meeting:- 11 February 2022

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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 2027, 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 2022/23.

2. Authorising and strategic context

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

2.2 The key themes and aims of the 2021-26 strategy "Your Home, Your Community, Your Future" set the context for the preparation of the financial projections.

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. Customer Engagement

4.1 The commitments funded in the business plan follow from the outcome of the extensive customer consultation carried out late in 2021. This includes a specific fund of £5m to be directed by customers.

5. Background

5.1 This will be the first set of business plan projections for Wheatley Homes Glasgow. It sets out how we will fund the delivery of the strategic objectives set out in our recent tenant engagement, which included:

- an increase in the number of additional new affordable homes with an aim of delivering at least 2,100 in the city
- investment of £250 million in existing homes across Glasgow over the next five years;
- launch of three new community regeneration areas, including Wyndford in Maryhill;
- keeping rents affordable; and
- giving our tenants an even stronger voice in decision making

5.2 In 2021/22, we implemented our new operating model with the introduction of flexible, agile based working, which harnesses the power of technology to enable staff to work from any location and respond to changing customer demands. We also introduced our new "Customer First Centre", which will resolve the vast majority of customer enquiries at the point of first contact.

5.3 We opened the first of our new office hubs for staff at Wheatley House during 2021/22. We have provision in our financial projections to progress our plans to create community-based centres of excellence where our customers and staff can meet to work, share their learning and engage effectively together.

5.4 We are entering a challenging period of higher inflation which places pressure on our operational costs and capital investment spend. Inflation has already risen during the second half of 2021/22 and CPI is at 5.4% at the time of writing, the highest level since the early 1990s. Utility costs in particular, which make up a large proportion of our running costs, have contributed to the current rate rises and are forecast to rise by around another 60% next year. Efficiencies that we have realised to date are valuable and a focus on value for money remains important particularly in times of cost pressures. We recognise these economic factors will also put pressure on our tenants with rising inflation and an expected tightening of the job market impacting customers' ability to keep their rent accounts up to date.

5.5 In response, we have had to increase our cost inflation assumptions in the coming years. Longer term, we hold a prudent cost inflation assumption of 2.5% which is above the Bank of England target rate of 2%. Operating cost efficiencies linked to improved working practices, asset growth and collaboration with service providers continue our focus on value for money savings in the projections. We have retained our provision for a higher number of tenants moving onto Universal Credit and a resulting increase in rent arrears balances.

5.6 The transfer of Glasgow stock from Cube HA was successfully completed on 28 April 2021, transferring more than 2,700 properties to GHA. Whilst varying levels of restrictions have been imposed by UK and Scottish Government throughout 2021/22 in relation to the Covid-19 pandemic, our new operating model has minimised the impact on the business and enabled us to continue to deliver services to our customers. The financial projections for 2022/23 assume no further restrictions on our ability to deliver services.

5.7 Discussions with funders on increasing our borrowing capacity are nearing completion. This additional capacity will allow Wheatley Homes Glasgow to increase its development programme to 4,000 new homes over the next ten years; well beyond the initial 2,100 set out in the recent tenant consultation.

6. Discussion

6.1 The detailed financial projections are provided in the appendix. Our strategy for 2021-2026, *Your Home, Your Community, Your Future*, forms the basis of these financial projections. Detailed financial statements (income and expenditure account, balance sheet and cash flow statements) are provided in the appendix. Table 1 below summarises these to show – in cash terms - the level of income we project over the five years, and how this will be spent.

Table 1: summary cash inflow and outflows

Detailed Cashflow	Year 1 2022/23 £m	Year 2 2023/24 £m	Year 3 2024/25 £m	Year 4 2025/26 £m	Year 5 2026/27 £m
Income (excluding new build grant)	**209**	**216**	**224**	**233**	**241**
Expenditure					
- Housing, environmental and Wheatley 360 services	(44)	(44)	(41)	(41)	(41)
- Wheatley Solutions including customer first centre	(25)	(26)	(26)	(27)	(27)
- Repairs	(33)	(34)	(34)	(35)	(38)
- Demolition & ER/VR	(6)	(5)	0	(3)	(1)
- Wider Role and Initiatives	(2)	(2)	(2)	(2)	(2)
- Bad Debts	(4)	(4)	(4)	(5)	(5)
- Other costs *	(6)	(6)	(6)	(5)	(5)
Total Expenditure	**(120)**	**(121)**	**(113)**	**(118)**	**(119)**
Revenue Surplus before Interest and Capital Investment in Existing Homes	**89**	**95**	**111**	**115**	**122**
Investment in Existing Homes	(45)	(50)	(51)	(50)	(55)
Loan Interest and Funding Costs	(46)	(47)	(50)	(50)	(52)
Underlying Cash Surplus/(Deficit) from Operations	**(2)**	**(2)**	**10**	**15**	**15**
New Build and Other Investment					
Development Costs**	(26)	(28)	(32)	(23)	(28)
Grant Income	11	9	15	7	17
Lowther Homes on lend	(2)	(9)	(5)	0	0
Other Asset Investment	(10)	(7)	(5)	(5)	(5)
New Build and Other	**(27)**	**(35)**	**(27)**	**(21)**	**(16)**
Financing Activities					
Working Capital Movements	(2)	4	4	3	3
Loan Drawdowns (net of repayments)	31	33	13	4	(2)
Financing Activities	**29**	**37**	**17**	**7**	**1**
Net Movement in Cash	**0**	**0**	**0**	**1**	**0**

** Other costs include fuel/utility charges for delivering district heating, stock surveys, commercial property & insurance costs*
***Development costs include capitalised demolition costs, interest and employee costs*

6.2 The table above shows that by year 3 we generate sufficient cash, or revenue surplus, from our underlying business operations to cover the cost of investing in our existing homes and our borrowing costs. This is a significant milestone and means that our underlying operational surplus when expressed as a proportion of funding costs is >1 from year 3 onwards, a key indicator of the financial strength of the business.

6.3 Funding costs increase over the five year period as borrowings are drawn to fund the new build development. Interest is paid during the development period as new homes are completed and become available for letting, with rental income then growing over the period as the units are completed, which in turn generates a higher level of revenue surplus to meet funding costs and in time generate excess cashflows to help towards funding future development. In assessing the level of borrowings, an important measure is to compare the value of GHA's borrowings to the housing assets which support the debt. The loan to value decreases from 62% in 2022/23 to 48% in 2031/32 as shown in 6.17 remaining within the golden rule policy maximum of 70%. Even under the expanded 4,000 home programme, this measure remains below 70%.

6.4 The financial highlights under each theme of our new strategy are set out below.

Delivering Exceptional Customer Experience

6.5 Our strategy seeks to deliver exceptional customer experience while maintaining affordable rent levels for our tenants. Our services will be delivered using a blended approach of face to face and digital, will be easy to access and feel seamless to customers. These projections include funding to support the group's digital transformation strategy with investment in technology of £26.7m over the next five years. This investment will seek to deliver key improvements to customer facing services such as :-

  - Improved customer applications and services across mobile devices and websites (such as Home Comforts, Universal Credit and money advice, tenancy support services and digital access to housing staff for information and advice)
  - Improve our digital and online repairs services with automated communications and improved access to services, trades and real time feedback channels
  - Housing service improvements such as the new environmental app, presented to the Board last year

- The successful launch of the new operating model in 2021/22 and the additional resources in the new Customer First Centre enhancing further our customer service experience.

- These projections include funding for our new operating model; with £44m in 2022/23 maintaining our strong frontline service presence in communities, environmental teams and Wheatley 360 wraparound services such as police, fire safety and protecting our customers.

Making the most of our homes and assets

6.6 The projections include £127m of gross funding for the new build programme over the five years, delivering a minimum of 727 new social and mid-market rent housing units during this period. Grant income of £59m is also assumed in the projections which will contribute towards the funding costs of the properties noted above. Through additional lending to Lowther of £15m, GHA will also assist in the development of 300 new build units for Lowther. The legal changes to our loan agreements that will allow us to significantly increase the scale of our new build programme – to 4,000 homes over 10 years - are presented for the Board's approval separately on the agenda. Following completion of the legal process and Group Board approval, we will bring back more details to the Board on this (including as part of the March workshop).

6.7 Total investment of £251m in our existing homes, to ensure they remain in a good state of repair, has been reflected within the projections over the five year period. This work will largely be completed by our joint venture, City Building (Glasgow) LLP. Scottish Government and the Scottish Housing Regulator published further guidance in 2020 on the achievement of the Energy Efficiency Standard for Social Housing ("EESSH") mark 2 which requires, where practically possible, all properties to be bought up to EPC band B by 2032. Over the 30-year life of the plan, the average investment per property is £36k (in today's prices), which aligns with the level of investment that JLL, the Group's valuation experts, have estimated is required as part of their most recent valuation of our housing properties.

6.8 Giving customers a bigger say in the decisions we make is one of our key strategic aims. The financial projections include £5.0m of funding in years 1-5 for customer identified investment priorities, "Customer Voice". We will work with our new customer engagement panels to ensure investment work is directed to key tenant priorities.

6.9 During the first 5 years of the plan £198m of funding, excluding any joint venture discounts, has been earmarked for repairs, assisting the upkeep and maintenance of our stock. Repairs remains one of the largest areas of budgeted revenue expenditure and to ensure a continuity of our per property repairs budget, inflationary uplifts are assumed every year. We have increased the repairs budget by 7% next year to reflect the consistently higher volume of repairs we have experienced since Covid restrictions were removed, as well as to cover the risks associated with the current costs of materials.

Changing lives and communities

6.10 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 £11m to the Wheatley Foundation ("The Foundation") over the first 5 years of the financial projections. 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 funding of £11m includes the waiver by GHA of its interest on the intra-group loan to Lowther which is paid to the Foundation by Lowther on GHA's behalf.

- The Group-wide Tenancy Support Service ("TSS") is managed by our colleagues at Wheatley Care. Our financial projections include annual funding of £1.3m and in return we receive flexible, tailored support for our vulnerable tenants.

- The Helping Hand Fund continues to be important, with rises in fuel and food costs, as well as the ongoing migration to universal credit impacting our tenants. The Wheatley Foundation will hold a £500k annual fund which will be available to support Wheatley Homes Glasgow tenants.

Developing our shared capacity

6.11 During 2021/22 we introduced our new ways of working and launched our new Customer First Centre building on the changes we put in place to deliver services using a blended approach of face to face and virtual engagement with our customers. Over the next five years, we will continue to invest in our staff to ensure they have the exceptional skills, attitude, engagement and influence to excel in this new hybrid working environment. Through our contribution to Wheatley Solutions, our financial plan helps fund a continued focus on staff development in a technology enabled workplace and in our leadership and graduate programmes. Wheatley House is now back open to staff as our first new collaborative office hub and provisions for investment in offices and IT will provide staff with the technology they need to work effectively from home or our hubs.

Enabling our ambitions

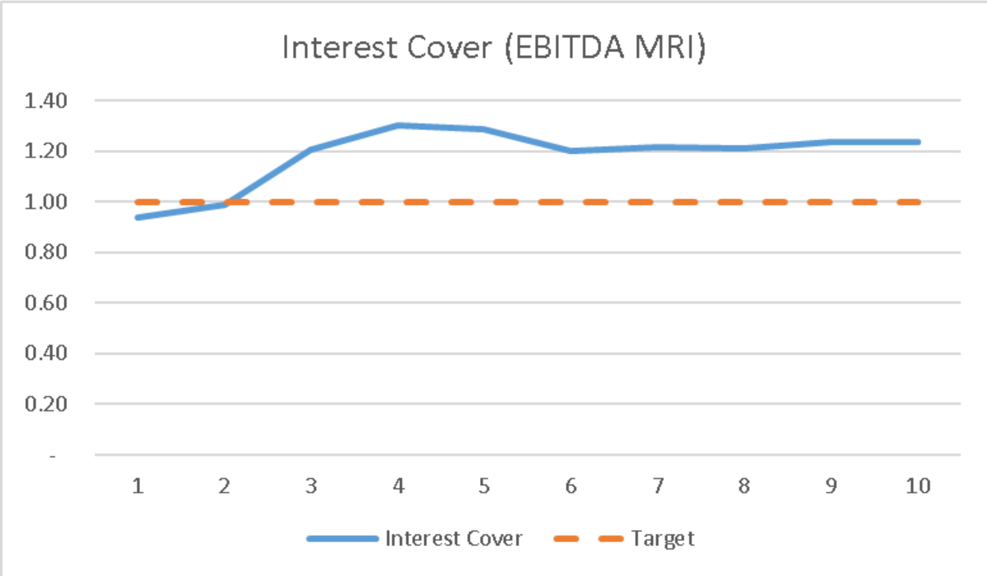
6.12 In order to achieve our ambitious strategy, we must demonstrate a strong and stable financial performance. This will ensure we continue to achieve a strong credit rating and attract funding at low rates of interest.

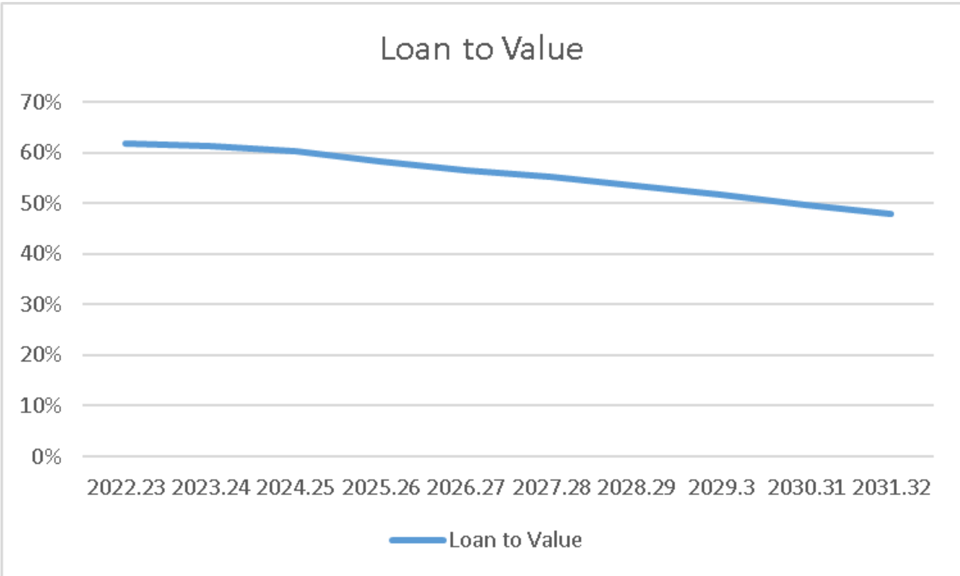
6.13 To this end we must ensure that Wheatley Homes Glasgow and the other subsidiaries within the Group meet certain financial parameters. These include ensuring that a sufficient operating margin is generated and that there is sufficient cash flow strength and asset cover to support the level of debt. This ensures WFL1, as the RSL treasury vehicle, is able to meet its external funding conditions. There are two key ratios that we consider :-

- Revenue Surplus less Capital Investment (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 whether sufficient surplus is generated to fund our activities, maintain the housing stock and cover interest payments. Ideally this interest cover ratio should be >1.
- The loan to value ratio (outstanding loans net of cash divided by value of completed housing and investment properties) is used to assess whether there is sufficient asset cover to support the level of debt.

6.14 Figure 1 shows the projected key financial ratios for GHA over the next ten years.

Figure 1: *Key Financial Ratios*





6.15 As shown above, we will generate sufficient income from operating activities to fund investment and finance costs from year 3 onwards. Loan to value decreases from 62% in 2022/23 to 48% in 2031/32. This demonstrates that we will have sufficient asset cover to support our loans.

7. Digital transformation alignment

7.1 No direct implications

8. Financial and value for money implications

8.1 These financial projections, once approved, will be submitted to the Wheatley Group Board for approval on 23 February. The figures in the first year of the projections, 2022/23, will then form the basis of the annual budget which will be presented to the Board for approval in March. Performance against the budget will then be monitored via the management accounts provided to the Board throughout the year.

8.2 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.

9. Legal, regulatory and charitable implications

9.1 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.

10. Equalities impact

10.1 Not directly applicable

11. Environmental and sustainability implications

11.1 The projects support continued progress towards delivery of our energy efficiency requirements, under the Scottish Government's Energy Efficiency Standard for Social Housing mark 2 ("EESSH2"), under which we have to improve all our homes to Energy Performance Certificate Band B by 2032. The CO_2 impacts are set out in the separate paper on the five-year investment programme.

11.2 The new build assumptions also take account of the Scottish Government's new energy efficiency requirements; in particular, that all new homes granted building warrant from 2024 must have zero-emissions heating systems. We have assumed that, based on the new grant regime, top-up grant will be available to support the increased costs. However, there is some uncertainty in this area as technology develops, and each scheme will be subject to an individual appraisal to ensure continued viability.

12. Recommendations

12.1 The Board is requested to:

1) Approve the updated projections for investment in assets and services over the five year period to 2027; and
2) Agree that the projected 2022/23 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 2022/23 Detailed Financial Projections

GHA

Better homes, better lives
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GHA Financial Projections
2022/23

Wheatley Group

Classified as Internal

1 Headlines

From April, GHA will become Wheatley Homes Glasgow. This will be its first set of business plan financial projections, and details the resources required to support delivery of the objectives in our recent tenant consultation, including :

- an increase in the number of new affordable homes built, with an aim of delivering at least 2,100 in the city;
- investment of £250 million in existing homes across Glasgow over the next five years;
- launch of three new community regeneration areas, including Wyndford in Maryhill;
- keeping rents affordable; and
- giving our tenants an even stronger voice in decision making

In 2021/22, we saw the implementation of our new operating model across the Group with the introduction of flexible, agile based working, which harnesses the power of technology to enable staff to work from any location and respond to changing customer demands. As part of the launch of Wheatley Homes Glasgow we announced the changes to our Customer Service Centre and our new innovative approach to excellent customer service delivered in the first instance through our new “Customer First Centre”.

We also opened the first of our new office hubs for staff at Wheatley House during 2021/22 and we have provision in our financial projection to progress our plans to create community based centres of excellence where our customers and staff and tenants can meet together to work, share their learning and engage effectively together.

Whilst varying levels of restrictions have been imposed by UK and Scottish Government throughout 2021/22 in relation to the Covid-19 pandemic, our new operating model has minimised the impact on the business and enabled us to continue to deliver services to our customers. The financial projections for 2022/23 assume no further restrictions on our ability to deliver services.

Looking towards 2022/23, all indications are that the sector will face a challenging economic environment. Inflation has already risen during the second half of 2021/22 and CPI is at 5.4% at the time of writing, the highest level since the early 1990s. Expectations are that the rate of price rises will remain high for a period of two years before returning to lower levels in 2024/25. Utility costs in particular, which make up a large proportion of our running costs, are forecast to rise by around 60% next year. Recognising these economic factors will also put pressure on our tenants with rising inflation and an expected tightening of the job market impacting customers’ ability to keep their rent accounts up to date, we have retained provision in the projections for a higher number of tenants moving onto Universal Credit and an increase in rent arrears balances.

The updated financial projections for 2022/23 and beyond include:

- Provision to deliver 727 additional new build homes for social and mid-market in the first 5 years of the plan, plus allowance for the acquisition of 6 units, increasing to 1,052 in the period to 2028/29. An increase in GHA's Loan to Lowther of £15m is assumed to allow delivery of a further 300 MMR properties.
- £251.2m of investment in our existing housing stock in the first 5 years of the projections, including a provision of £5m for our new customer directed investment fund, Customer Voice. This includes funding over the first 4 years of the updated programme that, when added to projected 2021/22 spend, confirms our commitment to invest £250m in Glasgow stock over the five year to 2025/26
- Provision for investment in our digital transformation and centres of excellence strategies.
- £9.3m of funding for Initiatives, including the Wheatley Foundation, across the first 5 years of the plan.
- Efficiency savings in our management costs, in real terms, delivered through further progression with implementation of our new operating model. This will result in an improving operating surplus in the first 5 years of the projections and contributes towards interest cover moving to a ratio >1 from year 3 onwards.
- GHA's peak debt of £1,029.9m is forecast to be reached in 2025/26 (year 4)

As we near the end of the financial year 2021/22, we are forecast to complete 301 new build properties (132 social rent and 169 mid-market rent) and invest £57.4m in existing homes this year. The property transfer from Cube HA successfully went ahead on 28 April 2021, transferring more than 2,700 properties (excluding individual rooms in supported properties) to GHA's stock.

The revised financial projections show we will meet all key financial indicators including having sufficient asset cover to support the increased level of borrowing and will generate sufficient cash from underlying business operations to meet the cost of borrowing and investment by year 3 (2024/25).

We have ambitions to grow the size and scale of our development programme beyond the 1,052 units contained with the first seven years of these projections and expect to have legal agreements in place with our funders by 31 March 2022 which would secure an increase in our covenant measures to allow WFL1 to raise additional funding in the market. This new funding would be made available to Wheatley Group RSLs and allow our development programme to increase significantly over the next 10 years from 1,052 new affordable homes to up to 4,000 new homes.

2 Key assumptions

The key assumptions in the GHA 2022/23 Business Plan are highlighted below. All figures include VAT and inflation, unless stated otherwise.

2.1 Stock

a) Stock numbers

Opening stock numbers in the plan reflect the actual stock reported in the statutory accounts as at 31 March 2021, updated for forecast new build completions in 2021/22, one off strategic acquisitions, demolitions in the year and properties transferred from Cube on 28 April 2021.

Unit Type	Units 31.3.2021	Transferred from Cube	Forecast completions 2021/22	Forecast Acquisitions 2021/22	Demolitions 2021/22	Units 31.3.2022
General Needs and Supported	40,000	2,731	132	6	(128)	42,741
Shared Ownership	-	12	-	-	-	12
Total (Social)	**40,000**	**2,743**	**132**	**6**	**(128)**	**42,753**
Mid-Market Rent	551	27	169	-	-	747
Total	**40,551**	**2,770**	**301**	**6**	**(128)**	**43,500**

In 2021/22 132 social properties are expected to complete at our developments at Kennishead, Cranhill, Auchinlea, Carnwadric and Damshot, in addition to 169 mid-market rent properties in Baillieston, Sighthill, Dovehill and Hurlford. The handover of units at the Kennishead new build development marks the final completions with respect to our commitment as part of the re-provisioning programme.

Demolitions relate to 111 properties at Gallowgate, 8 properties in Drumchapel, 5 properties in Penilee and 4 properties on Carntyne Road. These properties were handed over to the contractor in 2020/21 and it assumed that demolition will be completed in 2021/22.

Funding for 6 individual asset purchases, “acquisitions”, is included in 2021/22. These primarily relate to former Right to Buy properties bought back to facilitate majority ownership of a block.

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. On-going capital works costs will remain the responsibility of GHA and these costs are reflected within the business plan assumptions.

b) Stock profile – new build completions

The 2022/23 projections assume a further 284 social rent units and 443 mid-market rent units can be delivered over the first five years of the plan.

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

Stock Numbers	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Opening Units – Social Rent	42,753	42,759	42,479	42,206	42,306
New build	0	20	27	100	137
Acquisitions	6	0	0	0	0
Demolitions	0	(300)	(300)	0	0
Closing Units – Social Rent	**42,759**	**42,479**	**42,206**	**42,306**	**42,443**
Opening Units – MMR	747	849	1,035	1,078	1,190
New build - MMR	102	186	43	112	0
Closing Units – MMR	**849**	**1,035**	**1,078**	**1,190**	**1,190**

Planned demolitions over the five year period relate to 4 blocks in Wyndford, noting that the new build figures include 100 new units at Wyndford, with a further 150 units assumed in year 6 of the plan.

2.2 Income

a) Rents and Service Charge Income

The plan assumes an average weekly rent based on the current average rent and, subject to Board approval, a 1.9% rent increase in April 2022. Note that stock transferred from Cube has a rent increase of 1% for 2022/23 and 2023/24 in line with ballot commitments to tenants.

Rent Increase %	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25	Year 5 2025/26
GHA	1.9	3.7	3.7	3.5	2.9
Ex Cube stock	1.0	1.0	3.7	3.5	2.9

The rent increase assumptions remain below the forecasts of CPI we have received from our treasury advisors (Chatham Financial) for April in each of the years above. As always, we will re-assess the proposed rent increase every year as part of preparing for our annual tenant rent consultation.

b) Other Income

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. GHA also receives income from both Wheatley Solutions and Lowther Homes for the use of the Wheatley House and Lipton office hubs. A further £10.0m is expected to be generated by GHA in 2022/23 from other income streams, rising to £12.7m by year 5 of the projections (2026/27), an increase of 30.0% in annual income. This is driven, in the main, by the completion of 443 new build MMR units which will be leased to Lowther Homes and are expected to generate additional income of £13.0m over the five year period.

Note that the projections assume that district heating charges to all customers will resume in 2022/23.

