



**WHEATLEY HOUSING GROUP LIMITED
SC426094**

**MEETING OF BOARD OF DIRECTORS
held at Wheatley House, 25 Cochrane Street, Glasgow G1 1HL**

on Wednesday 19 February 2020

Directors Present: Alastair MacNish (Chair), Jo Armstrong, Martin Armstrong, Jo Boaden, Bryan Duncan, Professor Paddy Gray, Sheila Gunn, Bernadette Hewitt, John M Hill, Martin Kelso, Angela Mitchell and James Muir

In Attendance: Anthony Allison (Director of Governance), Steven Henderson (Group Director of Finance) and Tom Barclay (Group Director of Property and Development, items 10 and 11 only), Olga Clayton (Group Director of Housing and Care, item 9 only), David Fletcher (Director of Development, item 11 only) and Jackie McIntosh (Director of Property Development and Initiatives, item 10 only)

1. Apologies for Absence

Apologies were received from Peter Kelly and Mary Mulligan

2. Declarations of Interest

The Board noted the standing declarations of interest.

3. Minutes of Meeting held on 18 December 2019 and 31 January 2020 and Matters Arising

Decided: The Board approved the minutes of 18 December 2019 and 31 January 2020

4. Group CEO Update

The Board received an update on of the following matters: the Scottish budget; Board and Executive recruitment; and the upcoming Scottish Housing Regulator Regulatory Judgement.

5. a) Business Plan Financial Projections

The Board received a detailed presentation covering: our financial structure; key metrics and projected 5-year performance against the metrics; key assumptions; and sensitivity and stress testing.

The Board discussed the business plan projections at length, in particular the level of headroom we have, the proposed changes to the Golden Rules and how the plan reflects our strategic direction. The proposed changes to the Golden Rules and underpinning rationale were set out in further detail. The Board agreed the change would reduce refinancing risk and that this was appropriate.

The proposals in relation to investment in assets and services were set out in further detail. The Board considered the proposals in depth, in particular the development programme assumptions, implications for our debt per unit covenant and the funding required over the next 5 years.

It was noted that all partner financial projections were subject to review and agreement by their respective Boards, with no material issues identified.

Decided: The Board:

- 1) approved the updated projections for investment in assets and services in support of our strategy, *Inspiring Ambition, Unleashing Potential*;**
- 2) approved the updated RSL Borrower Group financial Golden Rules;**
- 3) approved the financial projections for each of the subsidiaries and City Building; and**
- 4) agreed that the projected 2020/21 figures form the basis of next year's annual budgets for each subsidiary and the Group overall.**

b) Rent and Other Charges 2020/21

The Board received feedback from the extensive consultation process and confirmation that it was considered in depth by the respective partner Boards. The Board discussed the consultation process at length, in particular how we will continue to evolve our approach in future. It was explained that this will be a consideration as part of the implementation of the new Group Engagement Framework.

The Board discussed the feedback received in relation to affordability and how we refine our approach to understanding affordability implications across our geographic footprint. It was explained that our approach is scheduled for review in advance of next year's rent setting process.

The Board discussed the positive feedback from the consultation on our wraparound services and how they can make a material contribution to affordability in terms of the cost of a home more widely.

Decided: The Board:

- 1) Considered the feedback received through the extensive consultation process with tenants on our 2020/21 RSL rent and service charge increase; and**
- 2) Approved Cube, DCH, GHA, LHA and WLHP within the Group applying a 3.4% rent and service charge increase for 2020/21 and formally writing to tenants to confirm this; and**
- 3) Approved the application of the lower rent and service charge increases of rates of 2% for transferring Barony tenants and DGHP tenants.**

6. Funding update

The Board received an update on funding across the Group, including details of: the proposed DGHP agreement with Allia; updates to loan arrangements and associated business benefits; and on lending arrangements.

The Board considered the proposed changes and the impact they will have on the overall funding position for the Group, agreeing they would reduce funding-related risk by strengthening the liquidity position of DGHP and improving the financial flexibility and loan covenant position of our RSL Borrowing Group.

Decided: The Board:

- 1) Approved DGHP entering into a new loan agreement with Allia;**
- 2) Approved the delegation of authority for any non-material changes to the Group Director of Finance and authorised the Group Director of Finance and/or the Director of Treasury to sign the finalised Allia loan agreement documentation;**
- 3) Noted the proposed loan amendments to our WFL 1 facilities which will be presented to the WFL 1 and all RSL Boards for final approval; and**
- 4) Approved that Loretto Care, RSLs and WFL1 enter into an intra-group loan agreement.**

7. DGHP Transformation Programme

The Board received a detailed update on progress to date delivering the partnership commitments and the proposed transformation programme workstreams. It was explained that repairs remain a key focus and we are continuing to engage stakeholders.