Source	Other Income	2022/23 Year 1	2023/24 Year 2	2024/25 Year 3	2025/26 Year 4	2026/27 Year 5
External	Heat with rent (net of voids)	379	492	638	825	1,061
	Furnished Lets	350	216	111	0	0
	District heating	477	624	639	653	667
	Garage income (net of voids)	423	438	454	470	484
	Wayleave Income (Virgin)	150	0	0	0	0
	Commercial - Radio Masts	188	189	189	178	166
	Commercial – Properties (net of voids)	1,543	1,764	1,817	1,871	1,926
	Solar PVs	403	410	418	423	429
	Sub-total	**4,163**	**4,133**	**4,266**	**4,420**	**4,733**
Internal	MMR lease income	4,103	4,426	5,560	5,855	6,429
	Commercial - Wheatley House & Lipton	1,692	1,728	1,750	1,788	1,800
	Sub-total	**5,795**	**6,154**	**7,310**	**7,643**	**8,299**
	Total Other Income	**9,958**	**10,287**	**11,576**	**12,063**	**12,962**

The financial projections also include provision for owners' capital works as outlined below:

Owners' Capital Works	2022/23 Year 1	2023/24 Year 2	2024/25 Year 3	2025/26 Year 4	2026/27 Year 5
Income from Owners	1,300	295	304	313	319
Cost of Owners' capital works	(1,300)	(295)	(304)	(313)	(319)
Net Income in GHA	**0**	**0**	**0**	**0**	**0**

2.3 Cost inflation assumptions

Prices had been expected to rise on the resumption of more normal trading conditions as the restrictions put in place during the Covid pandemic were removed and provision for moderate price rises had been built into our prior year projections. Inflation in the UK has climbed sharply from 0.7% in March 2021 to 5.4% by December 2021, the highest rate since the early 1990s and well above the Bank of England target rate of 2%.

With further significant energy price increases expected over the coming year and with continuing supply issues and staffing shortages, inflation is expected to remain high for up to two years before moving back to lower levels as the market stabilises. We have updated the cost assumptions to reflect the current high rate of inflation within our 2022/23 financial projections. This includes an increase of 60% in utility costs and a 10% rise in insurance premiums. In years 2 and 3, our forecasts reflect an assumed general cost inflation of 3.0%, with a long term outlook of 2.5% from year 4 onwards, retaining an element of prudence in our forecasts.

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

Inflation assumption %	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
General cost inflation	3.0%	3.0%	3.0%	2.5%	2.5%
Cost inflation - utilities	60.0%	0%	(6.0%)	(1.0%)	2.5%
Cost inflation – insurance	10.0%	3.0%	3.0%	2.5%	2.5%
Wage inflation	3.5%	2.5%	2.0%	2.0%	2.0%

2.4 Operating performance

The percentage of rent lost to voids and bad debts has been based on historical performance together with our performance expectations going forward. The high rate of voids for our supported housing properties reflects the specialist nature of this stock and the need to work in partnership with local authorities to fill void properties, rather than referring to an established waiting list.

Performance Assumptions	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
Routine voids (%)	1.50	1.50	1.50	1.00	1.00
Bad debts (%)	2.00	2.00	2.00	2.00	2.00
Arrears (£'000)	11,479	11,446	10,661	10,731	10,641

The plan assumes a small increase in voids to 1.5% in years 1-3, before dropping down to the previous rate of 1.0% to provide for longer void work and re-let times as we exit the pandemic. Current void performance to December 2021 is 0.96% and, in the year ended 31 March 2021 was 1.09%, therefore our assumptions in the business plan are prudent compared to historical rates.

The business plan assumptions on the movement in arrears as a result of Universal Credit have been updated to reflect our experience to date and take into account the numbers of tenants who have already transitioned and expectations going forward including:

- A total of 9,000 tenants previously receiving housing benefit will move to UC over the five year period (15,500 tenants assumed to have already moved to UC);
- 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.

2.5 Management costs

GHA's employee cost assumptions reflect the current direct staff structure. Additionally, GHA pays an appropriate share of the salaries of the Repairs and Investment, Regeneration, Environmental Service and Wheatley 360 staff teams.

Running costs include day to day expenditure and a proportionate share of the Environmental Service and Wheatley 360 running costs, but exclude Initiatives.

Recharges from Group include employee and running costs for central services such as Customer First Centre, Human Resources, IT, Finance and the Transactional Hub.

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

Management Costs	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Employee costs	34,216	33,082	31,702	32,323	32,286
Running costs	9,288	9,494	9,064	8,333	9,128
Recharges from Group	25,342	25,845	26,123	26,686	26,780
Total management costs	**68,846**	**68,421**	**66,889**	**67,842**	**68,194**

The projections include efficiency savings expected to be achieved through further progression with the implementation of our new operating model, savings from both our office accommodation and digital transformation strategies, in addition to procurement savings. Over the five year period, in real terms, employee and running costs are expected to decrease by 13.1% and 12.8% respectively, with Group recharges also projected to reduce by 3.8%. Overall, in real terms, management costs are expected to fall by £6.6m between 2022/23 and 2026/27; a 9.6% reduction.

2.6 Asset management and growth

a) Repair Costs

Repair costs remain a central part of our projections with our customer satisfaction surveys consistently showing a direct link between the repairs service tenants receive and their satisfaction levels. In recognition of the higher volume of repairs we have experienced since Covid restrictions were removed, as well as to cover the risks associated with the current cost of materials, the provision for repairs in 2022/23 reflects a 7% increase compared with the current year. Average funding of £908 per unit in 2022/23 is assumed to increase by inflation to £1,008 in 2026/27.

The following repair costs (including inflation) and excluding any joint venture discounts are funded within the plan:

Repair Costs	**Year 1 2022/23**	**Year 2 2023/24**	**Year 3 2024/25**	**Year 4 2025/26**	**Year 5 2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Routine Maintenance	20,042	20,039	20,508	20,916	21,496
Planned Maintenance	18,801	18,390	18,009	18,578	21,211
Total repair costs	**38,843**	**38,429**	**38,517**	**39,494**	**42,707**
Average no. of social rent units	42,756	42,619	42,343	42,256	42,375
Average repair cost per unit £	**908**	**902**	**910**	**935**	**1,008**

A significant proportion of the planned maintenance budget is to enable us to comply with legislative requirements as a landlord (e.g. gas servicing, emergency lighting, window safety catches, TMVs, HIU inspections).

b) Investment in current housing stock

Investment in existing stock in 2021/22 is forecast to be £57.4m. Over the next five years this investment will continue with a further £251.2m, including inflation, of planned investment in existing stock. This is possible due to operational efficiencies in management costs, and access to borrowing via the Group.

The table below summarises the capital investment programme for the next five years. Within the core programme, £5.0m has been allocated to “Customer Voice” - spending decisions made in consultation with, and led by our customers, to address local priorities. This equates to 4.0% of the core programme budget.

Capitalised void costs include the costs of carrying out the programme of void works as well as the costs of clearing the properties (from 2020/21 the clear out service was brought in-house and is carried out by a specific voids team in our Group Environmental service). The in-house service gives us greater control over the void turnaround process.

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

Capital Investment	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Core Investment Programme	21,306	25,554	25,704	24,653	28,138
Capitalised Void Costs	8,243	8,338	8,581	8,791	9,006
Capitalised Repairs	3,864	3,977	4,094	4,196	4,301
Disabled Adaptations	1,537	1,537	1,583	1,623	1,664
Capitalised Fixed Overhead	6,351	6,542	6,738	6,906	7,079
New build (MMR)	186	26	355	370	863
Sub-total	**41,487**	**45,974**	**47,055**	**46,539**	**51,051**
Capitalised Employee Costs	3,800	3,798	3,774	3,850	3,887
Total Capital Investment	**45,287**	**49,772**	**50,829**	**50,389**	**54,938**

Scottish Government and the Scottish Housing Regulator published further guidance in 2020 on the achievement of EEESH2 which requires, where possible, all properties to be bought up to EPC band B by 2032. The five year core investment programme includes £14m in respect a specific programme focussed on achieving the EESSH2 standard.

Over the life of the plan, provision has been made for average investment per property of up to £36k over 30 years. This aligns with the level of investment JLL, the Group’s valuation experts, have estimated when undertaking the most recent valuation of housing properties.

c) <u>Investment in new housing</u>

The new build programme is set out in Section 1.1 with a minimum of 727 new social housing and mid-market rent units due to be delivered over the next five years. The table below outlines the investment, including inflation in new build homes over the next five years.

New Build Programme	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Total Yrs 1-5
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£000s**
Development Costs	20,765	20,674	25,503	19,564	24,958	111,464
Grant Income	(10,711)	(8,542)	(15,413)	(6,948)	(17,049)	(58,663)
Net Development Cost	**10,054**	**12,132**	**10,090**	**12,616**	**7,909**	**52,801**
Capitalised Employee Costs	3,187	3,072	2,934	2,993	2,974	15,160
Net Cost	**13,241**	**15,204**	**13,024**	**15,609**	**10,883**	**67,961**
Completions (social and MMR)	102	206	70	212	137	727

Note that in-year development costs and unit completions do not necessarily correlate, with costs being incurred over more than one year for each site.

In 2022/23, a further £300k is included in respect of strategic acquisitions and a provision of £450k has been made for a development fund. The fund is utilised for abnormal costs at sites, which may otherwise result in development costs being too prohibitive to progress.

In addition to the 727 properties GHA will directly deliver over the 5 year period, the financial projections reflect an increase in GHA's loan to Lowther of £15m. This additional funding will enable Lowther to fund the development of 300 properties for mid-market rent in Glasgow over the 5 year period. Of these units, 150 are assumed to be directly funded using the additional on lend with the remaining properties funded through additional private finance.

Our base financial projections have been prepared under the existing financial capacity available to the RSL Borrower Group. We expect to conclude discussions with our lenders for an increase in the debt per unit covenant from £27,000 to £35,000, which would allow our development programme to grow to 4,000 new homes over the next decade.

d) Demolition costs

The financial projections include a provision of £9.2m in respect of our demolition programme over years 1-3. This funding primarily relates to 4 multi storey blocks in Wyndford , and includes provision for service disconnections, home loss and disturbance payments to tenants in addition to the cost of the physical demolition. It has been assumed that the majority of these costs, £7.7m, can be capitalised as we have plans to redevelop the site. The costs of demolition are wholly funded by GHA, with the revenue component reducing the operating surplus in the year incurred.

2.7 Initiatives and Other Provisions

a) Initiatives

The projections also include provision for various initiatives which are available to tenants.

- The largest of those is our contribution to the Wheatley Foundation, with this totalling £10.9m over the five years. This is largely funded through the redirection of interest receivable on the convertible debt instrument owed by Lowther Homes to GHA. Additional interest assumed to be received in relation to the £15m increase in on lend to Lowther will also be redirected to the Foundation and will replace additional contributions. The Wheatley Foundation is a charitable trust established with the aim of delivering community benefits.

- Other initiatives include the tenancy support service (“TSS”), to help our tenants who are struggling to sustain their tenancy due to underlying mental health or other personal challenges. Our contribution to TSS is £1.3m a year. This service is delivered by Wheatley Care for the Group.

- The Helping Hand Fund provides support to those customers experiencing severe hardship. From 2022/23 this will be delivered through, and funded by, the Foundation with GHA staff continuing to access it in the same way.

GHA's direct contribution, to these initiatives over the next five years is summarised in the table below.

Initiatives	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Share of Group Initiatives	1,871	1,917	1,957	1,996	2,036

b) IT Capital Investment

In total, across the Group the financial projections provide for a 5 year IT capital investment programme of £40.2m. This investment is in recognition of the key role technology has in supporting the delivery of the key strategic aims in the Group's 2021-26 strategy. Alongside the digital aspirations for Group services to customers and staff, the funding also provides for a safe, secure and reliable technology service. GHA makes a capital contribution towards the overall Group IT capital costs. The table below details GHA's contribution of £26.7m including inflation, over the next 5 years.

IT Capital Programme	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
IT Capital Contribution	5,835	5,927	4,797	5,224	4,944

Key investment in technology is planned across a number of areas including:

- Expanding our online repairs services with automated communications as part of our "book it, track it, rate it" approach
- Introducing new ways for customers to engage as part of our wider engagement strategy, including through our customer feedback platform "Rant and Rave"
- Access and adoption of enterprise mobile platforms for environmental services and care in the home
- Improved security of network and platform services including DR, 24 hour security monitoring and annual security testing

2.8 Operating Cost per Unit

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

Operating Costs	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Operating Costs	120,275	119,139	112,918	117,481	119,819
Average no. of social rent units	42,756	42,619	42,343	42,256	42,375
Operating Cost per unit (£)	2,813	2,795	2,667	2,780	2,828

The underlying operating cost per unit, in real terms, is assumed to decrease by 13% over the first five years, a saving of £366 per unit. This saving is driven by asset growth and operating cost efficiencies from our continuing investment in service transformation, including online services for customers and progression with implementation of our new operating model.

2.9 Interest Rate Assumptions

The new build programme planned 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. 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 rates assumed on group funding and for interest receivable on cash balances are shown in the table below.

Interest Rate Assumptions	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Interest Payable (Group Funding)	4.50%	4.50%	4.60%	4.60%	4.70%
Interest Receivable	0.25%	0.50%	1.00%	1.50%	2.00%

3. Financial projections – next 5 years

3.1 Statement of Comprehensive Income (including inflation)

STATEMENT OF COMPREHENSIVE INCOME	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Net rental income	198,646	205,456	212,662	221,289	228,432
Other Income	9,958	10,286	11,575	12,063	12,961
Grant Income	7,269	16,399	7,284	13,928	11,873
Total Income	**215,873**	**232,141**	**231,521**	**247,280**	**253,266**
Service Costs	6,227	6,020	5,597	5,348	5,485
Management Costs	68,846	68,421	66,889	67,842	68,194
Repairs and Maintenance Costs	33,292	33,978	34,066	35,043	38,256
Demolition and ER/VR Costs	5,925	4,541	-	2,688	1,148
Wider Role and Strategic Initiatives	1,871	1,917	1,957	1,996	2,036
Bad Debts	4,114	4,262	4,419	4,564	4,700
Depreciation	75,328	77,556	79,912	81,802	83,005
Operating Expenditure	**(195,603)**	**(196,695)**	**(192,830)**	**(199,283)**	**(202,824)**
Revaluation of investment properties	(8,830)	(24,186)	(10,057)	(2,669)	816
Operating Surplus	**11,440**	**11,260**	**28,634**	**45,328**	**51,258**
Operating Margin	**5%**	**5%**	**12%**	**18%**	**20%**
Net Finance Costs	(46,051)	(47,302)	(50,102)	(50,269)	(51,718)
Revaluation of housing properties	42,070	56,371	56,121	55,069	49,679
Statutory Surplus	**7,459**	**20,329**	**34,653**	**50,128**	**49,219**

Income
Rental income net of void losses increases by £29.8m over the five year period due to assumed rent increases and growth in our asset base as a result of the development programme.

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 £3.0m over the first 5 years of the projections due primarily to increased lease income.

In line with SORP 2014, the projected Statement of Comprehensive Income shows recognition of grant income for new build upon completion of the properties. As a result, the level of grant income fluctuates significantly across the five years 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 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 2.7, wider role and strategic initiative spend refers to revenue funding for our wider role activities in the communities that we serve. Funding of £9.3m has been included in the first 5 years of the projections.

Investment Property Valuation Movement
Mid-market properties are held on the Statement of Financial Position as Investment Properties. These properties are valued annually, with any increase or decrease in valuation recognised within the Statement of Comprehensive Income.

Finance Costs
Interest payable on our borrowings increases over the five years as debt increases, to fund the new build programme.

Housing Property Valuation Movement

Social rent properties are held on the balance sheet at valuation. These properties are valued annually, with any increase or decrease in valuation recognised within the Income & Expenditure account, below the operating surplus line.

Statutory Surplus/ (Deficit)

The completion of new units has a significant impact on the reported statutory surplus/(deficit). Recognition of grant income in relation to completed units increases the reported operating surplus; however, this is offset by a downward valuation of housing and investment properties in the year of completion. Under SORP 2014 new build grants are not taken into account when calculating valuation movements. In general, the gross development cost, i.e. excluding grant, of these newly completed properties will be higher than the valuation and results in a downward valuation. We have adopted a highly conservative approach to valuation adjustments in the projections and the downward valuation adjustments presented are a prudent scenario.

3.2 Statement of Financial Position (including inflation)

STATEMENT OF FINANCIAL POSITION	Year 1 2022/23 £'000	Year 2 2023/24 £'000	Year 3 2024/25 £'000	Year 4 2025/26 £'000	Year 5 2026/27 £'000
Housing assets	1,554,232	1,580,998	1,635,353	1,674,219	1,730,081
Other Fixed Assets	69,912	72,642	72,313	70,537	69,448
Investment Properties	63,346	74,386	74,913	87,467	88,492
Lowther Investment	8,387	8,387	8,387	8,387	8,387
Total Fixed Assets	**1,695,876**	**1,736,413**	**1,790,966**	**1,840,610**	**1,896,408**
Pension Asset	5,842	5,842	5,842	5,842	5,842
Current Assets	66,874	74,922	78,891	79,730	79,325
Current Liabilities	(97,705)	(89,848)	(97,977)	(90,997)	(96,173)
Net Current (Liabilities)	**(24,989)**	**(9,084)**	**(13,244)**	**(5,425)**	**(11,006)**
Long term liabilities	(1,020,423)	(1,056,535)	(1,072,276)	(1,079,611)	(1,080,609)
Other Provisions	(1,853)	(1,853)	(1,853)	(1,853)	(1,853)
Net Assets	**648,611**	**668,940**	**703,593**	**753,721**	**802,940**
Total Reserves	**648,611**	**668,940**	**703,593**	**753,721**	**802,940**

Housing Assets

The plan assumes Housing Property assets to increase £176.0m over five years due to the construction of 284 additional properties and an assumed increase in the value of our existing stock as a result of investment.

Other Fixed Assets

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

<u>Investment Properties</u>
Investment properties include our commercial properties (i.e. shops and offices) and our mid-market rent properties. The plan assumes Investment Property assets to increase £25.1m over five years due to the construction of 443 additional properties

<u>Net Current Liabilities</u>
Current assets include rent arrears, trade debtors and cash, together with the intercompany balance relating to the loan to Lowther. Arrears are expected to increase across the five years as a result of the continued roll out of universal credit. This position is then expected to improve as these debts are recovered. The remaining movement in current assets relates to the increase in lending to Lowther.

Current liabilities fluctuate over the period primarily as a result of the inclusion of grant received in respect of the new build programme. This is held as deferred income in the balance sheet until the units complete and it can be recognised in Turnover.

<u>Long Term Liabilities</u>
Long term liabilities relate to the loan due to Wheatley Funding Limited 1 (WFL1) and the contingent efficiencies grant. Debt initially peaks in year 4 of the projections and from years 5 -18, there is sufficient cash generated to service debt and begin making repayments, decreasing net debt.

<u>Reserves</u>
Reserves are projected to increase £154.3m over the five years as assumed increases in housing property valuations offset losses generated after paying our costs of borrowing.

3.3 Statement of Cash Flow

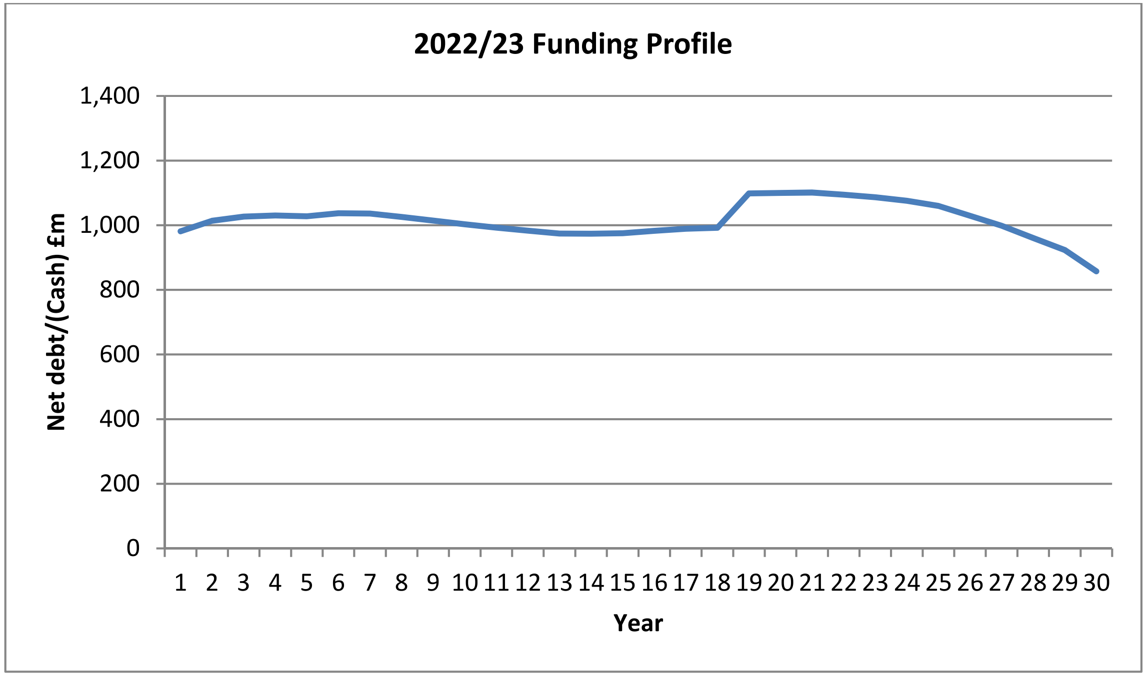
Cash Flow	Year 1 2022/23 £'000	Year 2 2023/24 £'000	Year 3 2024/25 £'000	Year 4 2025/26 £'000	Year 5 2026/27 £'000
Net Cash from Operating Activities	**84,141**	**97,150**	**112,114**	**115,816**	**121,683**
Core & Other Capital Expenditure	(56,629)	(61,302)	(59,838)	(55,917)	(60,160)
New Build Expenditure (net of grant)	(13,241)	(15,204)	(13,024)	(15,609)	(10,883)
Increase in loan to Lowther	(1,667)	(8,584)	(4,749)	-	-
Net Cash from Investing Activities	**(71,537)**	**(85,090)**	**(77,611)**	**(71,526)**	**(71,043)**
Net Finance Costs	(43,637)	(45,112)	(47,078)	(47,584)	(48,566)
Net Movement in Cash	**(31,033)**	**(33,052)**	**(12,576)**	**(3,294)**	**2,074**

The net movement in cash improves over the period as efficiency measures are realised and rental income from new build properties can be recognised. Net debt reaches the maximum required in year 4 of the five year period, 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 business plan financials by each RSL that is key to meeting funding conditions at WFL1.

The graph below shows GHA's projected net debt requirement over the 30 years. This shows an initial maximum funding requirement of £1,029.9m net of cash in year 4 (2025/26). From year 5 on, there is sufficient cash generated to service debt and begin making repayments. The increase in debt in year 19 relates to repayment of the £100m contingent efficiencies grant. This pushes net debt to a peak of £1,101.2m in year 21 (2042/43).



5. Key Parameters

5.1 Whilst covenants attached to WFL1 funding are assessed at Group level, rather than individual RSL level, 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 projections:

5.2 Operating margin generation

In the long term, underlying operating surplus (excluding grant income and property valuation movements) needs to be sufficient to service debt, i.e. meet interest and capital payments on debt balances and achieve overall financial surplus every year. The business plan assumes that GHA will generate the following operating margins over the next 5 years:

ADJUSTED OPERATING MARGIN	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
	£'000	£'000	£'000	£'000	£'000
Income (excluding grant income and property valuation movement)	208,844	215,742	224,237	233,352	241,393
Adjusted Operating Surplus	13,241	19,047	31,407	34,069	38,569
Operating Margin	**6.34%**	**8.83%**	**14.01%**	**14.60%**	**15.98%**

The adjusted operating margin, which excludes grant income and valuation movements, is the measure used to test covenant compliance. It is lower than the operating margin reported in the Statement of Comprehensive income at 3.1, illustrating the significant impact that the recognition of grant income on completion of new build has on the results. The margin increases over the five years due to additional rental income generated from completed new build units, as well as efficiency savings.

5.3 Cash flow strength

Cash flows need to be sufficient to demonstrate that there is enough cash available to service intra-group debt each year and to repay funding within 30 years**. Revenue surplus** removes items that are non-cash and/or unrelated to underlying 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. A ratio > 1 means that there is sufficient capacity to meet interest payments as they fall due. As the debt principal must also be repaid, long term, the interest cover ratio needs to be comfortably over 1 to demonstrate sufficient capacity to repay capital.

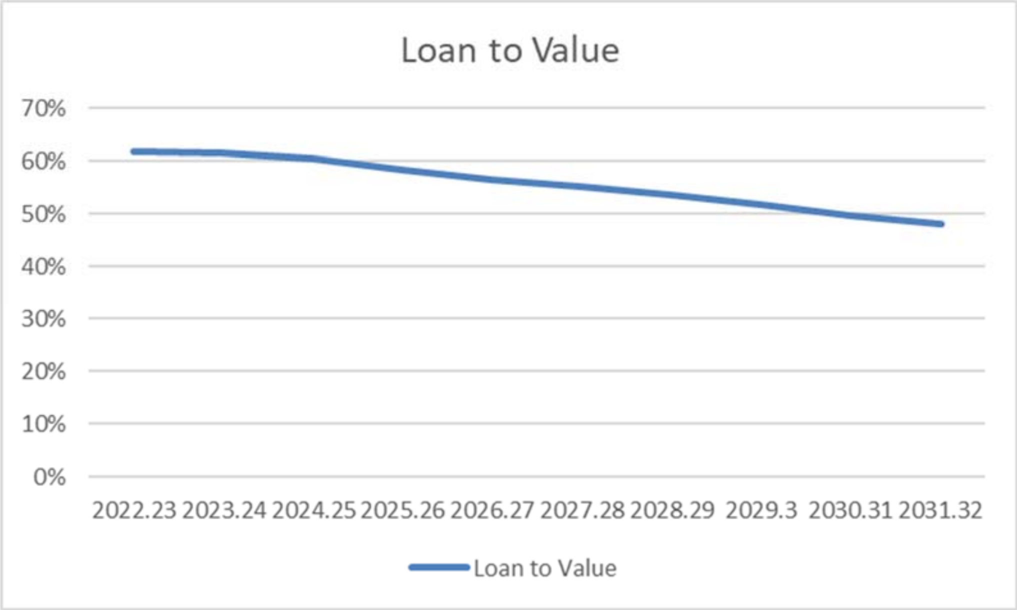
Revenue Surplus	**Year 1 2022/23**	**Year 2 2023/24**	**Year 3 2024/25**	**Year 4 2025/26**	**Year 5 2026/27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue Surplus less Capital Investment	43,283	46,833	60,492	65,483	66,636
Interest Expense	46,051	47,302	50,102	50,269	51,718
Interest Cover	**0.94**	**0.99**	**1.21**	**1.30**	**1.29**

Although in years 1 and 2 of the projections interest cover is < 1, the ratio gradually increases over the five year period as new build developments are completed. As units are completed, more rental income is generated which, along with efficiency savings, more than offsets the higher interest costs.

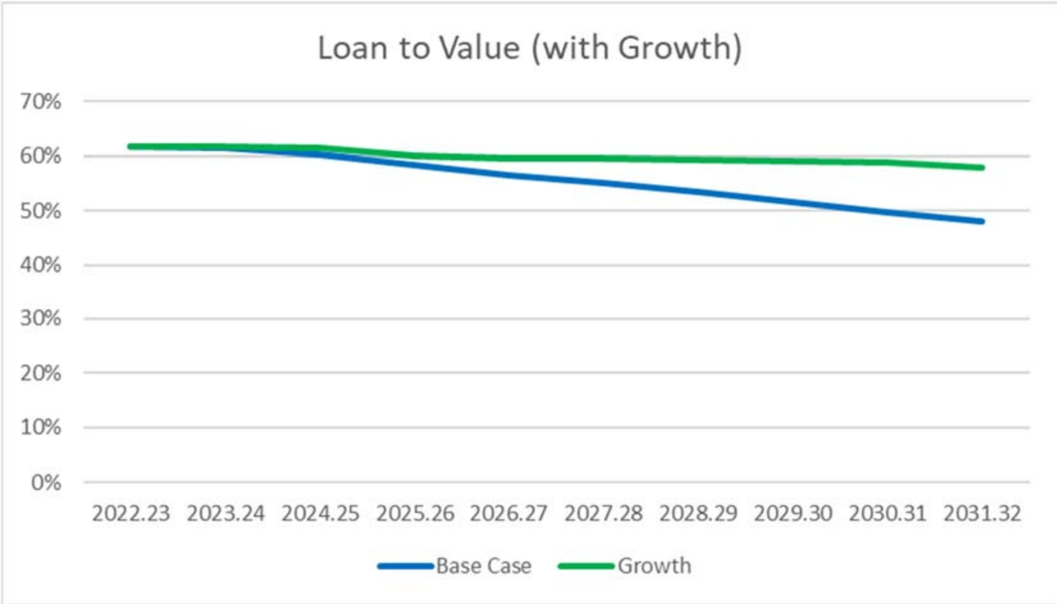
Increases in rental income (as noted in paragraph 2.2) and continuing management of the cost base during this period are of extreme importance.

5.4 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. It is however important that each subsidiary within the group have sufficient asset cover to support their debt requirement. The measure used to assess this is loan to value, defined as net debt as a percentage of the value of housing and investment properties (excluding housing under construction). The graph below shows the projected loan to value for GHA over the first 10 years. This shows a maximum loan to value of 62% in 2022/23, with this decreasing gradually thereafter to 48% in 2031/32. There is therefore sufficient asset cover.



We anticipate the additional financial capacity created within the RSL Borrower group, once discussions with Funders are concluded, will allow us to increase our development programme from the 1,052 new homes reflected above to 4,000 units over the next decade. While the additional development would increase GHA's debt over the 10 years, the loan to value would remain below 70% as shown in the graph below. Note, this scenario assumes that in addition to the increased new build, a further 875 properties could be demolished over the 10 year period. Any proposed demolitions would be subject to board approval.



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.

No.	Risk Description	Interest Cover			Debt		Mitigation
		Yr1	Yr2	Yr3	Peak debt Yrs 1-10	Max Loan to Value	
2022/23 Financial Projections		**0.94**	**0.99**	**1.21**	**£1,029.9m**	**62%**	
Risks							
1	Cost inflation is 1% higher in years 1-3 with no change in rent increases.	0.92	0.94	1.14	£1,062.4m	62%	Seek operational efficiencies and review service and repairs levels to offset the impact of inflation on costs.
2	Rent increase reduced to 2.9% for plan duration	0.94	0.96	1.14	£1,062.5m	62%	Rent setting policy review, operational efficiencies and review service and repair levels.
3	New build programme put on hold post 2024 as additional costs result in failure to meet appraisal targets	0.94	0.99	1.21	£1,026.6m	62%	Seek additional funding to make up shortfall, review development specification to identify areas where savings can be made
4	Staff savings in years 1 and 2 are not achieved	1.01	1.02	1.12	£1,057.0m	62%	Review of procurement, contract negotiation and operational efficiencies as well as service and repairs levels to offset the impact of the additional staff costs.
5	Bad debt increases by 1%	0.89	0.94	1.16	£1,055.0m	62%	Review of rent setting policy, operational efficiencies and service and repair levels to mitigate the financial impact of the additional bad debt costs.
6	Repairs costs are 10% higher from year 1	0.87	0.91	1.13	£1,065.4m	62%	Seek operation efficiencies and review service and repairs levels to mitigate the financial impact of the additional repair costs

7	Rent increase limited to 2.9%, bad debts increase by 1% and repair costs are 10% higher for 3 years	0.82	0.84	1.02	£1,095.1m	62%	Rent setting policy review, performance management and review of service and repairs levels to mitigate the financial impact

GHA

Report

To: GHA Board

By: Anthony Allison, Director of Governance

Approved by: Martin Armstrong, Group Chief Executive

Subject: Governance update

Date of Meeting: 11 February 2022

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1. Purpose

1.1 To update the Board on:

- the outcome of the strategic governance review, the areas relevant to us and the implementation plan; and
- the proposed Transfer of Engagement from Strathclyde (Camphill) Housing Society ("SCHS")

2. Authorising and strategic context

2.1 As we transitioned into the implementation phase of the 2021-26 Group strategy and reflected on the experience of the pandemic, the Group Board agreed that the strategic context was appropriate to initiate a strategic governance review. This Board was updated on the Terms of Reference of the review ("review ToR") at its meeting in May 2021.

2.2 Under the Group Standing Orders, the Group Board is responsible for the Group's overall governance arrangements. The RAAG Committee supports the Board in this role.

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

3. Risk appetite and assessment

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

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

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

3.4 The strategic governance review engaged independent expertise to review our governance arrangements and make recommendations for how they can be further refined to continue to mitigate this risk.

4. Background

4.1 Campbell Tickell, independent governance experts, were appointed to undertake the strategic governance review. The review was undertaken in line with the review ToR, focussing on 4 areas:

1. The Group structure;
2. The role and remit of Boards and Group Committees;
3. Board compositions; and
4. Board practice.

5. Customer engagement

5.1 As a corporate governance related matter, there has been no direct engagement with customers. The review does however reiterate that customer engagement informing decision making is a core facet of good governance.

6. Discussion

Strategic governance review

6.1. The Group Board received feedback on the headline findings from the review directly from James Tickell of Campbell Tickell at its strategy workshop in August. The findings, in line with the agreed methodology, were based on individual interviews with all Group Board members, a sample of Board members from each partner Board and a comprehensive desktop review of both our governance framework documents and Board papers.

6.2. A key message at the strategic workshop was that we have strong, robust governance foundations. The Group Board subsequently received and considered Campbell Tickell's report and recommendations at its meeting at the end of October. The overarching assessment of our governance arrangements was that:

"We found that Wheatley continues to operate sound governance arrangements supported by good documentation. It has a large but engaged governance community of Board and committee members who are all highly committed to Wheatley and its constituent parts, and understand their respective roles and responsibilities."

6.3. As part of its consideration, the Group Board also agreed an implementation plan for how it wished to take forward the recommendations. As part of this it was agreed that we should engage individual Boards across the Group on the implementation approach.

6.4. A more detailed update on the implementation approach agreed by the Group Board in relation to each relevant recommendation is set out in Appendix 1. Further detail on how these will apply in our own context is set out below.

Group structure

Legal structure

6.5. As part of the review, Campbell Tickell noted that we have been on a journey of consolidation across the wider Group. This has included the transition to a single commercial vehicle in Lowther Homes, a single care vehicle in Wheatley Care and the reduction of the number of RSLs through the Barony and Cube stock transfer and Transfer of Engagements.

6.6. As Campbell Tickell recognised, our consolidation has '*been successfully achieved within the Group over a period of time'.* In terms of the future group structure, Campbell Tickell recommended that:

'Wheatley should continue the journey of group consolidation on the current trajectory'

6.7. The Group Board partially accepted this recommendation. This was on the basis that any future consolidation would be based on whether it could deliver demonstrable and quantifiable benefits for customers. This process is already underway in our own context following the stock transfer of Cube's Glasgow stock to create a new single vehicle for Glasgow.

6.8. The Group Board also agreed that in terms of any future consolidation of housing activity, this would be considered in the East first as we focus on the creation and launch of Wheatley Homes Glasgow in the West.

Roles and responsibilities in a group context

6.9. In any Group structure, the respective roles of the Parent and subsidiary Boards and how they interact require to be sharply defined. Campbell Tickell made a number of proposals for how we can further define roles, responsibilities and reporting arrangements. Campbell Tickell's recommendations are made within the context of legal and regulatory requirements regarding Parent 'control' and oversight.

6.10. We are updating the Group Standing Orders to more explicitly document the Group Board's role in scrutinising subsidiary performance. Although this already happens in practice, with performance and finance reports covering the whole Group regularly being considered by the Group Board, our documentation will more explicitly state this.

6.11. As part of this we will review the Group Standing Orders more widely to consider areas such as matters reserved to the Group Board and delegation levels. Once this is concluded, the revised Group Standing Orders will be brought back to this Board for feedback.

6.12. We accepted the recommendation to develop specific Terms of Reference ("ToR") for each Board. The ToR will seek to consolidate what is already documented in our existing governance framework as well as document the route and parameters for this Board, and the Boards of our sister organisations, escalating issues to the Group Board.

6.13. We recognise there is value in the process of developing new ToR as an opportunity for each Board to refresh their understanding of their specific roles and responsibilities. Draft ToR in our context will reflect the role of the future Wheatley Homes Glasgow Board and be subject to Board review.

Risk management

6.14. In terms of how risk is managed within the Group, Campbell Tickell recommended that we have a single risk appetite for the Group. Whilst we agreed with the overarching premise that the Group Board needs to have control over risk within the Group, we believe that a single approach does not fully reflect the diverse nature of the Group.

6.15. As a housing provider our regulatory environment, customer base and service model is notably different from, for example, care or commercial partners within the Group. We would expect our risk appetite to be different from, for example, commercial entities within the Group. It is therefore intended that our risk appetite being subject to Group Board approval will give the Group Board sufficient oversight of how we propose to approach risk.

6.16. A wider review of our approach to risk management is already underway. As part of this a standalone risk workshop will be held with the Board in the next few months.

<u>Role and remit of Boards</u>

6.17. As expected, the matters covered within this area were inherently linked to the Group structure element. Given the previous recommendation to introduce Board ToR, the recommendations in this area focussed on more specific areas of individual Board/Committee roles.

Risk management

6.18. Of particular relevance for us was the recommendation in relation to risk management. The report confirms we have an appropriate system in place for risk reporting, oversight and monitoring. The report proposed means by which we can further strengthen this, through a collection of individual measures rather than any fundamental change.

6.19. As previously indicated, a refresh of our risk management approach is underway and a Board workshop planned. It is intended that the specific changes recommended in the report are incorporated as part of this refresh, or sooner where practical.

Additional group wide scrutiny

6.20. Environmental and sustainability issues are prominent in our overall Group 2021-26 strategy. The Group Board also agreed that given that there was a strong case for enhanced group wide oversight within our governance arrangements. It was agreed that this will form part of the remit of the Wheatley Solutions Board.

6.21. This does however remain directly relevant for us on the basis that our own contribution to environmental and sustainability, for example through our investment programme and requirements in relation to EESSH 2. Equally, this Board will also be updated where appropriate on activity at Group level which will have implications for our business.

6.22. We also expect that a similar approach will be adopted in relation to having specific oversight of equality and diversity within our governance structures. This is subject to discussion by the Group Board in March and a further update on this will be provided in due course. We will also continue to have one of our own Board members also being a Board member of Wheatley solutions.

Board composition

6.23. The recommendations in this area primarily related to the Group Board and this Board. In relation to this Board, Campbell Tickell recommended that we consider the eligibility of members to be an office bearer and the overall composition of the Board. More widely, the Group Board agreed that we should aim for Boards across the Group being 10.

6.24. The recommendations also covered three further areas: Board diversity; skills and experience, including skills mapping; and succession planning. In response to this it was agreed that the following approach should be consistently applied by all Boards across the Group:

- Each Board and Committee agrees its own skills and experience matrix;
- Each Board member self-assesses against the skills and experience matrix;
- The skills and experience of each member are mapped with Board requirements; and
- The matrix is reviewed by each Board/RAAG Committee annually in conjunction with its 3 year succession plan

6.25. The Group Board recognised that our own context is unique and that the recommendations must be set within the context of the creation of Wheatley Homes Glasgow and a new single vehicle for Glasgow. It is not therefore about changes to this Board, rather what does the Board of the new single vehicle for Wheatley Homes Glasgow need to be.

6.26. On this basis it was agreed that the recommendations relating to us would not be accepted until they were considered in detail by this Board. At the Board workshop in March we will consider further what the Board of Wheatley Homes Glasgow needs to be in the same we would in creating any other new vehicle, including:

- The context in which the Board governs i.e. The Board of the single vehicle for city and the country’s largest housing and regeneration RSL
- The key role and responsibilities of the Board
- What skills and experience does the Board of Wheatley Homes Glasgow need to reflect its context and roles and responsibilities
- How are the skills and experience required reflected in the Board composition

Board practice

6.27. It was recommended that we establish new arrangements for holding Board and Committee meetings virtually and that a hybrid model be considered for meetings in future.

6.28. We have now undertaken testing of ‘mixed’ meetings where attendees are both in-person and by video conference.

6.29. The testing in Wheatley House has been successful. It is proposed that our approach in future should be as following:

- For attendance at scheduled meetings, the default should be attendance in person;
- Virtual attendance at scheduled meetings should be with the prior agreement of the Chair;
- For additional meetings outwith the normal schedule or rescheduled meetings attendance would preferably be in person, but virtual would be an option without any need for prior agreement with the Chair;
- Additional meetings will offer the option to attend virtually by default and where there is a limited agenda or purely transactional business be held virtually; and
- Board workshops may only be attended in person other than exceptional circumstances agreed in advance with the Chair (eg full workshop is virtual).

6.30. In addition to the above, it is intended that we make greater use of virtual attendance for staff members at Board meetings. For example, where a staff member is attending a meeting to cover a single item, which is relatively routine in nature they may attend virtually with prior agreement of the Chair and Group CEO.

6.31. We also want to re-establish the Board having an understanding of and directly influence plans for the year ahead in terms of Board activity. On this basis, the proposed Board planner for the rest of the calendar year is set out at Appendix 2 for Board feedback.

6.32. As would be expected, the early stages of the planner are more detailed than the latter stages. A refreshed Board planner will be brought back to the May meeting, by which time latter year activity will be more defined.

Summary

6.33. The strategic governance review recognised the strength of our existing governance arrangements and provided recommendations for how we can continue to refine them. The Group RAAG Committee has been delegated responsibility to oversee the implementation at Group level.

6.34. A key element of our implementation approach will be considering how our governance arrangements reflect the creation of Wheatley Homes Glasgow.

[6.35-6.38 redacted]

7. Digital transformation alignment

7.1 The proposals retain an oversight and scrutiny role for Wheatley Solutions in relation to our digital transformation plan.

8. Financial and value for money implications

8.1 There are no direct value for money implications associated with this report.

9. Legal, regulatory and charitable implications

9.1 The report independently confirms that we have strong governance arrangements and provides evidence to support our compliance with relevant legal and regulatory requirements.

9.2 Detailed legal advice will be sought as required throughout the implementation process.

10. Equalities implications

10.1 There are no equalities implications arising from this report.

11. Environmental and sustainability implications

11.1 As set in the report, given the significance of this area it is intended this is reflected in our governance arrangements in future. This includes dedicated focus via the Wheatley Solutions Board.

12. Recommendations

12.1 The Board is asked to:

1) Provide feedback on the planned implementation approach of the strategic governance review;
2) Note that we will consider the Wheatley Homes Glasgow Board composition at the Board workshop; and
3) Note the update and proposed timescale for the Strathclyde Camphill Housing Society Transfer of Engagement.

List of Appendices

Appendix 1: Strategic governance review implementation plan
Appendix 2: Draft 2022 Board planner

Strategic governance review – implementation

Recommendation/Area for refinement	Proposed approach	Indicative timescale	Updates
Group Structure			
Continue current consolidation approach	Partially accept recommendation Our different geographies retain distinct local characteristics; for example, the largely rural nature of Dumfries & Galloway compared to the cities of Glasgow and Edinburgh, and we consider that locally-based governance, and local tenant voices on boards, remains important in that context.	Update to Dec 21 Board	Group Board agreed that we should explore a detailed assessment of whether combining business plans of group RSLs in the east of Scotland would create a stronger base for investment, new build and keeping rents affordable. This is under discussion by the WLHP and DCH Boards.
Arrangements for control and oversight of the group's subsidiaries should continue to evolve and develop as the group structure changes as follows: 1. Clarify in documentation how the Group Board maintains overview and scrutiny of the subsidiaries, including the routes and parameters for escalation of issues and risks arising in subsidiaries	1) Accept recommendation Additional wording to be added to Group Standing Orders to further codify scrutiny role and define routes and parameters for escalation. It should be noted there are already existing mechanisms in place in key areas, for example through the Scheme of Financial Delegation and risk scoring thresholds. It is intended escalation becomes a defined responsibility of individual Board Chair, in discussion with the Group CEO – formalising what happens in practice.	December 2021	Proposed wording agreed by RAAG in December 2021. This will be fed into wider update of Group Standing Orders.
2. Prepare terms of reference for subsidiary boards so that there is a clear and definitive description of the role and responsibilities of each board	2) Accept recommendation Whilst this already largely exists via the Group Authorising Framework and Group Authorise Management Monitor Matrix this process will also act as a mechanism to ensure that roles and responsibilities of each Board (rather than individual Board members), including relative to the wider Group, are well defined and understood by each Board. Terms of Reference will be prepared and considered by each individual Board and thereafter be subject to Board approval. It is proposed that as part of this process Wheatley Solutions is formally designated the responsibility for oversight of the Group's environmental and sustainability activity as well as clearly defined responsibility for emerging areas such as Equality and Diversity and retrofitting.	April 2022	Draft Terms of Reference for this Board scheduled for Board consideration in March.
3. Institute regular reporting of some form by subsidiary chairs to the Group Board (accepting interim arrangements may be required pending reduction in the size of the Group Board)	3) Partially accept recommendation Given the current number of subsidiary Chairs, there is, as recognised, a practicality issue attached to this recommendation. Also, the core purpose of having Subsidiary Chairs as Board members is to ensure this happens in practice through Board discussions. It is proposed therefore that as interim arrangement we formally document in the Group Standing Orders a requirement for Subsidiary Chairs to feedback any material issues to the Group Board during Board discussions.	December 2021	It has been agreed that this covered at Group Board under AOCB in short term until the process set out in the Terms of Reference is agreed.

4. Set a single risk appetite for the group, with tolerances within which the subsidiaries are required to operate 5. Maintain confidence that stress-testing and scenario-testing sufficiently test the implications of difficulties arising in subsidiaries	4) Partially accept recommendation We have different risk appetite levels which reflect the different maturity levels and types of activity across the Group. It is proposed the underlying requirement for the Group Board to have control over risk oversight is met by all risk appetite statements and any changes requiring Group Board approval. All risk statements are due to be reviewed in spring 2022. 5) Accept recommendation This is built into our business planning and there are no plans to change this approach.	June 2022 Not applicable	Plan for review to be reviewed by Group Audit Committee in Feb 2022 with update to Group Board Feb 2022 Revised risk appetite statements reviewed and approved by Group Board – June 22
There would be merit in reviewing Matters Reserved and delegations to ascertain if further streamlining could take place.	Accept suggestion A full review of matters reserved and delegations will take place as part of the implementation process. This will include a review of the Group Standing Orders and the template Intra-Group Agreement.	April 2022	Phase one included in report to RAAG covering matters reserved to the Group Board. More detailed review to be presented to RAAG Feb 2022 for initial review and onward recommendation to Group Board April 2022
Role and remit of Boards and Committees			
Responsibilities within the governance structure in relation to risk management should be clarified and amplified as follows: 1. The roles of the Board and GAC in relation to risk management should be made clearer and explained in more detail in documentation 2. Deep dives into potential risk areas should be included in the remit of GAC	1) Partially accept recommendation – Following the risk management workshops planned for spring 2022 our documentation will be updated 2) Partially accept – linked to 1), this shall be reviewed following the risk management workshops as part of a wider refinement of our approach and associated roles and responsibilities. There are a number of areas where we already do this in practice just not characterised as 'deep dives. Examples over the last year have included cyber security, fire safety being added to the Audit committee as a standing item, furlough, PPE and business plan assumptions.	Both June 2022	Initial wording in relation to key responsibilities and matters reserved to Board and Group Audit Committee Terms of Reference. The Group Audit Committee ToR include additional wording re the role of the Committee undertaking more detailed risk monitoring at the request of the Group Board. These may be further refined following the risk workshops in spring 2022.
Cl Reporting about and oversight of risk within the governance structure should be strengthened as follows: 1. Reporting to Group Board should generally focus on the top 10-12 strategic risks 2. Risks should usually be presented in ranked order of residual score (highest scoring first) – we understand this is already planned	1) and 2) Accept recommendation Strategic risk register structure to be updated to be ranked in order, which will ensure the top10-12 are also more prominent	From 2022 reporting cycle	Refreshed reporting approach to be presented to Group Audit Committee at February 22 meeting. Updates to be presented within risk report to Group Board in Feb 22. This will then be discussed with this Board through risk workshops.

3. A Board Assurance Framework or other form of reporting should be developed to provide the Board periodically with greater depth of information about the sources and strength of assurance available in relation to key risks	3)Partially accept recommendation It is proposed that we embed this within the risk register reporting format. Core sources of assurance will also include detailing where risks are considered by Boards/Committees across the Group. Revised risk register format to be reviewed by Group Audit Committee in Feb 2022.	February 2022	
4. Consideration should be given to depicting controls against the three lines of defence in order to make it easier for the Board to recognise gaps	4)Accept recommendation (to consider) To be considered as part of the review of the risk register reporting format and proposals. Revised risk register format to be reviewed by Group Audit committee in Feb 2022.	February 2022	
5. Work to align risk appetite with risk scoring should be completed and used to make it clear in reporting whether risks are being managed within the appetite set by the Board – as already planned	5)Accept recommendation As recognised, this is already planned and will be completed as part of the risk workshops.	Spring 2022	See earlier timeline on review.
6. As a minimum, GAC should have included in its papers any full internal audit reports giving less than substantial assurance	6)Partially accept recommendation All Internal Audit reports are already available on request. It is proposed that the Chair of the Group Audit Committee is responsible for agreeing, in consultation with the Chief Internal Auditor, where the findings of the report are such the full reports should be issued in advance rather than on request. As both roles are independent of management, this further strengthens the impartiality of the decision.	From 2022 reporting cycle	To be agreed by Committee Chair on ongoing basis as part of meeting pre-meets.
7. The frequency of reporting on risk to subsidiary boards should be increased to quarterly	7)Accept recommendation To be implemented from 2022.	From 2022 reporting cycle	Implemented from Feb 22.
Group Audit Committee - The terms of reference do not include reference to oversight of internal controls and we would recommend that the risk section should have more definition.	Accept recommendation In practice, internal controls are inherent in the approval of the Internal Audit Plan and monitoring Internal Audit reviews. Similarly, the committee undertakes what are effectively deep dives (this is English regulatory terminology for a detailed review) in areas such as fire safety and cyber security. However, the Committee Terms of Reference will be reviewed by Committee, including: ▪ to make specific reference to internal controls ▪ review the risk wording, including what, if any role, the Committee should have undertaking 'deep dives' ▪ recommendations made to the Board.	February 2022	Draft approved by RAAG 15 December 2021. Group Audit Committee to consider and agree in Feb 22 for onward recommendation to the Group Board for formal agreement and adoption in Feb 2022
Board composition			
Development of the approach to Board and Committee skills mapping to ensure sufficient expertise and inform succession planning should continue.	Accept recommendation This is already underway at partner Board level. It is intended a full skills mapping of the Board and Committees be undertaken to inform the Board workshop proposed above to inform the discussions.	March 2022	Both to be considered by the Board at the workshop rescheduled for March.