The Board discussed the transition of the repair service, in particular how we maintain continuity of service for tenants and manage counterparty risk. It was explained there is a high level of engagement with counterparties to mitigate this risk. The Board further discussed the IT system to be used for the repairs service and how we can utilise City Building to support any service delivery contingency arrangements.

The Board discussed how we are contributing to the local economy, including via the Wheatley Foundation Better Lives programme. It was confirmed that we are engaging with local institutions and stakeholders, including in relation to job creation.

The Board welcomed the overall progress to date.

Decided: The Wheatley Board:

- 1) agreed the proposed transformation programme, and**
- 2) agreed the proposed managed service arrangement with St Gobain for building materials as part of DGHP's in-house repairs service.**

8. Group integration update

The Board carefully considered the proposed dissolution of Barony Housing Association Limited which transaction was first approved by the Board on 27 February 2019. The Board discussed in particular the progress being made towards:

- Wheatley Housing Group Limited becoming the parent company of Loretto Care in place of Loretto Housing;
- the transfer of Barony Housing Association Limited's care business to Loretto Care by way of a business transfer agreement between those entities
- the transfer of 215 of Barony Housing Association's housing stock in West Lothian and Bo'ness to West Lothian Housing Partnership Limited by way of a stock transfer agreement between those entities
- the transfer of engagements of the residual business of Barony Housing Association Limited to Dunedin Canmore Limited

Decided: The Board:

- 1) noted progress in developing our single care vehicle, Wheatley Care, and the transfer of Barony's housing stock;**
- 2) confirmed and agreed to effect the integration outlined in the report; and**
- 3) delegated authority to any of the Chair, Vice-Chair or Group Company Secretary to submit a letter of application on behalf of the Company to become the parent of Loretto Care and thereafter to effect a company name change from Loretto Care to Wheatley Care by way of special resolution.**

9. Alliancing (presentation)

The Board received a detailed presentation setting out: homeless legislative and policy landscape for social care and housing at local and national level; the evolving care commissioning environment; the Glasgow Alliance to End Homelessness objectives and development process; our proposed role, including service scope; and the contract and risk management factors and associated mitigations.

The Board discussed our current performance in relation to lets to homeless, which we are seeking to increase. The operating and regulatory context within Glasgow was set out in further detail, including the proportion of applicants we receive and the referral process and how it impacts performance.

The Board discussed where the risk providing services rests between us and the counterparties. The approach was set out in detail, confirming the duty of care remains with the statutory authority and that the key focus was a redesign of the system supported by contractual arrangements thereafter.

The Board further discussed the legal obligations we would commit to as part of the alliancing arrangements. The respective roles and responsibilities of partners, including liability for any non-performance of other partners, was set out in further detail.

The Board discussed the anticipated level of efficiencies to be achieved and the risk of them not being achieved. The specific mitigations, such as veto power and need of unanimity with all partners for any proposals were set out more detail.

The Board reiterated our commitment to playing a strong role in alleviating homelessness and it was confirmed a Homelessness Framework was under development which would set out the value we can offer.

Decided: The Board noted the update

10. Group Repairs & Maintenance Policy Framework

The Board received a summary of the key elements of the framework, which is based on the My Repairs model. The customer led focus of the framework was reiterated and the way we have engaged our customers in developing the framework.

The Board considered the framework and welcomed the very clearly defined roles and responsibilities and that it will be further refined at partner level across the Group.

The Board reiterated the importance of the service for customer satisfaction and the customer value drivers being at the heart of its implementation.

Decided: The Board:

- 1) Approved the Group Repairs & Maintenance Policy Framework;**
- 2) Recommended the adoption of the Group policy framework by all landlord Group Member Organisations and Preparation of their own tailored Repairs & Maintenance Policy Frameworks, for approval by their board; and**
- 3) Otherwise noted the content of this report.**

11. a) Group New Build Performance Report

The Board received an update on progress for the year to date with the development programme.

The Board discussed progress to date, our projected outturn and the next steps in relation to Jarvey Street.

Decided: The Board noted the contents of the report and the attached Group New Build Performance Dashboard to 31 December 2019.

b) Group Five Year Development Programme

The Board received a detailed presentation setting out: projected completions over the next 5 years; a breakdown of completions by tenure and geographic area; and market conditions in our core development areas.

The Board discussed the feedback from partner Boards, which had each considered their individual 5 year programmes, on how they will seek to continue to identify a pipeline for the latter years of the programme and the balance across our geographic footprint.

Decided: The Board:

- 1) approved the Group five-year development programme;**
- 2) noted that the five-year development programme will be reviewed annually and presented in the February of each year, in conjunction with the presentation of the Group Business Plan; and**
- 3) noted that a report and presentation of the respective development programme is planned to each RSL Board for approval, in the February 2020 cycle of meetings.**

c) DGHP New Build

The Board received a presentation setting out the location, tenure mix and costs for each of the four sites under consideration. The nature of each of the sites, including the challenges which impact the overall cost, was set out in further detail.