The rules of GHA should be amended to remove the requirement for the next Chair to be a tenant. 1. It should remain the case that some members of the Board must be tenants 2. It should be specified that either the Chair or the Vice Chair should be a tenant 3. Considerations should be given more widely within GHA to ensuring that the voice of the tenant is heard in a variety of different ways within the governance of the organisation, including building on digital engagement methods and in line with Wheatley's new engagement strategy	The GHA Board is scheduled to have a workshop in January 2022. It is proposed that they are asked to consider the recommendations and provide feedback before the Board make a final decision on these recommendations.	Update to Board Feb 22	
Board practice			
Boards and committees should be supported to participate together in effective discussion and decision-making as follows: 1. New arrangements for holding virtual meetings should be agreed and adopted as a matter of relative urgency, which allow the whole of any Board or committee to participate in discussion and decision-making together – such that these are available if needed 2. A hybrid model should be considered going forwards which combines virtual meetings for more transactional-type meetings with face to face meetings giving the opportunity for more open-format strategic discussion	1) And 2) Accept recommendation Proposals to be developed for consideration by the Board on where virtual meetings would be appropriate. We are also in the early stages of testing the technology under a hybrid approach of in person and virtual attendees. It is intended this be tested in greater detail before considering it as an option for Board meetings. It is proposed however that the default for scheduled Board meetings remains in person. The urgency of Recommendation 1 has now been superseded by resumption of full Boards.	Feb 2022	Proposals for virtual meetings agreed by RAAG and feedback being sought from each Board as part of February cycle.
3. Efforts should be made to ensure Board and committee papers are concise, with executive summaries incorporated into the template and recommendations moved up-front in reporting	3) Partially accept recommendation It is proposed the Board template be further reviewed. This will cover both content and structure. This will include consideration to an Executive Summary, however it is not proposed we commit to this in advance of the review.	February 2022	Revised template included in RAAG report for consideration and onward agreement by the Board in February 2022.

Meeting date	Items
25 March	▪ Wheatley Homes Glasgow update ▪ Repairs update ▪ 22/23 Budget ▪ Compliance update ▪ Finance Report ▪ Assurance Update ▪ Internal Audit Plan 22/23 ▪ Risk register ▪ Governance Update ▪ Gender pay gap (presentation)
20 May **(meeting + strategy workshop)**	▪ Wheatley Homes Glasgow update ▪ CFC update ▪ Business continuity policy and framework review ▪ Allocations policy update ▪ 21/22 ARC return and year end performance ▪ 2022/23 Delivery Plan ▪ Fire Prevention and Mitigation annual update ▪ Finance report ▪ Risk register
12 August	▪ Governance Update ▪ Development programme update ▪ 21/22 Financial Statements ▪ Annual Internal Audit Report and opinion ▪ Finance Report ▪ Performance and Delivery Plan Q1 ▪ Risk register
16 September (Post AGM)	▪ Finance Report
4 November	▪ 2023 rent setting ▪ Governance update ▪ Performance and Delivery Plan Q2 ▪ Finance report ▪ Assurance update ▪ Risk register

GHA

Report

To: GHA Board

By: Stephen Devine, Director of Assets and Sustainability

Approved by: Martin Armstrong, Group Chief Executive

Subject: Group Health and Safety policy

Date of Meeting: 11 February 2022

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1. Purpose

1.1 To inform the Board of the revised Group Health and Safety policy.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework and Intra-Group Agreement the Wheatley Housing Group Board is responsible for approving Group Policies and their designation as applicable to all Group partners. The Group Health and Safety policy was approved previously and designated as a Group Policy.

2.2 At its meeting on the 15 December 2021, the Wheatley Group Board approved the revised Group Health and Safety policy to be shared with group partners for implementation with immediate effect.

3. Risk appetite and assessment

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

3.2 Health and safety compliance risks as associated mitigations are included in the group strategic risk register and in the subsidiary risk registers.

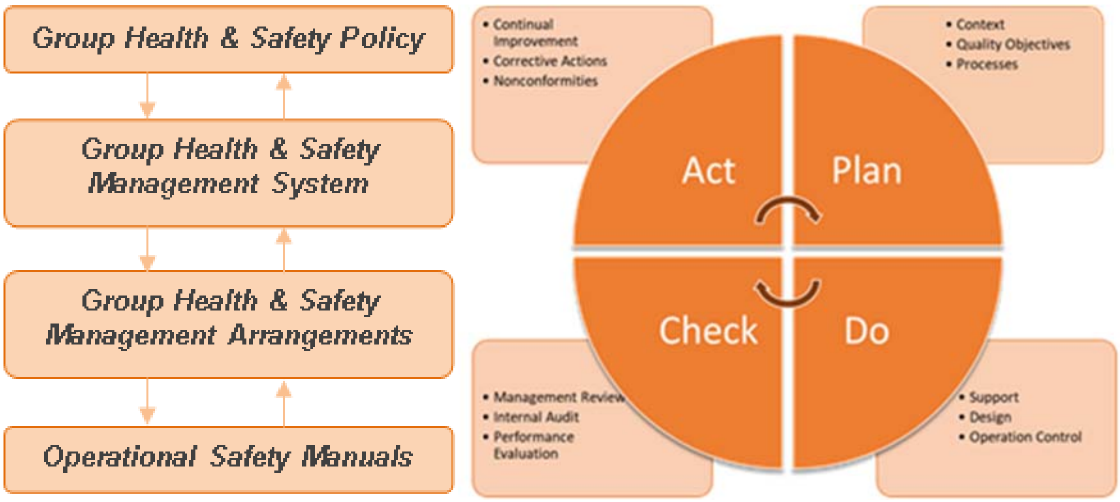
4. Background

4.1 Health and safety legislation requires that any employer with five or more employees must have a written health and safety policy containing i) Statement of Intent, ii) Organisational Structure including Roles and Responsibilities, and; iii) Details of the Arrangements for managing health and safety.

4.2 The revised Group Health and Safety policy which was approved by the Wheatley Group Board meets these requirements and is embedded across the business.

4.3 We have arrangements in place to monitor and maintain the validity and accuracy of the Health and Safety policy. This includes considering the implications for the policy of any organisational changes that are taking place, service evolution and any new and emerging legislation or best practice guidance.

4.4 Our Group Health and Safety policy is part of our overall health and safety architecture as shown below, along with our Group Health and Safety Management System, Group Health and Safety Management Arrangements and Operational Safety Manuals. Each of these is discussed below.



5. Customer engagement

5.1 The updated Group Health and Safety policy presented here has been subject to consultation with recognised Trade Unions in line with our statutory obligations. There were no adverse comments received from those consulted in the review of the Group Health and Safety policy.

5.2 More generally, discussions have taken place with colleagues and Trade Unions on arrangements associated with homeworking, lone working and the review of operational safety manuals discussed later in this report. In addition, quarterly H&S Committee meetings take place involving senior staff from across the Group and Trade Union officials. These meetings provide a route for discussing health and safety related matters, and escalation and resolution of issues should this be required.

6. Discussion

<u>Group Health & Safety policy</u>

6.1 Our revised Group Health and Safety policy at Appendix 1 has been updated, in the main, to reflect home working and lone working arrangements as we transition to our new operating model.

6.2 As part of our new operating model, arrangements for home based agile workers have been established. This includes the rolling out homeworking self-assessments, information leaflets, and e-learning across the business as necessary, to ensure staff work as safely and comfortably from home, so far as is reasonably practicable. In addition, a catalogue of items to make homeworking ergonomically safe and comfortable has been developed and is available to promote wellbeing.

6.3 Our operating model includes lone working that includes staff in Glasgow Housing Association. Furthermore, as more staff are working from home at times and in our communities, this means there is also an increase in lone working.

6.4 To address this, a Group health and safety management arrangement for lone working has been established and communicated across Glasgow Housing Association. This includes the provision of advice and guidance for managers and staff on keeping safe when working alone.

6.5 New lone working technology has also been introduced and distributed, in the form of a lone working app on mobile telephones and standalone, lone working devices (pebbles). These allow staff members to speak with an alarm receiving centre, set notifications for wellbeing checks and recognises when staff may have fallen or are motionless. These devices also have an emergency distress call for use in the unlikely event that staff find themselves in threatening situations or feeling unwell.

6.6 E-Learning training on the use of lone working devices and personal safety have been established and implemented for all staff designated lone workers.

Health & Safety Management System & Arrangements

6.7 Our Group Health and Safety Management System has also been updated to reflect the updated health and safety policy and specific arrangements that have been put in place to manage, maintain and promote a positive health and safety culture throughout the Group. This is based on the Health and Safety Executive's best practice model – Plan, Do, Check, Act; that is often associated with continuous improvement.

6.8 We are also progressing the harmonisation of existing health and safety procedures across all group subsidiaries, in the form of Health and Safety Management Arrangements ("HSMAs"), to ensure a consistent approach, across all business areas. Whilst there are well established policies in place across Glasgow Housing Association, the development of Group HSMAs allows us to share best practice and maintain consistency in our approach to health and safety management.

6.9 To support this, management working groups have been established to drive the continuous improvement across the business in key areas. These groups help drive our health and safety culture forward and include a specific Fire Working Group and Lone Working Group.

Operational Safety Manuals

6.10 The final part of our health and safety architecture, are our Operational Safety Manuals ("OSMs"). These are mandatory, 'living documents' across all subsidiaries to include GHA and document safe systems of work, local procedures, guidance and best practice, specific to the nature of business. As such they have been recently updated to include guidelines for working safely in the current environment including guidelines for testing and self-isolation following the widespread introduction of a vaccine. OSMs are kept under review to ensure we maintain safe systems of work for all business areas and that any new and emerging risks such as those associated with the on-going pandemic are recognised and managed.

Safe Contractor Accreditation

6.11 The Group have retained our Safe Contractor Accreditation. This accreditation is a recognised mark of health and safety competence under the Safety Schemes in Procurement.

7. Digital transformation alignment

7.1 Technology is used where appropriate to support safe working arrangements. An illustration of this is the introduction of the lone working app and Pebble device discussed above.

7.2 E-Learning training is also being developed beyond our H&S Awareness and Fire Awareness courses, to reflect our new operating model.

7.3 Over the last 12 months we have introduced many new courses to support staff such as, Homeworker, Personal Safety and Introduction to First Aid that also demonstrates our commitment to our legal obligations for the provision of Information, Instruction and Training under the Health and Safety at Work Act.

8. Financial and value for money implications

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

9. Legal, regulatory and charitable implications

9.1 The health and safety policy and management arrangements discussed here are part of how we satisfy legal requirements in this area. We also take account of HSE guidance in developing all health and safety related documents.

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9.2 The ongoing maintenance and implementation of aspects of our health and safety architecture will support the overall approach to maintaining and ensuring compliance with health and safety legislation.

10. Equalities implications

10.1 There are no equalities implications associated with this report.

11. Environmental and sustainability implications

11.1 Our revised Health and Safety policy is a necessary and key part of ensuring the success of our new operating model. This operating model, which includes agile home working as highlighted above, will have positive environmental and sustainability implications including through:

- reducing unnecessary travel to an office location;
- encouraging staff to meet, when necessary, in our new hub locations that include measures to reduce our carbon footprint such as solar PV; and
- increasingly looking to encourage the use of electric vehicles and power tools, and active travel, where appropriate, to the work being carried out

11.2 Examples of the positive sustainability impacts we anticipate through this new operating model include a reduction, based on Plant Mark analysis, of 160 tonnes (41%) of CO2 a year because of changes to Wheatley House and a reduction, based on analysis by the UK Energy Research Centre, on average of 50kg (70%) of CO_2 a day, per staff member working at home.

12. Recommendation

12.1 The Board is asked to note the updated Health and Safety policy at Appendix 1.

List of Appendices

Appendix 1 – Group Health & Safety policy

Report

To:	**GHA Board**
By:	**Stephen Devine, Director of Assets and Sustainability**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Group dampness, mould and condensation policy**
Date of Meeting:	**11 February 2022**

1. Purpose

1.1 To provide the Board with details of the group-wide dampness, mould and condensation policy and procedures approved by the Group Board at its December 2021 meeting.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework and Intra-Group Agreement the Wheatley Housing Group Board is responsible for approving Group Policies. We are required to implement policies that are designated as Group Policies.

3. Risk appetite and assessment

3.1 Our risk appetite relating to Operating Model (Modernising services, Joint Venture, repairs service, NETS and CPP) is "Hungry" i.e. Eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk.

4. Background

4.1 Dealing with dampness, mould and condensation has always been, and will continue to be, a high priority for GHA and our customers. Typically, the number of properties where dampness or mould is reported by customers is between 2% and 4% each year.

4.2 Penetrating dampness caused by deteriorating fabric in our homes is the exception with most of the reported 'dampness' being condensation. However, we know that for customers, the cause is not material. As such, we are keen to continue developing our approach to dampness, mould and condensation including through learning from our current practice and from others.

5. Customer engagement

5.1 A range of mechanism including information leaflets, discussions with staff and 'how to' videos are used currently to provide information and guidance on avoiding and addressing dampness, mould and condensation.

5.2 The approach discussed in this paper would build on this through proactive engagement targeted at properties that are assessed as being at higher risk of dampness, mould and condensation. The Citywide Panel can be a key customer sounding board for helping to co-create and develop this approach.

6. Discussion

6.1 Our approach to addressing dampness, mould and condensation is predominantly reactive and, depending on the actual issue, includes applying anti-fungicidal 'washes', decoration, carrying out any necessary repairs and providing advice to the customer on heating and ventilation. While inadequate heating and ventilation is recognised as a significant issue, addressing it through information and advice leaflets alone is unlikely to have necessary impact because lifestyle factors and fuel poverty are often core to the issue.

6.2 The English Ombudsman recently published a report on the approach to dampness following an investigation involving 142 landlords across England with more than 500 responses to their call for evidence including discussions with residents and landlords. Recommendations from this report are grouped under 4 themes:

- From Reactive to Pro-active;
- From inferring blame to taking responsibility;
- From disrepair to claims resolution; and
- From complaints to a learning culture.

6.3 Details on the various recommendations within each theme are provided at **Appendix 1**, along with our assessment based on testing our current approach and practice against each of the recommendations in a 'report card' format.

6.4 While not all recommendations are directly applicable given our operating context and approach, they do provide valuable learning and useful input in developing our approach. From examining the recommendations and our current practice, two overarching areas are identified:

- Having a dampness, mould and condensation policy and procedures that move from a reactive to more proactive approach; and
- Using data, including insight from actual customer demand, and technology to better understand what is happening in our homes and to inform our approaches.

6.5 Each of these is discussed in turn.

<u>Dampness, mould and condensation policy and procedures</u>

6.6 At present we do not have a documented policy or procedures specific to dampness, mould and condensation. Instead, these are included in our repairs policies and procedures and are embedded through our repairs and housing management delivery system. Having a specific Group policy and procedure that relates to GHA and other group RSLs would ensure a consistent approach; built around a shared view of best practice that can be refined and updated as required. To address this the policy at **Appendix 2** and procedure at **Appendix 3** have been developed and agreed by Wheatley Group Board.

6.7 The policy and procedures build on our current approach including through seeing condensation as a possible sign of wider issues especially fuel poverty, rather than something that simply needs repaired. In doing this, the policy majors on working with the customer to solve the problem rather than, as illustrated by the English Ombudsman findings, seeing this as something the customer is ‘doing wrong’. Our fuel advisors are well placed to support customers in this area given the link to fuel poverty and the importance of heating and ventilating the home.

6.8 Our investment in the Customer First Centre including through the specialist housing team provide a means to assess the needs of customer for specific support to address condensation and dampness problems, and to tailor our approach. Examples of this, depending on customer need and circumstance could include:

- Providing information and advice using leaflets and video;
- Raising a repair to address the cause where necessary;
- Assigning to a fuel advisor who would engage with the customer more generally including on how to address the condensation problem; and
- Involving the housing officer where there are concerns and potential vulnerabilities.

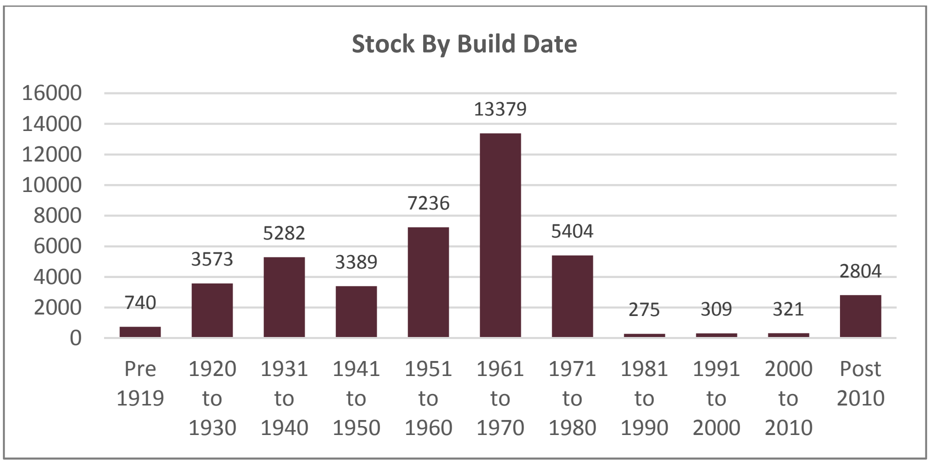
6.9 Such an approach fits well with the enhanced capability in the Customer First Centre including the importance we are placing on rectification at point of contact. With this, the customer first centre would ‘own the condensation journey’ including:

- deciding to deploy fuel advisors where the impact is likely to be greatest;
- raising necessary repairs;
- ensuring the issue is resolved to the customers satisfaction;
- maintaining dialogue with the customer on how to minimise the chance of recurrence; and
- making sure that our approach to asset related investment is informed by customer demand relating to dampness, mould and condensation.

6.10 Further details are in the policy at **Appendix 2** and procedure at **Appendix 3.**

<u>Better use of data and technology</u>

Details of our properties by year of construction are set out below.

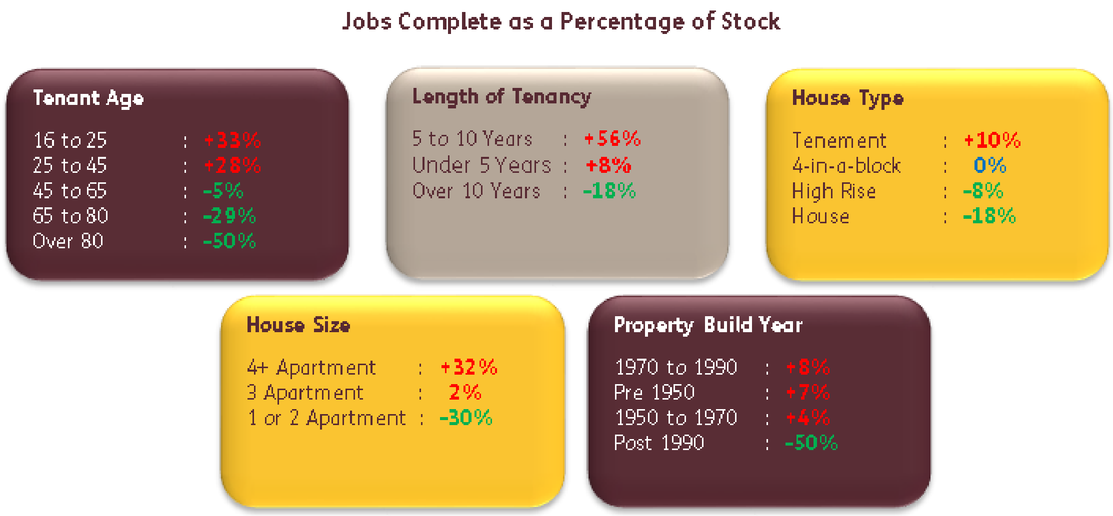


6.11 We want to begin understanding what data tells us about what could be driving dampness, condensation and mould. To do this a review of reported dampness/mould repair requests has been carried out to identify any potential trends or patterns.

6.12 Key findings from the analysis includes that there is higher frequency:

- in larger homes;
- when the tenant is under 45 years old;
- among tenants who have been with GHA for between 5 and 10 years; and
- in older properties, especially those built before 1970.

6.13 The diagram below provides a breakdown of information in key areas relating to the risk of dampness, mould and condensation, that supports the key findings above.



6.14 To provide a basis for prioritising proactive action, and as a start, as recommended in the English Ombudsman's report, to being more data led, a risk analysis has been performed for our stock. This assigns a risk category using the factors above. The diagram below sets this out for GHA's stock. By way of illustration, each of the factors above are given a risk category and score depending on findings from the analysis above. For example, customers under 45 are assigned higher probability (because we know from the analysis there is a higher propensity of repairs with customers in this age range), whereas ones over 65 are given a lower risk category. The various risk categories and scores are then aggregated to allow our properties/customers to be broken down based on highest to lowest likelihood of dampness, mould and condensation. This shows that approximately 8% of stock/customers are in a high category when the various variables (customer age, length of tenancy, age of property and house size) are factored in.

Risk Score	4		5		6		7		8		9		10		11		12		Total	
Risk Group (groups)	No.	%.	No.	%.	No.	%.	No.	%.	No.	%.	No.	%.	No.	%.	No.	%.	No.	%.	No.	%.
1. High															2,483	6%	721	2%	3,204	8%
2. High/Medium													6,498	15%					6,498	15%
3. Medium									9,019	21%	9,668	23%							18,687	44%
4. Medium/Low					5,051	12%	7,672	18%											12,723	30%
5. Low	22	0%	1,486	3%															1,508	4%

Classified as Internal

6.15 Using this analysis, it is proposed that an experiment is undertaken to test the effectiveness of proactively targeting properties/customers with high risk of condensation. Around 100 properties in the 'high high/medium risk category would be selected and humidity sensor and air quality technology would be installed. This would be used to collect results for 3 months and provide a baseline. After 3 months upgrading would be carried out to mechanical ventilation, and comprehensive support would be given to customers on best use of heating and ventilation. After a further 3 months, finding would be compared to the baseline to understand the impact of our approach. Depending on the results, an agree deployment strategy including investment priorities linked to risk would be developed.

7. Digital transformation alignment

7.1 Your Home, Your Community, Your Future includes a commitment to having a tailored repairs experience built around customer needs. The proposed dampness policy and the use of data and technology are part of how the repairs service will become more proactive and built around particular customer needs

8. Financial and value for money implications

8.1 Findings from the experiment above will be used to assess the impact of the proactive approach discussed and to inform future investment planning.

9. Legal, regulatory and charitable implications

9.1 There are no specific legal, regulatory or charitable implications associated with this report.

10. Equalities implications

10.1 There are no equalities implications arising from this report.

11. Environmental and sustainability implications

11.1 Supporting our customer to heat their homes more effectively and the use of sensor technology is likely to help improve energy efficiency and reduce carbon emissions, although the impact from what is proposed in this paper has yet to be quantified. It is also likely that air quality measures in homes are likely to feature in revisions to EESSH2. Having a dampness policy in place, and monitoring air quality in homes should help position us for these future requirements.

12. Recommendation

12.1 The GHA Board is asked to note the content of this report including the group dampness policy and procedures at Appendix 2 and 3 respectively.

List of Appendices

Appendix 1 – Review of recommendations from English Ombudsman's report
Appendix 2 – Draft dampness, mould and condensation policy
Appendix 3 – Draft dampness, mould and condensation procedure

Appendix 1

Housing Ombudsman (England) Recommendations Review

The report is sub categorised into 4 sections;

1. From Reactive to Pro-active (10 recommendations),
2. From inferring blame to taking responsibility (9 recommendations)
3. From disrepair to claims resolution (5 recommendations)
4. From complaints to a learning culture (2 recommendations)

Recomm.	Section	Response – group wide considerations
	From Reactive to Pro-active	
1 & 2	*Landlords should adopt a zero-tolerance approach to damp and mould interventions. Landlords should review their current strategy and consider whether their approach will achieve this.* *Landlords should consider whether they require an overall framework to address damp and mould which would cover each area where the landlord may be required to act. This would include any proactive interventions, its approach to diagnosis, actions it considers appropriate in different circumstances, effective communication and aftercare.*	Our approach to investment is driven by 'warm, dry homes', a fabric first approach. Our focus has been to optimise wind and watertight external fabric principally through external wall insulation, replacement of roof coverings and renewal of rainwater goods. All homes have double glazing and whole house heating as standard, with innovative solutions designed to make storage heating more affordable. Where internal improvements are carried out, e.g., kitchens, bathrooms, mechanical extraction fans are included. Our new build homes incorporate the latest technologies and building standards to ensure that they are both energy efficient and affordable. Skilled and dedicated inspection and operational teams assess and determine solutions where repairs are reported. Comprehensive guidance and training has been delivered for our frontline housing teams. We have also developed systems of information and support for customers via RSL websites.
3, 4 & 5	*Landlords should review the accessibility and use of their systems for reporting repairs and making complaints to 'find their silence'.* *Landlords should identify opportunities for extending the scope of their diagnosis within buildings, for example by examining neighbouring properties, to ensure the response early on is as effective as possible.* *Landlords should implement a data driven, risk-based approach with respect to damp and mould. This will reduce over reliance on residents to report issues, help landlords identify hidden issues and support landlords to anticipate and prioritise interventions before a complaint or disrepair claim is made.*	Customers can report repairs or lodge complaints via our Customer First Centre, 24hours a day, 365 days a year. We have a dedicated Customer Complaints Team who are the single point of contact for customers through a 'complaint journey'. We have comprehensive data in relation to repairs activity including the description of work reported and completed. We do not however proactively utilise this data to conduct targeted interventions or inspections. On average, year on year, 4% (circa 1,800 homes) of customers across all house types e.g., tenement, multi storey, 4-in-a-block, etc, report a repair for 'dampness or mould'. This proportion is fairly uniform across all house types. Targeted intervention is however being deployed in multi storey flats via the Connected Response system for electric storage heating. Whilst this is principally a measure to make this heating type more affordable, the consequential benefit of increased heating in homes will contribute to reducing the incidence of dampness and mould caused by condensation. Our standard specification for internal improvement works includes installation of mechanical extraction in both kitchens and bathrooms. Consideration should be given to further analysis of properties where repairs have been reported to establish if patterns exist, i.e., risk profiling; • Property type, Property age, Heating type, Investment status e.g. External Wall Insulation completed Y/N, Customer profile, Length of tenancy In terms of the Good Practice example from the Housing Ombudsman, the majority of our homes would be in the Low Risk classification, as is our current approach when a customer reports a repair of this type. Further analysis may offer

Recomm.	Section	Response – group wide considerations
		the opportunity to undertake targeted ‘campaigns’ to provide customers with additional support and advice including Fuel and Money Advice. We are currently reviewing and developing our approach which will incorporate initial visits from our team of Fuel Advisors to support customers who may be experiencing fuel poverty and also to provide advice to reduce the likelihood of condensation prior to any ‘technical’ solution being deployed.
6	*Where properties are identified for future disposal or are within an area marked for regeneration, landlords should proactively satisfy themselves that residents do not receive a poorer standard of service or lower living conditions, that steps are taken to avoid homes degrading to an unacceptable condition and that they regularly engage and communicate with these residents.*	Where applicable and properties have been identified for demolition we continue to offer a full repairs service.
7	*Landlords should avoid taking actions that solely place the onus on the resident. They should evaluate what mitigations they can put in place to support residents in cases where structural interventions are not appropriate and satisfy themselves they are taking all reasonable steps.* *Where the cause of damp and mould is non-structural it can be too simplistic to blame residents for drying their laundry on radiators if there is no space in their home for a tumble dryer or the weather is poor, other than those residents fortunate enough to have outdoor space. Occupancy factors do not mean that the landlord has no responsibility, and landlords should recognise that some homes were not designed with modern living in mind. Landlords should take reasonable steps in partnership with residents in these circumstances including considering improving ventilation or other appropriate measures.*	Following a customer report of mould or dampness our contractors technical staff will visit the property to diagnose the problem. Where structural/fabric works are identified i.e. missing roof tiles, leaking gutters etc which are causing penetrating dampness appropriate remedial work will be undertaken to resolve the issue. Where there are no structural issues and condensation is identified as the cause, the member staff will explain in summary what is required to combat the issue, e.g., ventilation, heating etc, and issue our condensation guidance leaflet to the customer. In addition to this where no mechanical ventilation (extractor fans) is fitted, this will be completed in the bathroom & kitchen, anti-fungicidal treatments will also be considered for any affected areas.
8	*Together with residents, landlords should review the information, materials and support provided to residents to ensure that these strike the right tone and are effective in helping residents to avoid damp and mould in their properties.*	We provide a range of advice via RSL websites, leaflets and self-help instructional videos. This has been developed in conjunction with customers through tenant panels.
9	*Landlords should be more transparent with residents involved in mutual exchanges and make the most of every opportunity to identify and address damp and mould, including visits and void periods.*	Detailed inspections are conducted at void stage and where dampness or mould issues are identified these are resolved during void works. Other elements will include installation or upgrading of mechanical ventilation.
10	*Landlords should ensure their strategy for delivering net zero carbon homes considers and plans for how they can identify*	The extensive fabric improvement programme, particularly in the West of Scotland has been hugely successful in provide warm dry homes. A key component of the investment strategy was to ensure that mechanical ventilation was

Recomm.	Section	Response – group wide considerations
	and respond to potential unintended consequences around damp and mould.	installed as standard, all windows have appropriate levels of trickle ventilation and that all properties have whole house heating systems. We are installing around 10,000 Connected Response heating improvement controls for electrically heated homes over the next 4 years. These homes often suffer from condensation and damp due to underheating as a result of 'self-disconnection' and cost. Firstly, by improving control and cost outcomes we expect improved heating and satisfaction, however as an important part of the physical installation we are including temperature and humidity sensors which will be providing data every 15 minutes on the internal environment. We're building an 'exception alert report' whereby if humidity is above maximum parameters for an extended period of time it will send an alert to there is a condensation risk. This is a new pro-active approach to identifying where dampness is present. We can then provide wrap-around services to help the customer afford to heat adequately as well as address excessive humidity issues at source.
	From inferring blame to taking responsibility	
11	*Landlords should review, alongside residents, their initial response to reports of damp and mould to ensure they avoid automatically apportioning blame or using language that leaves residents feeling blamed*	Our current approach is in line with the best practice example highlighted by the Ombudsman. Our ongoing review of associated wrap around services including technical inspections and remediation, housing officer follow up and review and Fuels Advisor support will further enhance our approach.
12	*Landlords should consider their current approach to record keeping and satisfy themselves it is sufficiently accurate and robust. We would encourage landlords to go further and consider whether their record keeping systems and processes support a risk-based approach to damp and mould*	We have extensive sources of data and record keeping and utilise this data to inform investment decisions. Despite the relatively low levels of reported repairs for Dampness & Mould, it would be worthwhile to undertake a 'risk profile' of all stock to establish if patterns or prevalence exists either on a built form, geographic or customer profile basis.
13	*Landlords should ensure that their responses to reports of damp and mould are timely and reflect the urgency of the issue.* *Landlords should recognise that issues can have an ongoing detrimental impact on the health and well-being of the resident and should therefore be responded to in a timely manner. Landlords should consider appropriate timescales for their responses to reflect the urgency of the case and set these out clearly for residents so their expectations can be managed. In addition, landlords should ensure that any follow up appointments are booked for as soon as possible.*	From date of repair reported to completion of remedial works typically takes on average 13 working days. This includes initial inspection to determine extent and scope of any works through to completion by an appropriately qualified tradesperson. Our ongoing process review will further enhance this approach by formalising follow up visits/contacts with customers post completion to support customers with other contributory factors such as fuel poverty, improving ventilation etc.
14	*Landlords should review the number of missed appointments in relation to damp and mould cases and, depending on the outcome of any review, consider what steps may be required to reduce them*	We have a robust approach to managing no access with immediate follow up by how officers via 'Repairs Action required' daily reports.
15	*Landlords should ensure that their staff, whether in-house or contractors, have the ability to identify and report early signs of damp and mould.*	In terms of housing management staff this would previously formed part of the annual customer conversation, however due to current Covid regulations/restrictions physical visits in customers home are limited.

Recomm.	Section	Response – group wide considerations
		Trades visiting properties to undertake repair work of any kind should be identifying and reporting any potential incidences of dampness or mould, however this would require to be tested.
16	*Landlords should take steps to identify and resolve any skills gaps they may have, ensuring their staff and contractors have appropriate expertise to properly diagnose and respond to reports of damp and mould. Having well-qualified, experienced, customer-focused surveyors, technical staff and repairs managers willing and able to properly inspect and remedy issues was crucial to being able to identify root causes. We are aware some landlords have developed specialist teams for the diagnosis of, and remedial work to, damp and mould and others have directly employed surveyors to ensure they can swiftly respond to reports. Others have set up networks to share best practice, procedures, technical expertise and staff between organisations to overcome this problem.* *Whilst accessing the right skills can be challenging, landlords should have appropriate plans in place to address any skills gaps.*	A comprehensive suite of training and guidance material has been deployed across the Housing Officer network. Our contractors are fully qualified to diagnose and assess appropriate remedial action.
17	*Landlords should ensure that they clearly and regularly communicate with their residents regarding actions taken or otherwise to resolve reports of damp and mould. Landlords should review and update any associated processes and policies accordingly.*	The detailed end to end process is fully outlined in our Staff Guidance in post completion visits and review.
18	*Landlords must ensure there is effective internal communication between their teams and departments, and ensure that one individual or team has overall responsibility for ensuring complaints or reports are resolved, including follow up or aftercare.*	The detailed end to end process is fully outlined in our Staff Guidance in post completion visits and review. This process should however be tested.
19	*Landlords should ensure that their complaints policy is effective and in line with the Complaint Handling Code, with clear compensation and redress guidance. Remedies should be commensurate to the distress and inconvenience caused to the resident, whilst recognising that each case is individual and should be considered on its own merits.*	We have a robust Group Wide Complaints policy managed by a dedicated Complaints Team, thus ensuring customers are kept up to date and complaints are resolved/escalated in line with our Group policy.
	From disrepair claims to resolution	
20	*Landlords need to ensure they can identify complex cases at an early stage and have a strategy for keeping residents informed and effective resolution.*	Where complex cases are identified we have a dedicated and appropriately qualified Repairs, Investment & Compliance Officer who will undertake detailed surveys and management any identified remedial works. Working in conjunction with the Housing Officer, customers will be kept up to date on progress on timescales for resolution.

Recomm.	Section	Response – group wide considerations
21	*Landlords should identify where an independent, mutually agreed and suitably qualified surveyor should be used, share the outcomes of all surveys and inspections with residents to help them understand the findings and be clear on next steps. Landlords should then act on accepted survey recommendations in a timely manner.*	Typically, the required skillset exists within our existing RIC Team and repairs contractors. Where however more complex issues with associated solutions are identified specialists (both surveyors and contractors) will be employed to reach a resolution.
22	*Where extensive works may be required, landlords should consider the individual circumstances of the household, including any vulnerabilities, and whether or not it is appropriate to move resident(s) out of their home at an early stage.*	We always endeavour to limit the need for decants and in most cases customers are reluctant to leave their own home, even for a short period. Decant would only be considered where we were unable to undertake work in a safe way ensuring that the home remains safe for occupancy when trades were not present. Where decant is required, Housing Officer will discuss all options with the affected customer, coordinating and arranging a move, ensuring that the impact is both minimised and is also for as short a period as possible.
23 & 24	*Landlords should promote the benefits of their complaints process and the Ombudsman to their residents as an appropriate and effective route to resolving disputes.* *Landlords should continue to use the complaints procedure when the pre-action protocol has commenced and until legal proceedings have been issued to maximise the opportunities to resolve disputes outside of court. Landlords should ensure their approach is consistent with our jurisdiction guidance and their legal and complaint teams work together effectively where an issue is being pursued through the complaints process and protocol.*	We have a robust Group Wide Complaints policy managed by a dedicated Complaints Team, thus ensuring customers are kept up to date and complaints are resolved/escalated in line with our Group policy. We have dedicated areas on each RSL website explaining how the process works in practice. Performance of handling complaints is also published on RSL websites
	From complaints to a learning culture	
25 & 26	*Landlords should consider how best to share learning from complaints and the positive impact of changes made as a result within the organisation and externally. Systems should allow the landlord to analyse their complaints data effectively and identify themes, trends and learning opportunities.* *Landlords should ensure they treat residents reporting damp and mould with respect and empathy. The distress and inconvenience experienced by residents in this area is some of the most profound we have seen, and this needs to be reflected in the tone and approach of the complaint handling.*	Whilst we have very robust processes to manage the dampness issue, including skilled staff, regular training, wrap around support, etc, consideration could also be given to; • developing and reinforcing learning in relation to empathy and customer advocacy. • Develop lessons learned/case reviews for dampness related issues

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Managing Dampness, Mould & Condensation

Policy

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1. Purpose

1.1. Estimates in the UK are that between 10-50% of homes are affected by damp. Social Housing and low-income communities where there is often overcrowding, a lack of appropriate heating, ventilation and insulation, can experience a substantially higher proportion of damp and mould than the national average.

1.2. We want to ensure that our customers have warm, safe and healthy homes to live in. We have identified that some customers and parts of our stock portfolio can be more susceptible to condensation and possible damp related issues.

1.3. A more purposeful approach to the prevention, treatment and remediation of these issues will benefit our customers. Going forward our tools will include better data, improved reporting and identification of mould, condensation and dampness, end-to-end customer service with better joined up advice, guidance and support, and preventative technology systems.

2. Scope

2.1. The policy applies to Wheatley Group employees, contractors and stakeholders

3. Our Approach to Managing Dampness, Mould and Condensation

We commit to:

3.1. Provide and maintain a comfortable, warm and healthy home, free from damp, mould or disrepair for our customers.

3.2. Recognise that having mould issues in a home can be distressing for our customers and ensure we are supportive in our approach.

3.3. Work in partnership with residents to resolve and understand how to reduce condensation, damp and mould issues.

3.4. Make sure the fabric of our homes is protected from deterioration and damage resulting from, or contributing to, damp and mould.

3.5. Undertake responsive repairs to alleviate damp are carried out as quickly and efficiently as possible to minimise damage to the fabric, fixtures and fittings of the property.

3.6. Know our stock and the archetype of properties and components that have a higher likelihood to suffer from damp and mould.

3.7. Minimise the number and impact of complaints

3.8. Plan resources to respond to higher demand. For example, during the winter months.

3.9. Provide staff with the skills to identify and differentiate between signs of damp and condensation and understand the causes and remedies.

3.10. To support our customers in ways to reduce damp and condensation in their home and how to make positive changes.

3.11. To make best use of technology to help customers to best manage their homes and use technological insight to better understand cause and solutions.

3.12. To take account of the issues of damp and condensation when designing investment programmes, for example heating and ventilation.

3.13. To comply with all statutory and regulatory requirements and sector best practice.

4. Policy Background – Legislation and Statutory/Regulatory Requirements

- Housing (Scotland) Act 2014

- Scottish Housing Quality Standard (SHQS)

  Requirement on social landlords to ensure their tenants' homes:

  - are energy efficient, safe and secure
  - are not seriously damaged
  - have kitchens and bathrooms that are in good condition

- Energy Efficiency Standards in Social Housing (EESSH)

  The Energy Efficiency Standard for Social Housing (EESSH) aims to encourage landlords to improve the energy efficiency of social housing in Scotland. This supports the Scottish Government's vision of warm, high quality, affordable, low carbon homes and a housing sector that helps to establish a successful low carbon economy across Scotland.

  The EESSH will contribute to the requirements of the Climate Change (Scotland) Act 2019, which sets targets to reduce Scotland's emissions of all greenhouse gases to net-zero by 2045 at the latest, with interim targets for reductions of at least 56% by 2020, 75% by 2030, and 90% by 2040.

5. Procedure

5.1 Our process is set out within the accompanying procedure **'Managing Dampness, Mould & Condensation Procedure'**

6. Monitoring & Compliance

6.1 This Policy will be reviewed every two years and, as required by legislation, regulation or internal organisational change

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Managing Dampness, Mould & Condensation

Procedure

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1. Purpose
2. Scope
3. Contributory Factors of Dampness, Mould & Condensation
4. Four Main Categories of Dampness
5. Procedure / Process
6. Turning insight into action
7. Monitoring and Compliance

1. Purpose

1.1. To provide a Group wide procedure that will create a consistent approach to addressing cases of mould and condensation or dampness through to resolution and rectification of cause.

2. Scope

2.1. The procedure applies to Wheatley Group employees, contractors and stakeholders

3. Contributory Factors of Dampness, Mould & Condensation

3.1. **Fuel poverty**
It is recognised that fuel poverty is a major factor in cases of condensation which can lead to mould problems when customers are unable to afford to heat their home effectively.

3.2. **Cold Bridging**
Cold Bridging can be found in many areas including poorly installed cavity wall insulation for example. Where a gap occurs in the insulation this can cause areas to become colder, which would then be at risk of increased condensation.

3.3. **Blocked or broken ventilation**
This would include blocked solum or air bricks and broken window trickle vents

3.4. **Broken or no extractor fans**
Where possible, all kitchens, bathrooms and utility rooms should have a functioning extractor fan.

3.5. **Radiators**
Heating systems performance is not always at the standard required to prevent condensation. Radiators may be undersized for the room volume and can be located on internal walls creating colder external walls.

3.6. **Missing/damaged render or pointing on brickwork**
There could be various reasons for poor or broken pointing (i.e. the finish between bricks) on parts of a brick wall which may have created cold spots for condensation and penetrating damp. The same can also be true with damaged render systems

3.7. **Leaking guttering**
Guttering can, over time, corrode, warp or sag causing leaking joints. Lack of effective maintenance can result in blocked or chocked gutters and downpipes that can, through time, cause damage to the fabric of the building.

3.8. Leaking roofs

This could be caused by many things i.e. damaged or missing tiles, damaged flashing, roof vents or chimneys, blocked gutters or simply that the roof has is approach the end of its serviceable life.

3.9. Unvented and condensing tumble dryers

These can produce excessive amounts of water vapour in the property, encouraging condensation.

3.10. Customer management of the home

Excessive humidity within the home and the lack of adequate ventilation is the primary cause of condensation. Drying clothes on space heaters, cooking with lids off pans, and over-crowding all add to the moisture levels within a property.

3.11. Rising damp

Rising damp can occur where there is missing or ineffective damp proof course or where a high ground level breaches the damp proof course.

4. Four Main Categories of Dampness

4.1. Penetrating dampness

This type of dampness will only be found on external walls or, in the case of roof leaks, on ceilings. It only appears because of a defect in the structure of the home, such as missing pointing to the brickwork, missing roof tiles, loose flashing or leaking gutters. These defects then allow water to pass from the outside to the inner surfaces. Penetrating dampness is far more noticeable following a period of rainfall and will normally appear as a well-defined 'damp-patch' which looks and feels damp to the touch. "Tide marks" will be left, even in periods of dry weather.

4.2. Defective plumbing

Leaks from water and waste pipes, especially in bathrooms and kitchens, are relatively common. They can affect both external and internal walls and ceilings. The affected area looks and feels damp to the touch and stays damp whatever the weather conditions outside. An examination of the water and waste pipes in the kitchen and bathroom and the seals around the bath, shower and sinks will usually find the problem. In cases when leaks are not attended to, rot may become established in wooden joists and floor boards leading to a risk of collapse in severe cases.

Mould may be seen with this type of dampness and even fungi are not uncommon if the defects are not addressed.

4.3. Rising dampness

This is caused by water rising from the ground into the home. The water gets through or around a defective damp proof course (DPC) or passes through the natural brickwork if the property was built without a DPC. Rising damp will only affect basements and ground floor rooms. It will normally rise no more than 36 inches above ground level (900mm) and usually leaves a ‘tide mark’ low down on the wall. You may also notice white salts on the affected areas.

Rising damp will be present all year round but is more noticeable in winter. If left untreated it may cause wall plaster to crumble and paper to lift in the affected area. Mould will rarely be seen where there is rising damp (and then only in the early stages). This is because rising dampness carries with it salts that prevent the growth of mould.

4.4. **Condensation and mould growth**

This is by far the most common enquiry we receive from customers which often leads to a repair request.

Condensation is caused by water vapour or moisture in the air, inside the dwelling, coming into contact with a colder surface, such as a window or wall. The drop in temperature causes water to form on the surface. This water may then soak into the wallpaper, paintwork or plasterwork. Mould spores are invisible to the naked eye but are in the air all around us all of the time and will quickly grow on surfaces where condensation has formed into a visible covering.

Condensation can be more prevalent during the colder months and we often experience a spike in customer demand during Autumn and Winter. A symptom of condensation is mould growth which is usually found in the corners of rooms, north facing walls and on or near windows. It is also found in areas of little air circulation such as behind wardrobes and beds, especially when they are pushed up against external walls. It also forms in bathrooms and kitchens as they are high moisture areas or in properties which are overcrowded.

All homes are affected by condensation at some point. Condensation and mould growth can happen because of cooking, washing and drying clothes indoors etc. These all produce water vapour that can only be seen when tiny drops of water (condensation) appear on colder surfaces such as walls, windows, ceilings or mirrors and often unseen on clothing, shoes and furniture.

The amount of condensation in a home depends upon a number of things, most importantly-

- How much water vapour is produced in the course of living in a home
- How cold or warm the property is
- How much air circulation (ventilation)
- How well the property has been insulated.

Simply turning up the heating will not sort out the problem, this may only temporarily reduce condensation. All factors may need to be looked at to reduce the problem. The first sign of a problem is often water vapour condensing on windows and other cold surfaces, which then takes a long time to disappear. This allows the surfaces to become damp resulting in mould growing on these damp areas.

5. Procedure / Process

How to Manage a Report of Damp or Mould and Condensation

5.1. First contact

- Call received by Customer First Centre
- A service request will be sent to Fuel advisor team for condensation
- Fuel advisor to give tailored advice to alleviate condensation and provide energy savings
- Where lifestyle factors are not considered to be the only driver of condensation, the Fuel Advisor should request the assistance of a Repairs, Investment & Compliance Officer (RICO) to help conduct a full survey of the property.
- Fuel advisor to leave monitoring/remedial products with the customer, hydrometers, mini dehumidifiers and mould wash down sprays to be left with every customer, consideration also for top up voucher for customers struggling to heat homes
- Where required raise a line for antifungal wash down via Go Mobile
- Fuel advisor to update Astra and feedback to Housing Specialist Team leads
- Housing specialist team to contact customer after 28 day period to assess effectiveness, where issue remains unresolved escalate to Repairs Investment & Compliance Team (bullet 3 below)

5.2. Repeat contact

- Customer calls with follow up or repeat contact. Customer Service Advisor probes if this is a follow up to an ongoing open case or if the case had been closed. Open cases will be referred to the Fuel Advisor with all qualifying information.
- In event the customer wishes to escalate their case or identify that their case was closed in the last 6/12 months, and this has reoccurred or identify that new condensation/mould/dampness issues exist. The case will be qualified by Customer Service Advisor and passed to Housing Specialist Team

- Housing Specialist Team will triage call and collaborate with FA to identify if a follow up visit or a joint visit with a RICO would be more appropriate. Identifying if issues have worsened or if new areas affected and if technical inspection may be required. At this point of escalation a report should be created jointly with RICO and Fuel Advisor to record the assessment and identify actions to resolve.

- The HST will look to resolve any repeat or recurring contacts. The objective to minimize any dissatisfaction, should the customer identify that they are still dissatisfied and look to pursue a complaint this will be recorded and progressed in line with complaints policy.

Fuel advisor to leave monitoring/remedial products with the customer, hydrometers, mini dehumidifiers and mould wash down sprays to be left with every customer, consideration.

5.3. How to Manage a Report of Defective plumbing

- Call received by Customer First Centre

- Customer Service Adviser will assess the repair type following discussion with the customer

- Repair will be categorised as either Emergency (response within 24 hours but typically within 4 hours) where the leak cannot be contained and will likely cause significant damage or as an Appointment (up to 15 days based on customer requirements but typically within 3 days) where the customer confirms for example that there is a minor drip which can be contained

- Most repairs of this type are first time fix, however where a trades operative identifies additional works for example water staining on ceilings below a bathroom, water damage to kitchen fitments, a follow on technical inspection will be arranged to establish any further remedial works.

5.4. How to Manage a Report of Penetrating dampness & Rising dampness

- Call received by Customer First Centre

- Customer Service Adviser will assess the repair type following discussion with the customer

- Repair will be generally be categorised as Programmed and an appointment will be arranged for a technical inspector to visit the property to fully diagnose the issue

- Most repairs of this type are associated with either defective guttering/downpipes and/or missing or dislodged roof tiles

Following the technical inspection remedial works will be completed within 30 days where possible (typically within 14 days). In some instances where the work is more complex or specialist in nature, repair works cannot always be carried out as part of the responsive repairs service as they generally require more planning, resources and non-standard materials. For reasons of efficiency, major repairs and specialist works may be grouped together in a programme of works

6. Turning insight into action

As well as addressing reports of dampness, mould and condensation effectively, taking a proactive approach will also be key to success. Such an approach is made increasingly possible through the insight that can be gained from the extensive repairs and investment history we have for our properties and from the data that can be collected on the environment in homes using sensor technology. Where applicable we will deploy analysis and sensor technology to build understanding and to inform action including campaigns, staff resource deployment and property investment.

7. Monitoring and Review

This Procedure will be reviewed every two years as Standard
This procedure will be reviewed should legislation, Regulations or internal organisational change and amendments are required

GHA

Report

To: GHA Board

By: Natalya Macholla, Director of Customer Services

Approved by: Martin Armstrong, Group Chief Executive

Subject: Customer First Centre update

Date of Meeting: 11 February 2022

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1. Purpose

1.1 To provide an update on the establishment of our Customer First Centre ("CFC") since its internal launch on 1 December 2021.

2. Authorising and strategic context

2.1 Under the Group Authorising Framework and Group Authorise/Manage/Monitor Matrix, the Board is responsible for monitoring operational performance and implementing the Board's strategy. Delivering exceptional customer experience and progressing from excellent to outstanding service are stated themes and objectives, and the CFC is a key part of our vision for realising this.

3. Risk appetite and assessment

3.1 The Group's appetite relating to operating models and modernising of services is hungry i.e. eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).

3.2 We mitigated the risk of introducing a new CFC model by consulting all tenants on our plans, receiving very strong support from tenants.

4. Background

4.1 Our commitment to exceptional customer experience is a key theme in our strategy. Our strategy is very clear that "*Providing exceptional customer experience is, and always will be, at the heart of everything we do. Our customers deserve the very best and through the life of this strategy, that is what we will deliver.*"

4.2 Discussions with Boards across the Group as part of the development of our strategy highlighted that:

"Digital service delivery will be the norm, but we will ensure that no-one is left behind. We will prioritise the introduction of new service models in the first year of the strategy based on our experience of working during the pandemic, blending digital and face-to-face service whilst maintaining a strongly personalised approach."

4.3 The pandemic changed how we delivered services in a way that no-one could have predicted. Now, through listening to what our tenants have told us, our new proposals will bring many key improvements to our services. At the forefront of this is the creation of our new CFC which will mark one of the single biggest changes to our service model in the 10-year life of Wheatley.

4.4 Our new CFC model will also provide a solid foundation for us to build the great repairs service we have outlined in our strategy. We are clear that we want a service that delivers on customer priorities and demonstrates value for money. We want the service to be increasingly tailored to meet the needs and expectations of different customer groups and we want it to be built on the principle that we will honour our commitments and fix things quickly when they do not go to plan. All of these are principles by which our CFC and our new way of working is built.

5. Customer engagement

5.1 Our strategy has a very clear focus on enhancing our customer engagement and a significant element of co-development and co-design with our customers. Our recent consultation with customers – '*Our new future – bringing it home to you',* set out proposals for the CFC to be a key part of our new operating model. Over 5,000 tenants provided their views, with overwhelming support for the proposals.

5.2 The continual evolution and development of our CFC model is dependent on the feedback from our customers and staff on usability and customer experience. Already our CFC staff have been partnering with our Digital team and our Stronger Voices Team to carry out customer usability testing to improve the customer experience across our online processes and transactions.

5.3 We are also working to develop a real-time customer feedback tool which will enable us to obtain instant feedback from customers across core customer journeys, including their experience of using the CFC. This will provide us with feedback that allows us to continually develop and enhance our CFC offering to continue to meet the needs of our customers.

5.4 In order to deliver our customer feedback approach we have contracted with Upland Software ('Upland') who specialise in real-time customer feedback technology. In December, we signed a three-year contract with Upland to deliver both a customer and employee voice solution. This will see us obtain real-time customer feedback across our core business areas and customer touchpoints. In addition to the customer voice, we will also use the technology to obtain employee feedback ensuring that we can undertake regular temperature checks on how our staff are feeling in our new way of working.

6. Discussion

<u>Launching our Customer First Centre</u>

6.1 The CFC launched its new service on Wednesday 1 December. This was a 'soft' launch internally within the Group. The CFC delivers a 24-hours a day, seven days a week model which will deal quickly and efficiently with customer enquiries at the first time of asking.

6.2 The new CFC will offer a personalised service and is where our customers will find all of the advice and support they need and in the one place. It will:

- be open 365 days a year, 24/7;
- have highly trained and experienced housing professionals on hand to deal with routine enquiries such as registering for MyHousing, booking repairs and making appointments for wraparound services;
- use technology to allow customers to be in touch by whatever means they prefer, at a time that suits them – by phone, social media, text or web-chat;
- be the most efficient way for customers to get day-to-day problems solved and questions answered quickly; and
- and free up community-based Housing Officers to spend more time in our communities, including supporting the most vulnerable face-to-face.

6.3 We want our customers to have an excellent experience when they draw down services, transact, receive information or engage with us on any level, on any matter, at any time. To embed this in our culture we have been running a series of workshops and briefing sessions with staff to talk to them about our new CFC model and how it will support our business and customer values.

6.4 The soft launch on 1 December has given us the opportunity to test the robustness and effectiveness of our new systems and practices before the more formal customer launch of the service.

Measures of Success

6.5 We have developed a suite of draft performance measures to assess the effectiveness of the new CFC model. These are listed below. The measures are being developed through January and February and will be continually reviewed and monitored as the CFC model develops to ensure that these remain current and comparable with other sectors.

6.6 It is recognised that the CFC marks one of the single, biggest changes to our service model in the 10-year history of Wheatley. Our new measures are ambitious and reflect our want to deliver outstanding services to our customers and, importantly, a service that provides choice and which is underpinned by some key important principles; personalisation, ownership, commitment, customer-centric behaviour and digitalisation. It is these principles that we have aimed to build into and evidence in our performance framework.

6.7 As part of our development of our new measures, we have taken time to review how these are calculated and monitored. This has seen the introduction of more intricate day-to-day, real-time reporting and a move away from average calculations to measures based on daily actuals across a number of time intervals. This will make comparison with previous reporting challenging but provide us with a solid foundation to build from as we continue to develop our CFC model.

6.8 As noted above, our new performance management framework is being developed across January and February. It is recognised that some of these measures will take time, over the early months of the CFC operating, to reach the optimum level due to the high level of change we are managing. At the time of writing this report, some examples of the measures being considered are noted below:

Area	Measure	Target
Phone System and Service (CISCO)	Percentage of calls answered within 30 seconds (core hours and out of hours)	80%
	Percentage and number of calls abandoned	<7%
	Percentage of CFC calls from staff	<2%
CFC Core Measures	Percentage first contact resolution by Customer Service Advisor	>65%
	Percentage of calls passed to Housing/Commercial Specialist Teams	<25%
	Percentage of repairs calls diagnosed as: i. emergency ii. next day appointments	Baseline to be established
Email and Cases	Percentage of responses to email within customer commitment	2 days
	Average calendar days to resolve a case from the point of the customer's call	2 days
	Keeping our promises – on emails and cases: i. number of cases breaching timescales ii. median days late	Value
Supporting Housing and Lowther staff	Percentage of repairs raised by Housing and Lowther staff	10%
	Percentage of CFC cases raised that are passed to Housing and Lowther staff for resolution	<10%
	ASTRA job queue – number and weekly trend (+/-)	Trend
Core Demand Measures	Total weekly calls from Lowther customers	<1,000
	RSL percentage calls raised for: i. Repairs ii. Allocations iii. Payments	Baseline to be established

6.9 The CFC has been operational for nine weeks at the time of writing, but already there are positive signs of its impact. In this time, the CFC has handled over 115k calls and through the combined efforts of the Customer Service Advisors and Specialist Teams achieved a first contact resolution level of 94%. Call abandonment levels have reduced from almost 13% in November to approximately 8% in our first nine weeks of operating and are showing encouraging signs as we align resources with our new way of working.

6.10 Given our focus on first contact resolution, we are seeing noticeably higher handle times when compared to our previous model. However, we are trialling different approaches with our Specialist Teams to ensure that we are optimising ready time to ensure that we continue to answer calls quicker than ever before. We are also reviewing a number of areas where higher handle times are evident to ensure that we are providing solutions for staff which lead to a quicker route to a resolution.

Investing in our Staff

6.11 As part of the creation of the CFC, we have been delivering a suite of training to our CFC staff. The training has consisted of a full set of refresher training on our core business pillars (repairs, allocations, payments, etc.) as well as a programme of Customer Service Excellence training that focusses on the guiding principles that underpin our new model:

- **Personalisation:** delivering high quality outcomes for our customers and colleagues, reflecting customer's particular circumstances, across a range of channels and at times which suit out customers. Focus on bringing us closer to our customers than ever before.
- **Ownership:** focus on staff feeling empowered to make decisions in order to support our ambitious plans of achieving a 90% resolution by the CFC, with the remaining 10% being resolved in our communities and face-to-face with our customers.
- **Commitment:** focus on honouring the promises we make to our customers and taking responsibility for resolving issues raised by customers.
- **Behaviours:** reinforcing to staff that the delivery of outstanding customer-centre behaviours is key. A focus on making interactions with customers seamless, reacting quickly when things do not go to plan and working hard to ensure that all customers have a positive experience when engaging with Wheatley.
- **Digitalisation:** providing staff with an introduction to our digital ambitions. Reinforcing the message that we will focus on developing online services and implementing new technologies that add value to the customer and empower them to self-serve, whilst continuing to provide a personal, easy-to-use and trusted service that sustains positive relationships with our customers.

6.12 Given the extent of change in our model we will continue to review our training for CFC staff to ensure that they are well-equipped to continue to deliver outstanding services as our strategy and business continues to evolve.

7. Digital transformation alignment

7.1 Our Group strategy sets a clear direction and is underpinned by digital transformation. The CFC is incorporated across more than one of the seven core work streams outlined in our digital strategy. We are already reviewing our programme assumptions for the remainder of this year and into 2022/23 to take account of the new CFC. It will be critical to align IT work with the aims and ambitions of the new CFC model, and we are considering bringing the housing services and repairs work streams together under this theme for next year.

8. Financial and value for money implications

8.1 The changes to the Customer First Centre are incorporated in the current financial projections envelope and future costs will be reflected to updated business plans across the Group and as presented in February 2022.

9. Legal, regulatory and charitable implications

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

10. Equalities implications

10.1 There are no equalities implications associated directly with this report.

11. Environmental and sustainability implications

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

12. Recommendation

12.1 The Board is asked to note the progress to date in establishing our Customer First Centre.

GHA

Report

To:	**GHA Board**
Report by:	**Jehan Weerasinghe, GHA Managing Director**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Performance report**
Date of Meeting:	**11 February 2022**

1. Purpose

1.1 This report presents an update on performance delivering the targets in the performance framework and strategic projects for 2021/22 as of the end of quarter 3.

1.2 Dashboards with the measures included in all three sub-sections for the five themes are attached as **Appendix 1**. A summary of progress delivering the strategic projects is presented in **Appendix 2**.

2. Authorising and strategic context

2.1 Under the terms of the Authorising Framework, the Board is responsible for setting the overall Performance Framework and approving the delivery plan for each year. Under the Authorise/Manage/Monitor Matrix, the Board has an ongoing role monitoring performance against the key indicators agreed under the performance framework.

2.2 Under the terms of the Intra-Group Agreement with Wheatley Group, as well as the Group Authorise, Manage, Monitor Matrix, our Board is responsible for approving regulatory returns including the Charter. It is also responsible for monitoring performance against agreed targets.

3. Risk appetite and assessment

3.1 Our risk appetite in relation to governance is “cautious”. This level of risk tolerance is defined as “preference for safe delivery options that have a low degree of inherent risk”. We mitigate this risk by reserving the agreement of individual performance targets and strategic projects to Boards and providing the Board with regular updates in relation to progress against these targets and projects.

4. Background

4.1 The Board agreed the strategy for 2021 to 2026, ***Your Home, Your Community, Your Future***, in February 2021. At the same time, the Board also agreed the supporting performance framework, setting out the measures, targets and reporting arrangements that provide performance management and oversight of delivery for Boards and management.

4.2 This report outlines our performance against our Delivery Plan 2021/22, as at the end of quarter 3, with actions and updates where appropriate. Our key indicators that will be reported to the Scottish Housing Regulator as part of the Annual Return on the Charter are included within this report.

4.3 Cube's properties migrated to us in April. To reflect the differing rent billing cycles for Cube customers, for financial rent-based measures we report GHA A (legacy GHA) and GHA B (former Cube) to distinguish those previous Cube customers whose rent is billed according to differing billing cycle.

5. Customer engagement

5.1 We presented a summary of the validated 2020/21 performance against our key Charter measures to the Tenant Scrutiny Panel in October 2021, along with a comparison with the national average and an update on performance in the first part of 2021/22.

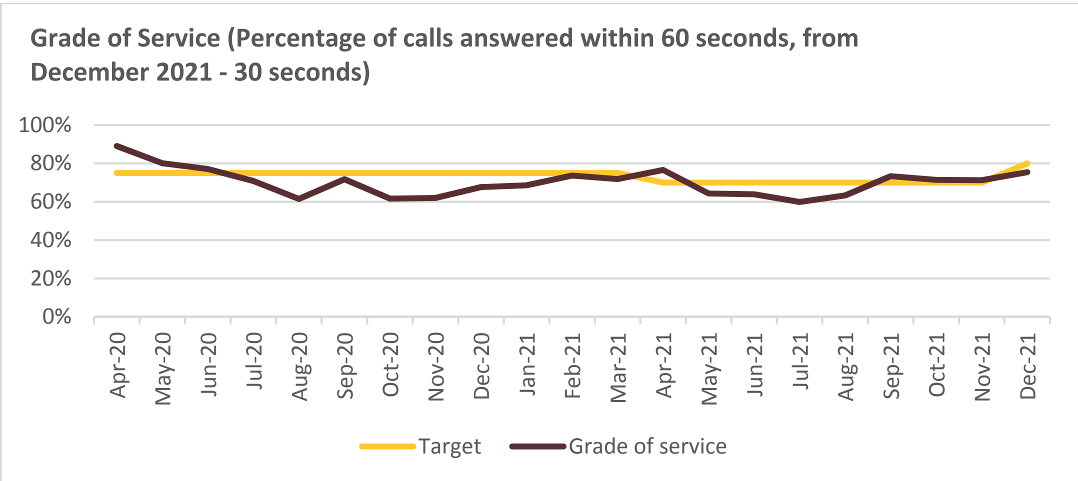
5.2 We also consulted the Tenant Scrutiny Panel on the new customer value approach that underpins the current Performance Framework. As noted previously to the Board, we are working with a provider to implement a suitable platform to gather more frequent customer feedback on the five customer service areas identified as part of the customer value approach: repairs, anti-social behaviour, environmental services, complaints handling and housing allocations. The first phase will allow us to capture feedback about repairs services.

6. Discussion

Delivering Exceptional Customer Experience

Customer First Centre - Grade of Service

6.1 In the year to the end of December, the Group answered 69.2% of calls within target. To the end of November, the target was 70% of calls within 60 seconds and from the 1st of December, 80% of calls within 30 seconds.



6.2 As part of the creation of the Customer First Centre, work has been underway across Group to deliver a first contact resolution and outstanding customer experience across all our customer interactions. A centralised resource for customer contact will reduce resource pressure in other areas of the business, while providing a personalised service to our customers and one which is centred on honouring our commitments and taking ownership for our customer interactions.

Repairs Satisfaction

6.3 This rolling 12-month Charter satisfaction measure continues to be based on a small census size. This measure covers a rolling twelve-month period, and the current volume of surveys reflects the restricted service delivered during the pandemic. We have received 884 completed surveys in the last 12 months, with 88.7% of customers satisfied. This is marginally higher than the group satisfaction value.

Table 1

Repairs Satisfaction	Current Value	2021/22 Target
GHA	88.7%	87%
Group	88.3%	87%

Tenancy Sustainment

6.4 The percentage of new tenancies sustained for more than a year, a Charter measure, is currently 91.45% and has been above the 90% target since August, this is the highest tenancy sustainment figure we have reported. We also measure sustainment excluding deaths and transfers within Group.

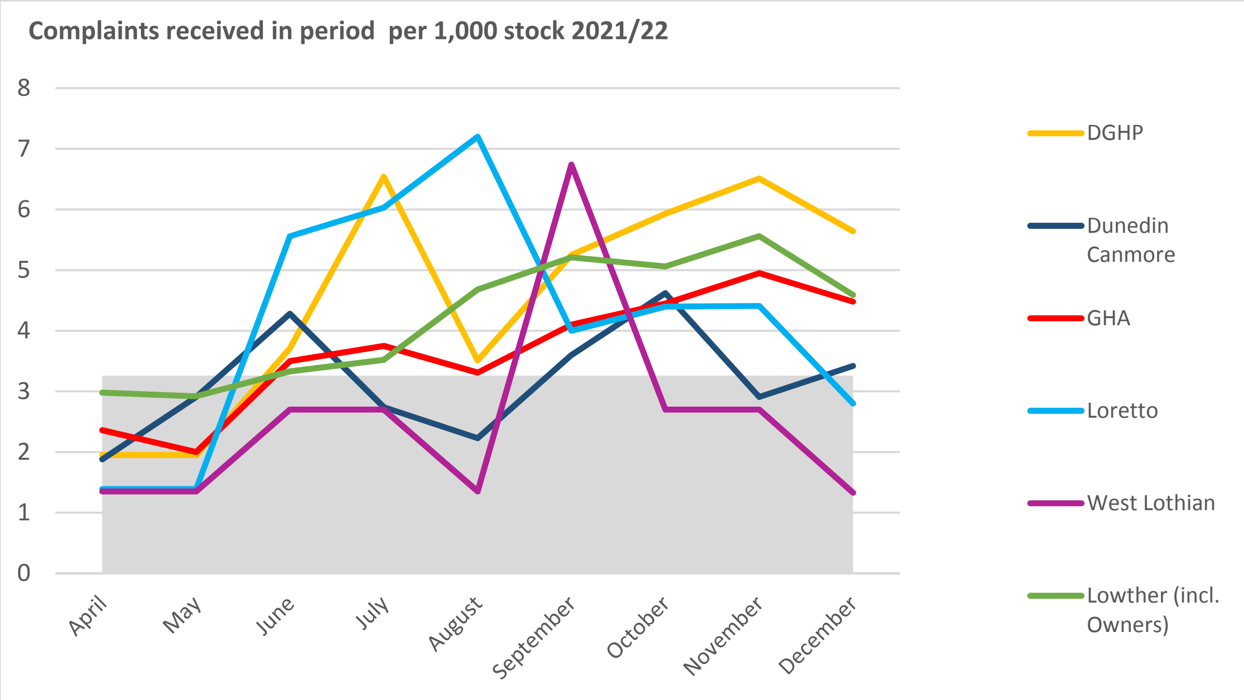
Table 2

Tenancy Sustainment	Charter	Excl. deceased / transfers
GHA	91.45%	93.22%
Group	90.59%	92.38%

Complaints Handling

6.5 The increase in the number of complaints per 1,000 stock received in the recent quarter was expected as demand for services and repairs also increased. The single largest category of complaints continues to be repairs, which account for 45% of our complaints. The bulk of these (34%) relate to quality of repairs service, 21% relates to timescales for carrying out the repairs and 17% is due to missed or late appointments. In the context of the number of emergency and non-emergency repairs completed by us this financial year, a total of 122.6k, the total number of complaints at 1,396 is 1.1%.

Table 3



6.6 We are committed to meeting the Scottish Public Service Ombudsman ("SPSO") guidance on handling complaints efficiently, responding within 5 working days for stage 1 complaints and within 20 working days for those complaints that are stage 2. Our year to the end of December results are shown in the following table.

Table 4

Percentage of complaints Responded to in SPSO timescales	Stage 1		Stage 2	
	Complaints received YTD	Percentage responded to within 5 working days	Complaints received YTD	Percentage responded to within 20 working days
GHA	1,253	94.4%	143	89.7%

Making the Most of Our Homes and Assets

<u>New Build Programme</u>

6.7 The Group's ambition is to build 5,500 new homes over the course of the strategy, with us accounting for 1,515 of these homes. We currently have six projects on-site with 121 handovers completed YTD. The following table shows the variance against targeted progress.

Table 5

Current Projects	Handovers	Target	Diff.	Comment
Totals	121	215	-94	
Auchinlea	23	23	0	Complete
Bellrock	19	0	19	Delayed from March 2021
Main Street, Baillieston	37	12	25	Complete. 25 had been expected in 20/21
Kennishead Avenue	42	48	-6	Complete - 6 completed in March 2021
Watson St Ph2	0	46	-46	Contractor's programme shows all units handing over in May 2022
Sighthill	0	86	-86	Handover of 86 units expected September 21. High level engagement to agree handover of properties in 2021/22.

Planned to Reactive Repairs Spending

6.8 We set a Strategic Result to achieve a ratio of planned to reactive repairs spend of 60% to 40%. Spend figures are subject to investment programme profiling throughout the year. The ratio for us at end of December, shown in the table below, shows that planned spend for us and the Group is better than target.

Table 6

Percentage Spend 2021/22	Planned	Reactive
GHA	62.1%	37.9%
Group total	**62.3%**	**37.7%**

Volume of Emergency Repairs

6.9 The table below shows our position against the Strategic Result to reduce the volume of emergency repairs by 10% by 2026 compared to the baseline year of 2019/20. All emergency repairs volumes are above the 2019/20 levels due to the Scottish Government restrictions that were in place, and our focus on delivering emergency repairs in the early part of 2021/22.

Table 7

Completed emergency repairs to end of December 2021	YTD 19/20	YTD 21/22	Variance
GHA	44,300	49,622	12.10%
Group total	**64,763**	**70,925**	**9.51%**

Repairs Timescales and Right First Time

6.10 The average time taken to complete emergency and non-emergency repairs is detailed in the table below. The high numbers of repairs completed following the end of Scottish Government Covid restrictions at the beginning of summer, and consequent material shortages, meant that the average time to complete both emergency and non-emergency repairs has been higher than our targets.

6.11 Demand continues to be high for the repairs service, with some more complex jobs coming through and levels of emergency call-outs higher than before the pandemic. This increased demand has put pressure on resource levels, which, combined with shortages of some materials, has led to our response times exceeding target.

Table 8

Times to deliver repairs (Charter)	Emergency (hours)		Non-emergency (days)	
	Target	Current Value	Target	Current Value
	3.00	3.09	5.50	7.82

6.12 Increased demand and shortage of materials has led to a delay in completing some non-emergency repairs and our ability to make sure repairs are done right first time (this measure includes a time element).

Table 9

Percentage of repairs right first time (Charter)	2019/20	2021/22 YTD	Target	
	96.3%	92.54%	97.5%	

Medical Adaptations

6.13 Since April, we have completed 1,089 adaptations. There are now 72 households waiting, a significant improvement on 167 reported at the end of Quarter 2.

6.14 The average time to complete adaptations for the year is 44.9 days, slightly above the 43 days reported at the end of Q2, however an improvement on 53 days at the end of the first quarter. We remain above our targeted time.

Table 10

Medical Adaptations	Current Households Waiting	Number Completed YTD	Average Days to Complete	Target
GHA	72	1,089	44.9 days	35
Group	147	1,831	47.9 days	35

Gas Safety

6.15 We continue to be in a 100% compliant position for gas safety, with no further expired gas certificates. Current figures against the rolling 12-month Charter indicator are listed in the table below and have now returned to zero following reported expiries during last year due to the pandemic and restrictions.

Table 11

Gas Safety Checks Unmet	2020/21	YTD 2021/22
GHA	1,536	0
Group	2,149	0

Peaceful Neighbourhoods

6.16 The Group five-year strategic target is that 70% or more of our Group tenancies should be classified as "Peaceful". This figure has remained relatively static since the start of the year and was 68.3% at the end of December.

6.17 Improvement to this measure requires a reduction in Police-recorded ASB in the safe and calm data zones. There are 25 Problem Location Packages currently allocated to CIP officers for action, down from 27 reported last month. Out of the 25 packages, 16 are currently being investigated and 9 are being monitored for any new incidents.

Table 12

Percentage of Wheatley Group tenancies classified as (year to date average):	2020/21		YTD 2021/22	
	Number	Percentage	Number	Percentage
Safe	6,529	7.3%	7,153	8.0%
Calm	20,931	23.3%	21,272	23.7%
Peaceful	62,279	69.4%	61,314	68.3%

Accidental Dwelling Fires

6.18 We set a Strategic Result to reduce Group accidental dwelling fires by 10% against the baseline of a total of 152 fires in 2020/21 (see the following table). We reported 23 accidental dwelling fires in Quarter 3, a reduction on the previous quarter. For the year there have been 107 ADFs compared to 117 in the same period last year.

Table 13

Number of recorded accidental dwelling fires	2020/21				2021/22		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GHA	50	34	33	35	49	35	23
Group RSLs	71	42	48	54	61	45	27
Total RSLs	**215**				**133**		
Upper limit this year to achieve strategic result	**N/A**				**210**		

6.19 To achieve this Strategic Result, 100% of relevant properties have a current fire risk assessment in place. We have also implemented a programme to assess non-relevant properties (MSFs and LivingWell) that are not currently mandated by legislation.

6.20 The Fire Risk Assessment Programme for MSFs and Living Well was due to commence in April 2020. However, due to the restrictions imposed by the pandemic lockdowns, the programme was delayed until October 2020. This delayed the programme by six months. We are currently carrying out an accelerated programme of FRAs across relevant premises.

6.21 The Group H&S and Fire Safety Teams are now prioritising all workloads and resources to accelerate the FRA programme for all Living Well premises and Multi-Storey Flats with a view to full completion of programme by end of March 2022.

Table 14

Fire Risk Assessments	YTD Position	2021/22 Year End Target
The percentage of non-relevant premises that have a current fire risk assessment in place according to risk profile	66.3% (118)	100%
The percentage of relevant premises - HMOs that have a current fire risk assessment in place	100%	100%

Reducing Homelessness

6.22 We made 59% relevant lets to homeless applicants in the year to date, which is just below the 60% target set by Board. Our target has been revised from 65% to 60% at the request of Glasgow City Council. “Relevant lets” excludes mutual exchange, transfers and LivingWell lets for which we are limited to let to homeless applicants. The Charter measure includes these.

6.23 We have improved our in-month lets to homeless in the recent quarter and achieved 64% in December. The previous quarter result was impacted by GCC returning properties unmatched. This issue has now been resolved.

6.24 We have let 1,392 homes to homeless applicants this year. The Group has let 1,977 properties to previously homeless customers in total and will surpass the 2,000 target this year contributing to the strategic result of 10,000 households over the next five years.

Table 15

Percentage of Lets to Homeless Applicants	Relevant lets only				Charter	
	2020/21	December in-month	2021/22 YTD	Target	2020/21	2021/22 YTD
GHA	65.7%	63.9%	59.0%	60%	63.1%	56.2%
Group	63.3%	60.5%	57.1%	56%	59.7%	54.2%

Developing our Shared Capability

Sickness Absence

6.25 We lost 2.98% of working time due to staff sickness absence in the year to end of December, compared to the target of 3% and an improvement on the 2.98% reported at the end of Quarter 2.

Table 16

Sickness Rate	Target	2021/22 YTD	2019/20 YTD
GHA	3%	2.34%	3.09%
Group YTD	**3%**	**4.10%**	**3.56%**

6.26 The top two reasons for absence continue to be stress/anxiety and minor illness. We are continuing to offer enhanced support through various wellbeing and learning programmes and will work closely with our occupational health provider and qualified therapists to ensure we have the maximum support mechanisms in place.

Enabling our Ambitions

Gross Rent Arrears

6.27 Our strategic aim is to reduce arrears down to 4% by 2026 and to achieve a target of 5.35% during this financial year. Our gross rent arrears at the end of December were 5.31% and remains within target.

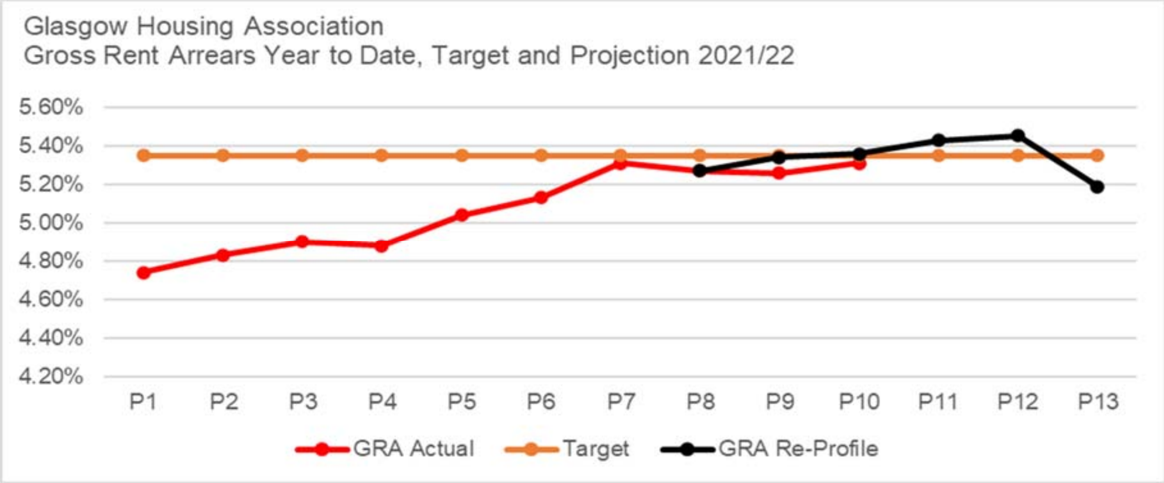
6.28 We continue to perform better than the second quarter Scottish average of 6.22%. The Scottish average gross rent arrears for larger housing providers (+10,000 homes) is 8.33%. This means that we both outperformed the average across sector and within the larger provider comparator group. Quarter 3 comparisons will be published in February 2022.

Table 17

Gross Rent Arrears	Current performance	Annual target	Projection for period	2020/21 Result
GHA A	5.31%	N/A	N/A	4.78%
GHA B	5.37%	N/A	N/A	N/A
GHA	5.31%	5.35%	5.31%	N/A
Group	**4.92%**	**5.03%**	**4.98%**	4.48%

6.29 We are also meeting projected performance for this point in the year as demonstrated in the chart below.

Table 18



<u>Average Days to Re-Let</u>

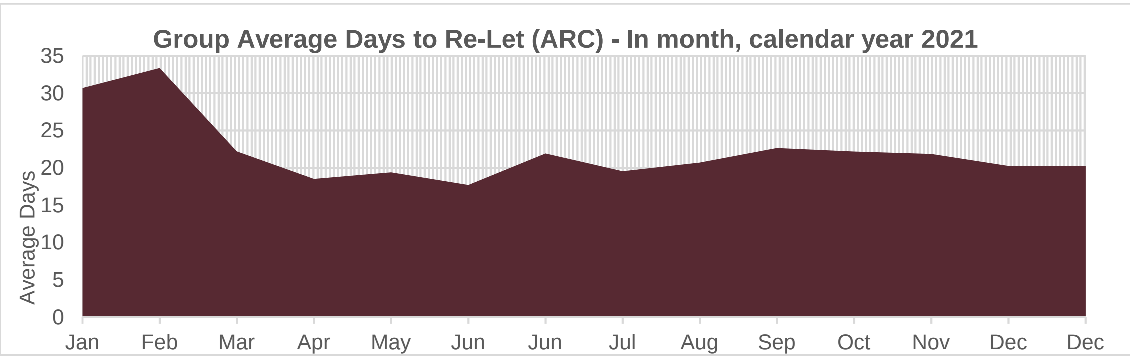
6.30 We have improved our in-month letting times since September, achieving 20.87 days in December, with the YTD position at 22.46 day. This is above the Q3 cumulative target of 20.7 days. Results have been impacted by low demand properties particularly some of the legacy LivingWell homes, increased turnover following the letting being resumed after restrictions and resource issues resulting from the pandemic. A comprehensive options appraisal is being carried out on LivingWell homes in order improve demand and explore long term viability. Our target is set to reduce to 19.9 days in the final quarter. Based on current performance we do not expect to meet this. This is largely due to the fact that we still have over 80 voids to let by March with 50 or over average days to let which are unamendable. SSE cessation of the void metering service has also had an impact upon letting performance. We have adopted a city-wide void event tracker to determine exactly which step of the process generates delays, with the aim of improving performance.

Table 19

Average days to re-let (Charter)	In month December	Current YTD	Target Q3	2020/21 Results
GHA	20.87	22.46	20.7	40.96
Group	20.24	20.62	20.0	40.87

6.31 The following chart shows the <u>in-month</u> Group average days to let this calendar year.

Table 20



Summary of Strategic Project Delivery

6.32 The full list of our strategic projects is attached to this report as **Appendix 2**. Of the 15 strategic projects reported to the Board, two further projects have completed since the previous quarterly report:

- Wheatley Green Investment Plan; and
- Strategic governance review.

6.33 A total of 4 projects have complete this year with a further 5 reporting on track. Six projects have slipped against milestones. The following table shows the status of projects by strategic theme.

Theme	Complete	On track	Slippage	Overdue
Customer Experience	0	3	2	0
Homes and Assets	1	2	1	0
Changing Lives and Communities	1	0	1	0
Developing our Shared Capability	2	0	0	0
Enabling our ambitions	0	0	2	0
Total	4	5	6	0

6.34 The five projects with slippage are:

- Funding – this is subject to an agenda item at this meeting
- Develop a Wheatley Whole Family approach - project was due to complete by 31 March 2022. This project is now expected to complete in April 2022. It is proposed that the milestones are changed to reflect this new completion date.
- Develop new RSL online services model - originally due to complete by 31 March 2022 it is now anticipated that the project will be moved to 2022/23. This project is being reviewed by our Assurance Team as part of the internal review currently underway. Project being reviewed for timing and relevance given the introduction of the Customer First Centre and the work of the New Business Model Steering Group.
- High Rise Living Framework Year 2 - Progress on High Rise Living framework now being reported to the Board workshop in March 2022.
- Review Group Fire Prevention & Mitigation Framework including digital solutions - project is due by 31 March with 2 milestones currently overdue. The Fire Prevention and Mitigation Framework has been reviewed and approved in May 2021 to take account of Group Fire Safety approach during the next 5 years in line with the Group Strategy. Group Fire Safety Team have developed our own Home Fire Safety Visit process (Intervention Resource Request) that is currently being implemented. SFRS Safe and Well remains a concept and will be reviewed by Group Fire Safety Team when launched by SFRS.
- Establish digital maturity approach and assessments - project is due by 28 February 2022. One milestone is overdue with ET update and feedback planned for early Feb 2022.

6.35 The projects overdue is:

- High Rise Living Framework Year 2 - Progress on High Rise Living framework now being reported to the Board workshop in March 2022

Conclusion

6.36 Despite the continuing challenges posed for areas of our business this year, there are areas of strong performance. Customer demand for repairs is stabilising and we are making good progress completing the outstanding repairs our customers need. Arrears performance is strong compared to sector comparison and remain within target and projections. Charter tenancy sustainment has now surpassed the 90% target and staff absence is within target.

6.37 Quarter 3 has seen a continuation of the effects of the pandemic on our operational delivery and, in some instances, the expected impact has been greater than we anticipated. For example, we are seeing average days to let is not meeting target but has improved over the last quarter.

6.38 Our project delivery aims to introduce many of the new ways of working that our strategy is built on. As a Group we are building a more digital, more customer-focused and more efficient business, that will be prepared to deliver both our Strategy and improved performance results in 2022/23.

7. Digital transformation alignment

7.1 There are no digital transformation themes aligned to the content of this report.

8. Financial and value for money implications

8.1 The measures and projects included in this report were agreed as the Performance Framework and Delivery Plan for 2021/22. Both documents focus service delivery and improvement on the key priorities within the Group Strategy to make sure that financial and other resources are aligned with these priorities.

8.2 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. Legal, regulatory and charitable implications

9.1 The Scottish Housing Regulator requires an Annual Return on the Charter from each RSL. Key indicators within this return are also included in monthly performance reporting. RSL Subsidiary Boards approve the returns, and the figures are included in the year-end performance report to the Board. RSLs are also required to involve tenants in the scrutiny of performance, which the Group does through its Tenant Scrutiny Panel, and to report to tenants on performance by October each year.

10. Equality implications

10.1 There are no proposals in this report relating to our duties under equality legislation or that have an adverse impact on equality.

11. Environmental and sustainability implications

11.1 We are developing further measures for environmental and carbon performance which will be brought back to the Group Board for consideration by the end of the financial year.

12. Recommendation

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

List of Appendices

Appendix 1 - Strategic Results and KPIs Dashboard
Appendix 2 - Strategic Projects Dashboard

Appendix 1 - GHA Board - Delivery Plan 21/22 - Strategic Measures – Q3

1. Delivering Exceptional Customer Experience

Measure	2020/21	YTD 2021/22		
	2020	2021		
	Value	Value	Target	Status
Average time for full response to all complaints (working days) - Stage 1	3.23	3.83	5	
Average time for full response to all complaints (working days) - Stage 2	17.77	19.55	20	
% new tenancies sustained for more than a year - overall	89.73%	91.45%	90%	
Group - Average waiting time (seconds)	64.38	119.97	60	
Group - % of first contact resolution at Hub	91.79%	90.46%	80%	

2. Making the Most of Our Homes and Assets

Measure	2020/21	YTD 2021/22		
	2020	2021		
	Value	Value	Target	Status
Reduce the volume of emergency repairs by 10% by 2025/26	April to December 19/20 – 44,300	49,622	+12.10%	
Average time taken to complete emergency repairs (hours) – make safe	2.95	3.09	3	
Average time taken to complete non-emergency repairs (working days)	4.09	7.82	5.5	
% reactive repairs completed right first time	96.84%	92.54%	97.5%	
Number of gas safety checks not met	1,536	0	0	
Average time to complete approved applications for medical adaptations (calendar days)	66.7	44.94	35	

Measure	2020/21	YTD 2021/22		
	2020	2021		
	Value	Value	Target	Status
New build completions - Social Housing	227	84	71	
New build completions - Mid-market	49	37	144	

3. Changing Lives and Communities

Measure	2020/21	YTD 2021/22		
	2020	2021		
	Value	Value	Target	Status
% lets to homeless applicants (relevant lets)	65.7%	59.0%	60%	
% lets to homeless applicants (ARC)	63.1%	56.2%	N/A	
Number of lets to homeless applicants (contributes to 10,000 for Group by 2025/26)	1,561	1,392	N/A	
% ASB resolved	100%	96.88%	98%	
Group - Over 70% of customers live in neighbourhoods categorised as peaceful by 2025/26	69.4%	68.3%	68%	
GHA - Total number of jobs, training places or apprenticeships created including Wheatley Pledge	80	281	230	
Group - 100% of relevant properties have a current fire risk assessment in place		100%	100%	
Group - Non-relevant properties with current fire risk assessment in place		66.29%	100%	
Number of accidental dwelling fires recorded by Scottish Fire and Rescue		107		

4. Developing Our Shared Capacity

Measure	2020/21	YTD 2021/22
	2020	2021

	Value	Value	Target	Status
% Sickness rate	1.05%	2.34%	3%	

5. Enabling Our Ambitions

Measure	2020/21	YTD 2021/22		
	2020	2021		
	Value	Value	Target	Status
% lettable houses that became vacant	7.21%	8.33%	8%	
% court actions initiated which resulted in eviction - overall	33.33%	63.64%	25%	
Average time to re-let properties	40.96	22.46	20.7	
GHA C - Gross rent arrears (all tenants) as a % of rent due		5.31%	5.35%	
GHA A - Gross rent arrears (all tenants) as a % of rent due	4.78%	5.31%		
GHA B - Gross rent arrears (all tenants) as a % of rent due		5.37%		

Appendix 2 - GHA Board - Delivery Plan 21/22 - Strategic Projects

01. Delivering Exceptional Customer Experience

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
Implement new engagement framework - Phase 1 (b)	31-Mar-2022		80%	01. Stronger Voices Team structure agreed via workforce planning and recruited	31-Jul-2021	Yes	To date Customer Voices have been involved in neighbourhood assessments/customer journey mapping/focus groups on services, involving a variety of business leads. This has included the 43 rent focus groups carried out as part of the first phase of rent consultation. A launch of the Customer Voice programme is underway along with the launch of the new Customer First Centre and feedback to customers regarding the consultation on the new way of working/new way of engaging. The Rant & Rave contract for customer feedback has been signed and implementation is underway. The first priorities will be feedback on the Customer First Centre and the Voice of the Employee. ET considered the evaluation of the pilot and customer research into the community app on 21 December and agreed it was appropriate to pause work on this project to enable further customer research into digital engagement and to reassess the scope within the changed operating model
				02. Engagement plan for Customer and Community Voices developed	31-Aug-2021	Yes	
				03. Customer and Community Voices recruited - 50	30-Sep-2021	Yes	
				04. My Community App piloted, evaluated and preferred solution identified and agreed by ET	31-Jan-2022	Yes	
				05. Customer	31-Mar-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				and Community Voices recruited - total 100			
Develop a Wheatley Whole Family approach (b)	31-Mar-2022		40%	01. Scoping stage completed	31-Aug-2021	Yes	Consultant appointed in January and steering group established. Work is now due to complete by the end of April 2022
				02. Consultant appointed and Group project team identified	31-Oct-2021	Yes	
				03. Review of all primary insight and report on initial findings	31-Dec-2021	No	
				04. Customer and staff engagement undertaken	28-Feb-2022	No	
				05. Final report and action plan produced and approved by ET	28-Feb-2022	No	
Introduce new cloud based telephony system (b)	31-Mar-2022		0%	01. Carry out a review of telephony vendors and system capability	31-Jan-2022	No	We are continuing to engage with vendors to test the market and functionality available to us. This work will be complete by the timescale identified. Wider consideration is being given to the timing of implementing the new system given the significant change in the role of the CFC
				02. Review WFM platforms in line with telephony	31-Jan-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				system			subsequent to this project and associated milestones being agreed at the start of the reporting year.
				03. Business case for new cloud based telephony and WFM system approved by ET	31-Mar-2022	No	
				04. Go-live approved by ET	31-Mar-2022	No	
Develop new RSL online services model (b)	31-Mar-2022		0%	01. Identify a leader plus small team of 2-3 in the business to focus on this work	31-Oct-2021	No	This project will be carried forward into 2022/23. The Customer First Centre (CFC) has been introduced since the project was initially conceived, and a new post to lead on our digital service model within this is being created. The focus in the CFC in its early stages is on phone, email and webchat. Some new RSL digital services are already being introduced, such as the environmental service app presented to the Board, but a comprehensive review and future plan will be developed in the new financial year.
				02. Review current online service offerings (baseline)	30-Nov-2021	No	
				03. Identify and engage with relevant service leads for 'baseline' services	31-Dec-2021	No	
				04. Use this to define our digital customer offering, approach and	31-Mar-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				roadmap			
				05. Develop customer digital engagement approach/strategy	31-Mar-2022	No	
				06. Co-ordinate our activity to promote this to customers	31-Mar-2022	No	
Refine Repairs Delivery Model (b)	28-Feb-2022		66%	01 Final 5 year review received from Campbell Tickell	31-May-2021	Yes	A wider repairs transformation programme is under development and will be reported to the Wheatley Group Board in February and partner Boards thereafter.
				02 Develop common approach for repairs service across West, East and South	31-Dec-2021	No	
				03 ET and Board approval of proposals	28-Feb-2022	No	

02. Making the most of our Homes & Assets

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
Implement Group corporate estate model - phase 1 (b)	31-Mar-2022		57%	01. DGHP Dumfries Hub developed and	31-May-2021	Yes	Works commenced on Wallacewell Road, New Mart Road and Dava Street.

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				approved by ET			
				02. Wheatley House prototype complete-	31-Jul-2021	Yes	
				03. New Mart Road Hub developed and approved by ET	31-Aug-2021	Yes	
				04. Deliver Touchdown Points	30-Sep-2021	Yes	
				05. DGHP Dumfries Hub complete	28-Feb-2022	No	
				06. New Mart Road Hub complete	31-Mar-2022	No	
				07. Review Depots with outcome of review and proposals agreed by ET	31-Mar-2022	No	
Wyndford Regeneration (b)	28-Feb-2022		50%	01. Settlement agreement executed	30-Apr-2021	Yes	Update report to GHA Board on 11 February following conclusion of tenant consultation.
				02. Stock classification report to GHA Board	28-Feb-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				03. Strategic Support from GCC received for the delivery of a Wyndford regeneration project.	30-Sep-2021	Yes	
				04. Wyndford masterplan to be agreed with GCC	28-Feb-2022	No	
High Rise Living Framework Year 2 (b)	31-Dec-2021		75%	01. Launch You choose Challenge (10% of MSF sites to spend £10m investment)	31-Oct-2021	Yes	Progress has been reported to the Executive Team and due to be provided to the GHA workshop in March 2022, this will complete the project.
				02. Increase High Rise Living Forum by 25 additional members	31-Oct-2021	Yes	
				03. Provide an update to ET	30-Nov-2021	Yes	
				04. Progress reported to Board	31-Dec-2021	No	
Wheatley Green Investment Plan (b)	31-Dec-2021		100%	01. Develop Wheatley Green Campaign to align with	30-Apr-2021	Yes	The COP 26 campaign was concluded and positive press coverage was achieved for various aspects Dialogue now established

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				COP26			with SG officials on ‘net-zero’ bid with the aim of submitting this financial year
				02. ET agreement of COP 26 Green Campaign	31-May-2021	Yes	
				03. Green Investment Plan engagement with Scottish Government	31-Aug-2021	Yes	
				04. COP26 related campaign activties ends	31-Dec-2021	Yes	

03. Changing Lives & Communities

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
Deliver a group wide Antisocial Behaviour Prevention & Mitigation Framework (ASBPMF) that maps out our approach to preventing, managing and mitigating ASB (b)	30-Jun-2021		100%	01. Draft ASB Prevention & Mitigation Framework prepared for Executive Team consideration	31-May-2021	Yes	The ASB Prevention & Mitigation Framework was approved by the WG Board on Monday 21st June 2021.
				02. Group Board approval of Framework	30-Jun-2021	Yes	
Review Group Fire Prevention & Mitigation	31-Mar-2022		50%	01. Undertake a review and	31-May-2021	Yes	Fire Prevention Mitigation Framework has been reviewed and approved in

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
Framework including digital solutions (b)				update the Fire Prevention & Mitigation Framework			May 2021 to take account of Group Fire Safety approach during the next 5 years 2021 – 2026 Group Strategy Milestone 3 - Partially complete - Group Fire Safety Team have developed our own Home Fire Safety Visit process (Intervention Resource Request) that is currently being implemented. SFSR Safe and Well remains a concept and will be reviewed by Group Fire Safety Team when launched by SFRS. Note: SFRS is unlikely to launch its safe and well model in near future Milestone 5 - Recommendations raised from FRA recorded electronically and tracked in PIMSS – FRA documents uploaded and recorded in PIMSS against Asset no.
				02. Updated Framework approved by Group Board	31-May-2021	Yes	
				03. Explore & develop a Group response to the new Scottish Fire & Rescue Service 'Safe & Well' model	31-Dec-2021	No	
				04. Group response agreed by ET	31-Dec-2021	No	
				05. Explore digital solutions for capturing, recording, managing & reporting on Group Fire Risk Assessments, Fire Intervention Reports and vulnerable person visits	31-Mar-2022	Yes	
				06. Digital	31-Mar-2022	No	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				solutions proposals agreed by ET -			

04. Developing our Shared Capability

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
Develop new leadership development programme (b)	31-Jul-2021		100%	01. Expand existing Leading in a Digital Era programme	31-May-2021	Yes	Scope and content of the senior leadership programme has now been agreed.
				02. New Leadership Development programme developed for all people leaders, reflecting the new operating model	31-May-2021	Yes	
				03. ET approval of new Leadership Development Programme	31-Jul-2021	Yes	
Strategic governance review (b)	31-Oct-2021		100%	01. Scope agreed by Group Board	30-Apr-2021	Yes	The Group Board agreed an implementation plan and this is now being considered by each partner Board
				02. External review	31-Jul-2021	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				undertaken			
				03. Group Board agree recommendation	31-Oct-2021	Yes	
				04. Group Board agree implementation plan	31-Oct-2021	Yes	

05. Enabling our Ambitions

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
Restructure funding syndicate (b)	31-Dec-2021		25%	01. Board agree strategy for restructure	31-Oct-2021	Yes	Update paper on agenda for each Board at their February meeting
				02. Implementation of restructure	31-Dec-2021	No	
Establish digital maturity approach and assessments (b)	28-Feb-2022		71%	01. Revise baseline of current metrics (revisit Azets review)	31-May-2021	Yes	All milestones complete to date and final milestone expected to be completed on time.
				02. Define and establish core maturity metrics across 21/22	30-Jun-2021	Yes	
				03. Define projects and	30-Jun-2021	Yes	

Delivery Plan Project	Delivery Date	Status	% Progress	Milestone	Due Date	Completed	Progress Comment
				activities/outcomes linked to maturity goals across roadmaps			
				04. Communicate targets for progression	31-Jul-2021	Yes	
				05. Perform mid-year review	31-Oct-2021	Yes	
				06. Update on progress to WS Board	30-Nov-2021	No	
				07. Produce end of year report and plan for 2022 for ET approval	28-Feb-2022	No	

GHA

Report

To:	**GHA Board**
By:	**Steven Henderson, Group Director of Finance**
Approved by:	**Martin Armstrong, Group Chief Executive**
Subject:	**Finance Report**
Date of Meeting:	**11 February 2022**

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1. Purpose

1.1 To provide the Board with the financial results for the period to 31 December 2021, including the full year forecast out turn for 2021/22.

2. Authorising and strategic context

2.1 Under the terms of the Intra-Group Agreement between us and the 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.

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

4. Customer Engagement

4.1 No direct implications.

5. Discussion

5.1 <u>*Year to 31 December 2021*</u>

We have reported a statutory surplus of £7,309k for the period to 31 December 2021, which is £215k unfavourable to budget.

The main drivers of the variance are lower grant recognised on new build completions and lower levels of expenditure reported across the majority of lines with the exception of repairs and direct running costs. The underlying financial performance of GHA remains within the parameters of its business plan.

Key points to note:

- Net rental income of £148,768k is £216k lower than budget at 31 December 2021, mainly driven by higher than budgeted levels of void losses during the period to date as a result of slower re-letting after the Covid restrictions eased in the summer.

- Void losses are £377k higher than budget and represent a 0.96% void loss rate compared to budget of 0.7%.

- Grant income of £9,557k has been recognised for 121 completed units across GHA sites at Bellrock, Auchinlea, Kennishead and Baillieston to date. Grant income recognised is £5,370k lower than budget with properties due at Watson and Sighthill now delayed to Q4 and into 2022/23.

- Operating expenditure is £1,858k favourable to budget, with a number of cost lines reporting lower than budgeted spend at December most notably bad debt and demolition costs. The repairs service is fully remobilised and picking up a high level of demand, running £347k higher than budget. Of the £885k unfavourable variance in direct running costs £553k of this is driven by the cost of furnished lets packages, this service was not included in the budget and is generating income to match against the unbudgeted costs. Costs are also higher for insurance and vehicle and fuel costs in the NETS team.

- Gross interest payable of £34,934k is £2,874k favourable to budget driven by lower interest rates on borrowings following the fixed rate loan restructuring in March 2021.

- Net capital expenditure is £66,464k for the year to date, £10,276k lower than budget. Grant claims of £10,734k are £13,443k lower than budget. The profile of grant claims is linked to new build expenditure which is running £15,510k lower than budget to date. New build spend reflects delays in planning approvals and slow progress on sites due to supply issues. Greater spend had been anticipated across a number of sites for GHA including Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson.

- The core capital investment programme variance to budget is £7,191k. The variance includes the reprofiling of the programme in response to challenges in sourcing certain material supplies and also £2m of this relates to more works falling under the VAT shelter.

5.2 *<u>Q3 Forecast at 31 December 2021 for 2021/22</u>*

The full year forecast net operating surplus is expected to be £60,723k, £3,662k lower than budget, mainly due to lower levels of grant income recognised in the year following the reforecast of new build completions and higher expenditure.

After taking account of financing costs, the statutory surplus of £14,006k is £256k unfavourable to budget. Interest costs are lower for the full year reflecting the benefit of the loan restructuring in March 2021.

Excluding the impact of the lower level of grant income recognised, underlying statutory deficit is £3,020k favourable to budget.

5.3 Capital expenditure forecasts have been prepared on a conservative basis and are subject to continued ability to source materials and components to deliver planned works.

- The core investment programme is expected to be lower than budget by £4.4m. £2.2m favourable variance following the ongoing issues in securing material supplies currently experienced across the programme and £2.2m favourable variance in VAT due to works falling under the VAT shelter arrangement.
- The new build programme is £16,664k lower than budget for the year and has been reprofiled to take account of the changes to the approval and scheduling of projects at Calton, Sighthill and Watson with spend at these sites moving forward into 2022/23.

6. Digital transformation alignment

6.1 No direct implications.

7. Financial and value for money implications

7.1 The results for the period to 31 December report a statutory surplus of £7,309k which is £215k unfavourable to budget.

7.2 Underlying surplus after deducting major repairs and interest costs from EBITDA is £10,939k for the period compared to budgeted underlying deficit of £1,408k, a favourable variance of £12,347k. The variance is driven by the lower levels of core investment expenditure and lower interest costs.

8. Legal, regulatory and charitable implications

8.1 No direct implications.

9. Equalities implications

9.1 No direct implications.

10. Environmental and sustainability implications

10.1 No direct implications.

11. Recommendations

11.1 The Board is requested to note the management accounts for the year ended 31 December 2021 and the Q3 full year forecast outturn to 31 March 2022.

LIST OF APPENDICES:
Appendix 1: Finance report – period to 31 December 2021

GHA

Period to 31 December 2021
Finance Report

Better homes, better lives

Period 9 – 2021/22 Finance Board Report

SUMMARY FINANCIAL PERFORMANCE

1. Operating Statement:
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1a) Operating statement P9 – December 2021

	Year To December 2021 Actual £ks	Year To December 2021 Budget £ks	Year To December 2021 Variance £ks	Full Year Budget £ks
INCOME				
Rental Income	£150,204	£150,043	£161	£198,828
Void Losses	(£1,437)	(£1,059)	(£377)	(£1,410)
Net Rental Income	**£148,768**	**£148,983**	**(£216)**	**£197,419**
Other Income	£17,373	£16,734	£639	£18,750
Grant Income	£9,557	£14,927	(£5,370)	£28,859
Total Income	**£175,697**	**£180,644**	**(£4,947)**	**£245,028**
EXPENDITURE				
Employee Costs - Direct	£25,574	£26,136	£562	£35,234
Employee Costs - Group Services	£9,275	£9,192	(£83)	£11,162
ER / VR	£1,022	£1,022	(£0)	£2,741
Direct Running Costs	£9,893	£9,008	(£885)	£12,341
Running Costs - Group Services	£5,408	£5,890	£481	£8,054
Revenue Repairs and Maintenance	£28,895	£28,548	(£347)	£36,921
Bad debts	£1,549	£3,024	£1,475	£4,042
Depreciation	£51,606	£51,606	£0	£68,939
Demolition and Tenants Compensation	£231	£886	£656	£1,205
TOTAL EXPENDITURE	**£133,454**	**£135,312**	**£1,858**	**£180,639**
NET OPERATING SURPLUS / (DEFICIT)	**£42,243**	**£45,332**	**(£3,089)**	**£64,389**
Net operating margin	24.0%	25.1%	-1.1%	
RTB Income	£0	£0	£0	£0
Interest payable & similar charges	(£34,934)	(£37,808)	£2,874	(£50,123)
STATUTORY SURPLUS / (DEFICIT)	**£7,309**	**£7,524**	**(£215)**	**£14,266**

INVESTMENT	Year To December 2021 Actual £ks	Year To December 2021 Budget £ks	Year To December 2021 Variance £ks	Full Year Budget £ks
Total Capital Investment Income	**£10,734**	**£24,177**	**(£13,443)**	**£28,458**
Investment Programme Expenditure	£38,419	£45,611	£7,191	£61,806
New Build Expenditure	£29,042	£44,552	£15,510	£55,725
Other Capital Expenditure	£9,736	£10,753	£1,017	£12,438
TOTAL CAPITAL EXPENDITURE	**£77,198**	**£100,916**	**£23,718**	**£129,968**
NET CAPITAL EXPENDITURE	**£66,464**	**£76,740**	**£10,276**	**£101,511**

Key highlights year to date:

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

- Net operating surplus £42,243k is £3,089k unfavourable to budget. Statutory surplus for the period to 31 December is £7,309k, £215k unfavourable to budget. The main driver of the variance continues to be recognition of a lower level of grant income recognised, offset in part by expenditure savings.
- Net rental income of £148,768k is £216k lower than budget at the end of Q3. Void losses are £377k higher than budget and represent a 0.96% void loss rate compared to budget of 0.7% after a slow start to re-letting after covid restrictions eased in the summer.
- Grant income recognised to date relates to 121 units completed at Bellrock, Auchinlea, Kennishead and Baillieston. The budget assumed the completion of 46 MMR properties at Watson in Q2, which are delayed until Q1 2022/23 due to the ongoing construction and supply issues. In addition, we had budgeted for 86 MMR units for Sighthill, however only 30 units are now forecast to complete in Q4 with the reminder due for completion in 2022/23.
- Total employee costs (direct and group services) are £479k favourable budget, noting that the underspend is reduced by an increased group services recharge following the strengthening of the resources in the new Customer First Centre.
- Total running costs (direct and group services) are £404k unfavourable to budget. Higher direct running costs are driven by higher costs in the furnished lets services of £553k which are matched with additional income. Insurance, vehicles and fuel costs are higher in the NETS service also. Group services recharge is £481k lower, resulting from the continuation of home working
- Revenue repairs and maintenance is £347k unfavourable to budget. Excluding irrecoverable VAT, total spend is £83k unfavourable to budget. Favourable variances to budget are seen across compliance revenue repairs offset by responsive repairs due to the timing of spend and budget phasing.
- Demolition and Tenants Compensation costs report a favourable variance to budget of £656k mainly as a result of the consultation and approval process for Wyndford.
- Gross interest payable of £34,934k represents interest due on the loans due to Wheatley Funding Ltd. YTD costs are £2,874k lower than budget, following the re-arrangement of WFL1's loans in March.
- Net capital expenditure of £66,464k is £10,276k lower than budget. The variance is driven by the lower level of spend in the new build programme and the accelerated grant claim in 20/21 for Sighthill.
- Investment programme spend is £7,191k lower than budget, driven by the core programme, with increased spend expected in Q4. £3,359k of this relates to Capitalised VAT which includes the VAT shelter benefit. Voids and capitalised repairs spend is broadly in line with budget.
- New build spend is £15,510k lower than budget due to reduced spend at P9 across a number of sites including Shandwick Street, Calton Village, Hurlford Avenue, Sighthill and Watson. Progress on Sighthill, Calton and Hurford has been slower to date under the restrictions and a delay at Sighthill in handover of the site to the developer by GCC had also delayed progress.
- Other capital expenditure of £9,736k is £1,017k lower than budget. Other capital spend includes Wheatley House works.

1b) Underlying surplus – P9 December 2021

- The Operating Statement (Income and Expenditure Account) on page 3 is prepared in accordance with the requirements of accounting standards (Financial Reporting Standard 102 and the social housing Statement of Recommended Practice 2014).
- However, the inclusion of grant income on new build developments creates volatility in the results and does not reflect the underlying cash surplus/deficit on our letting activity.
- The chart below therefore shows a measure of underlying surplus which adjusts our net operating surplus by excluding the accounting adjustments for the recognition of grant income and depreciation, but including capital expenditure on our existing properties.
- At December, an underlying surplus of £10,939k has been generated using this measure which is £12,347k favourable to budget. The variance is driven by the lower levels of core investment expenditure and lower interest costs. The budget was profiled to anticipate Covid restrictions on our investment programme in the first quarter, with investment progressively increasing in the second half of the year. That is why the full year budget reflects an underlying deficit of £7,460k.

GHA Underlying Surplus - December 2021

	YTD Actual £ks	YTD Budget £ks	YTD Variance £ks	FY Budget £ks
Net operating surplus	42,243	45,332	(3,089)	64,389
add back:				
Depreciation	51,606	51,606	0	68,939
less:				
Grant income	(9,557)	(14,927)	5,370	(28,859)
Net interest payable	(34,934)	(37,808)	2,874	(50,123)
Total expenditure on Core Programme	(38,419)	(45,611)	7,192	(61,806)
Underlying surplus	**10,939**	**(1,408)**	**12,347**	**(7,460)**

2a) Repairs & Core Programme

Repairs & maintenance

Repairs	YTD P9 Actual £ks	YTD P9 Budget £ks	YTD P9 Variance £ks
Responsive Repairs	8,800	8,162	(638)
Cyclical (local)	1,156	1,105	(51)
Overhead	2,742	2,726	(16)
JV Share of profits	0	0	0
Compliance Revenue	11,054	11,677	623
Total Repairs	**23,753**	**23,671**	**(83)**
Irrecoverable VAT	*5,142*	*4,878*	*(264)*
Grand total	**28,895**	**28,548**	**(347)**

Core programme

Investment Programme Expenditure	YTD P9 Actual £ks	YTD P9 Budget £ks	YTD P9 Variance £ks
Core programme	19,067	23,717	4,650
Capitalised Voids	4,833	5,134	301
Adaptations	2,037	1,025	(1,012)
Capitalised staff	3,064	3,569	504
City Building overhead allocated	3,854	3,854	0
Capitalised Repairs (rot, plasterwork, fencing)	2,125	2,227	103
Fire safety	80	180	100
Capitalised VAT and fees	3,359	5,905	2,546
Total	**38,419**	**45,611**	**7,191**

Repairs & maintenance

- Repairs and maintenance costs are £347k unfavourable to the budget at the end of December 2021. Excluding irrecoverable VAT, the actual variance is £83k unfavourable to budget.
- Responsive repairs are £638k higher than budget, impacted by the increased level of work volume undertaken to address customer demand. The budget allocated to responsive repairs in Q4 has a slightly higher weighting than the previous quarters so the responsive repairs variance is expected to reduce over the last 3 months of 2021/22.
- Local cyclical spend is slightly ahead of the budget profile at P9.
- Overall compliance expenditure is £623k lower than budget. FIT testing and other compliance work are planned for Q4, which will reduce the current underspend to budget. Water management and TMVs are not anticipated to spend the full year budget before the year end, however, any reduction is offset by the higher M&E costs.
- Note that the YTD compliance lifts spend includes a recharge of £131k from Wheatley Solutions for GHA's share of engineering inspections.

Core investment

- Investment covers all areas of our properties and external environment. The service is now fully mobilised, although the availability of supplies and materials has been more challenging. A portion of the underspend is also attributable to jobs falling under the VAT shelter .
- Core programme expenditure for the period to 31 December is £38,419k against a budget of £45,611k, a variance of £7,191k. Expenditure includes central heating repairs, lifts and compliance capital works for installation of smoke detectors and emergency lighting,
- Void costs of £4,833k have been incurred in year to date, against a budget of £5,134k, £301k lower than budget. Void costs, which include repairs and maintenance to extend the life of the properties, are capitalised in line with Group policy.
- Adaptations costs of £2,037k have been incurred by end of Q3, against a budget of £1,025k, £1,012k higher than budget. This has been manly driven by very high levels of customer demand since the service started to remobilise and the completion of any new referrals. Higher demand is expected to continue in the coming months.

2b New Build & Other Investment Expenditure

	*Status	Developer	YTD Actual	YTD Budget	YTD Variance	Full Year FY Budget
ABBOTSHALL AVE	Not approved	TBC	2	0	(2)	0
AUCHINLEA	Complete	ENGIE	515	880	365	880
BELLROCK/CRANHILL	Complete	ENGIE	140	0	(140)	73
CARNWADRIC	On Site	CCG	2,617	3,474	857	4,210
DAMSHOT	On Site	CCG	3,814	3,488	(325)	4,769
FEASIBILITY	N/A	-	61	180	119	180
KENNISHEADNB	Complete	ENGIE	639	308	(331)	308
SHANDWICK ST	Feasibility	CCG	53	2,019	1,966	3,267
RETENTION		-	496	504	8	504
Total Social rent			**8,337**	**10,853**	**2,516**	**14,191**
ASHGILL ROAD	Not approved	CCG	106	0	(106)	0
BAILLIESTON	Complete	MACTAGGART	753	250	(503)	250
CALTON B	TBC	TBC	137	0	(137)	0
CALTON C	TBC	TBC	43	0	(43)	0
CALTONVILLAGE	On site	MACTAGGART	3,957	8,669	4,712	11,477
DOVEHILL	On Site	CCG	2,176	2,500	324	2,808
HURLFORD AVENUE	On Site	CCG	5,869	7,877	2,008	9,186
SIGHTHILL	On Site	KEEPMOAT	2,429	7,966	5,537	10,439
SHAWBRIDGE ST	Not approved	MACTAGGART	20	0	(20)	0
SHAWBRIDGE ARC	Feasibility	CCG	75	0	(75)	0
SPOUTMOUTH	Not approved	CCG	82	0	(82)	0
WATSON	On Site	CCG	2,468	3,691	1,223	3,691
Total Mid Market rent			**18,115**	**30,953**	**12,838**	**37,851**
Land Acqusition		-	262	743	481	1,012
Development fund		-	-	338	338	450
GHA		-	**26,714**	**42,887**	**16,172**	**53,504**
Capitalised staff		-	**2,328**	**1,665**	**(662)**	**2,220**
Total NB Investment			**29,042**	**44,552**	**15,510**	**55,724**

Key commentary:

Investment spend on new properties of £29.0m has been incurred by end of December. This is £15.5m lower than budget. All sites under construction have now restarted, with Covid-19 related measures still in place.

Social Rent:

- Carnwadric (SR/22) -: Project approved, and site commenced in January 2021. Spend to date is £860k under budget and handovers planned February 2022.
- Damshot (SR/26): Project approved and started in March 2021, with spend to date of £3.8m and is £325k adverse to budget. Handovers now planned for March 2022.
- Shandwick St (SR/47): A solution has been found to the main constraint of relocating water voles and some enabling works will take place this financial year along with some land assembly, both elements are fully grant funded.

Mid Market Rent:

- Calton Village (MMR/123): Approved and on site on 29 March 2021, enabling works almost complete and additional grant being requested for increased costs. Piling works underway and spend therefore increasing.
- Dovehill (MMR/32): Site commenced in August 2020. Extension of Time approved and handover anticipated in February 2022.
- Hurlford Avenue (MMR/70): Construction started in November 2020 and handovers are due in January and February 2022. All grant now claimed.
- Sighthill (MMR/198): Progress has been restricted due to COVID restrictions, with spend falling behind budget. First completions were due in July 2021, now rescheduled to start in January 2022. L+A Damages being claimed. Contract being closely monitored. Phase B will now start later than programmed.
- Watson (MMR/46): Extension of Time now granted due to weather, obstructions and Covid-19. Handovers now anticipated in May 2022.
- Ashgill (MMR/58): Acquisition and demolition enabling works approved and due in 21/22, fully grant funded within the financial year. Project in Lowther programme.
- Shawbridge Arcade (MMR/71): Acquisition and demolition enabling works to be approved in January 2022, both fully grant funded within the financial year. The demolition tender is out and a demolition warrant has been approved.
- Shawbridge Street (MMR/35): A tender application is anticipated in March 2022 with a site start in summer 2022.

3. Q3 Forecast

Full Year Forecast	Budget £'000	Qtr3 Forecast £'000	Variance £'000
INCOME			
Net Rental Income	197,419	197,053	(366)
Grant Income	28,859	25,583	(3,276)
Other Income	18,750	19,450	700
Total Income	**245,028**	**242,086**	**(2,942)**
EXPENDITURE			
Employee Costs	46,400	46,687	(287)
ER/VR	2,741	2,741	-
Running Costs	20,395	20,803	(408)
Repairs & Maintenance	36,921	37,846	(925)
Bad debts	4,042	4,042	
Depreciation	68,939	68,939	-
Demolition	1,205	305	900
Total Expenditure	**180,643**	**181,363**	**(720)**
NET OPERATING SURPLUS	**64,385**	**60,723**	**(3,662)**
Interest Payable	(50,123)	(46,717)	3,406
STATUTORY SURPLUS/(DEFICIT)	**14,262**	**14,006**	**(256)**
INVESTMENT			
Total Capital Investment Income	**28,458**	**11,942**	**(16,516)**
Total Expenditure on Core Programme	61,803	57,403	4,400
New Build & other investment expenditure	55,725	39,061	16,664
Other Capital Expenditure	12,438	12,438	-
TOTAL CAPITAL EXPENDITURE	**129,966**	**108,902**	**21,064**
NET CAPITAL EXPENDITURE	**101,508**	**96,960**	**4,548**

Comments:

- The forecast operating surplus outturn of £60.7m is £3.7m adverse to budget. After taking account of financing costs, the statutory surplus of £14.0m is £0.3m unfavourable to budget. The key drivers of this variance are the lower levels of grant income recognised in the year following the reforecast of new build completions and higher expenditure offset by interest savings following the fixed rate loan restructuring in March 2021.
- Net rental income is forecast to be £0.4m adverse to budget. Grant income recognised is £3.3m adverse to budget as a result of the delay in the completion of new build properties with the completion dates on properties at Sighthill and Watson sites moving forward into 2022/23.
- Other income is forecast to be £0.7m higher than budget primarily driven by the ongoing unbudgeted furnished lets income offset by a forecast reduction to income budgeted for district heating. Direct running costs include increased costs in relation to these activities.
- Total expenditure is expected to be £0.7m adverse to budget.
- Employee costs are forecasting a £0.3m increase due to additional group services employee costs following the creation and then strengthening of the Customer First Centre.
- Running costs are forecasting a £0.4m increase with group services running costs savings from the working from home model being offset by an increase in furnished lets costs which are generating additional income and higher insurance costs.
- Repairs costs are expected to be £0.9m higher than budget, driven by higher levels of repairs due customer demand and increases in materials costs. The forecast has been prepared on prudent basis.
- The increases in expenditure is offset by lower demolition costs reflecting the updated schedule for the works with cost moving into 2022/23 and forecast interest savings as a result of the re-arrangement of WFL 1 loans in March from fixed to variable rate loans.
- New build grant receipts are expected to be £16.5m lower than budget following the changes to the profile of claims linked to the rephasing of work on new build sites.
- The core investment programme is expected to be lower than budget by £4.4m. £2.2m favourable variance following the ongoing issues in securing material supplies currently experienced across the programme and £2.2m favourable variance in VAT due to works falling under the VAT shelter arrangement.
- The new build investment is expected to be £16.7m lower than budget, deferring these costs into 2022/23. The original budget assumed 385 units would be completed in 2021/22, this has now been revised to 301 units. Properties at Sighthill (102 units) and Watson (46 units) are now forecast to complete in 2022/23 offset by completions in 2021/22 for Bellrock and Baillieston, delayed from the previous financial year and completions at Damshot due to complete in 2022/23 now completing in March 2022.

4. Balance Sheet

GHA Balance Sheet	Current Month As at 31 December 2021 £000's	Previous yr end As at 31 March 2021 £000's
Fixed Assets		
Social Housing Properties	1,365,660	1,395,530
Properties under construction	98,455	47,203
Other tangible fixed assets	51,188	46,823
Investment properties	46,167	46,167
Investments - other	8,386	8,387
Fixed Assets	**1,569,856**	**1,544,110**
Debtors Due More Than One Year		
Development Agreement	(0)	12,201
Inter Company Loan	29,075	29,075
Pension Asset	5,842	5,842
Current Assets		
Trade debtors	644	0
Rent & Service charge arrears	9,546	14,950
less: Provision for rent arrears	(6,195)	(5,559)
Prepayments and accrued income	6,127	5,588
Intercompany debtors	5,154	10,167
Other debtors	1,045	2,244
	16,320	**27,390**
Bank & Cash	1,809	6,651
Current Assets	**18,130**	**34,041**
Current Liabilities		
Trade Liabilities	(3,752)	(3,523)
Accruals	(22,246)	(26,861)
Deferred income	(35,672)	(28,854)
Rents & service charges in advance	(8,801)	(7,778)
Intercompany creditors	(19,740)	(24,210)
Other creditors	(6,534)	(8,454)
	(96,744)	**(99,680)**
Net Current Assets	**(78,615)**	**(65,640)**
Long Term Liabilities		
Contingent efficiencies grant	(40,704)	(40,704)
Bank finance	(863,938)	(858,938)
Bond finance	0	0
Development Agreement	0	(12,201)
Provisions	(1,853)	(1,853)
Deferred income	(6,200)	(6,200)
Other creditors	(463)	0
Long Term Liabilities	**(913,158)**	**(919,896)**
Net Assets	**613,001**	**605,692**
Capital & Reserves		
Retained Income b/fwd	211,218	211,218
Income & Expenditure	7,309	0
Revaluation Reserves	394,474	394,474
Funding Employed	**613,001**	**605,692**

Key Commentary:

- The balance sheet reported reflects the 31 March 2021 year end audited statutory accounts position including year end statutory adjustments for the valuation of housing properties, pension valuations and the fair value of the Scottish Government loan.
- The fixed asset movements from the year end reflects investment in the core programme, the new build programme, and any other fixed asset additions, less depreciation to date.
- **Debtors due after more than one year:** The intercompany loan debtor relates to the £30m of convertible debt with Lowther Homes Limited. This is revalued on an annual basis.
- The change to the pension asset relates to the annual update to the valuation.
- Current Assets (excluding cash) are broadly in line with the year end balance, mainly driven by the reduction to rent arrears offset by an increase in intercompany debtors.
- **Short-Term Creditors** – Amounts due within one year of £96.7m is £3 lower than the year end position, with higher levels of deferred income of £6.9m and prepaid rents of £1.1m offset by lower intercompany £4.5m, accruals £4.6m and other creditors £2.0m. Deferred income primarily relates to housing association grant received for the construction of new build properties which is released on property completion.
- **Loans** net of amortised fees of £863.9m relate to funding drawn down from WFL1. This is £5.0m in current year.

GHA