The Board considered the financial appraisal of the sites and the factors which have impacted on the development costs. The Board sought, and received an assurance about the level of demand for the properties.

The Board discussed the risk of the projects costs increasing further during the development phase and it was confirmed that we did not consider this to be a high risk at this stage. It was further explained that due to the nature of the sites, this risk profile would be subject to review.

The Board recognised the projects were already in progress prior to DGHP joining the Group and noted their strategic significance.

Decided: The Board approved that DGHP/DGHP3:

- 1) enter into a contract with Ashleigh (Scotland) Limited for the construction of 12 homes of social rent housing at Queensberry Square, Sanquhar, at a construction cost of £1.85m and a total development cost of £2.18m, inclusive of land costs;**
- 2) enter into a contract with Ashleigh (Scotland) Limited for the construction of 32 homes of social rent housing at Lincluden Stables, Lincluden at a construction cost of £6.64m and a total development cost of £7.49m, inclusive of land costs;**
- 3) enter into a contract with City Building (Contracts) LLP for the construction of 5 homes of social rent housing at Monreith, at a construction cost of £0.83m and a total development cost of £1.02m, inclusive of land costs;**
- 4) enter into a contract with McTaggart Construction for the construction of 19 homes of social rent housing at Nursery Avenue, Stranraer, at a maximum total development cost of £4.70m, inclusive of land costs; with**
- 5) all of the above being subject to a minimum grant level of £6.16m being awarded as set out in the report.**

6) noted that the DGHP Board will be briefed at their meeting on 26 February 2020 on the Group Board's consideration of the four priority projects.

12. Group Delivery Plan 2019-20: Quarter 3

The Board received a summary of performance over the period, in particular the ongoing impact of Universal Credit on performance and projects where we propose to re-profile the completion dates.

The Board discussed performance in the customer service centre and the likelihood of achieving our year-end target. It was explained that we have made changes to the resourcing within the customer service centre with a focus on improving performance and have seen a subsequent improvement in performance.

It was agreed an update on the new complaints process be brought to a future meeting.

The Board considered the rationale for the projects where completion was anticipated by this stage and agreed how the projects should be re-profiled for Board consideration.

Decided: The Board

- 1) Agreed that the projects in relation to adaptations (paragraph 6.3), Group workforce planning (paragraph 6.4) and customer experience (paragraph 6.5) should be moved to the 2020-21 Delivery Plan; and**
- 2) Noted the contents of the remainder of the report.**

13. Group Procurement – Annual Strategy

The Board discussed the annual strategy and reiterated the importance of leveraging community benefits for our customers and in particular supporting digital inclusion.

The Board further discussed how we can work with technology providers and partners, Intellectual Property rights where we are co creating digital approaches and how we can leverage existing national frameworks.

The Board considered the future legal and regulatory environment for procurement when the UK leaves the EU and the potential divergence in policy within the UK. It was confirmed this remains under review and will be factored into our annual strategy updates.

The potential to further leverage our supply chain to promote sustainability, particularly carbon reductions, was discussed. It was confirmed that this is a specific focus within our development programme as well as considering the potential for retro fitting.

Decided: The Board:

- 1) Approved the Group Procurement Strategy (2020 – 2022); and**
- 2) Approved the Group Procurement Policy 2020 and its continued designation as a Group Policy.**

14. Insurance Tender

It was explained that the insurance contract is our most significant outwith the development programme. A summary of the outcome of the procurement process was provided as well as details of the extensive additional due diligence we have undertaken on the proposed property damage provider.

The Board discussed further the due diligence feedback on the proposed property damage insurer and welcomed the direct engagement with other wider UK sector organisations as part of this.

Decided: The Board approve the appointment of the following providers for the provision of insurance contracts for a period of three years with an option to extend for a further two years:

- 1) Ocaso Insurance - Property damage (£250k excess option for GHA, £10k excess for all other RSL subsidiaries and Lowther Homes);
- 2) QBE - Combined liability (£100k excess for GHA, £500 excess for all other subsidiaries); and
- 3) Zurich – Motor vehicles (£250 excess)

15. Finance Report

The Board received a summary of financial performance for the year to date, with the variation being driven by grant income set out in further detail.

The Board considered financial performance, particularly employee costs and the translation of our strong letting performance. The full year forecast was further discussed in terms of variances and the overall projected final outturn.

Decided: The Board noted financial performance for the Group to 31 December 2019

16. Group Treasury Report

The Board received an update on treasury management activity across the Group.

Decided: The Board noted the content of the report.

17. Gender Pay Gap (presentation)

The Board received a presentation setting out our gender pay gap reporting for the year and recent successes in workforce planning interventions within the environmental and housing officer staffing populations in GHA.

Decided: The Board noted the contents of the presentation.

18. AOCB

There was no other competent business.

Signed:

Date: